国美电器

Stock Code: 00493

OMNI CHANNEL RETAILER

Interim Report 2014

CONTENTS

FINANCIAL HIGHLIGHTS AND BUSINESS SUMMARY

Financial Highlights

	First half of 2014 RMBm	First half of 2013 RMBm
Revenue	**29,124**	27,114
Gross profit	**4,430**	4,150
Consolidated gross profit margin*	**18.83%**	18.34%
Profit from operating activities	**738**	349
Profit attributable to owners of the parent company	**693**	322
Earnings per share		
– Basic and diluted	**RMB4.1 fen**	RMB1.9 fen
Interim dividend per share	**RMB1.63 fen**	RMB0.56 fen

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

Business Summary

- During the reporting period, adhered to the "Open Omni-Channel Retailer" strategy, the Group delivered outstanding results
- The Group focused on the optimization of its store network and cost structure as well as the development of super flagship stores in the first-tier market while carried out "satellite stores" around "flagship stores" expansion model in the second-tier market
- The Group extended its business and increased its revenue by promoting the strategic alliance with department stores, supermarkets and local chain stores
- The Group started to develop its online business into an omni-channel products and services platform with core competitive advantage in direct home appliance retailing in order to meet various customer demands
- Through optimization on procurement, information system, logistic network and logistic services, customer experience and customer satisfaction were greatly enhanced and improved

Overview

During the reporting period, GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") delivered excellent results by seizing opportunities in the complex operating environment under its "Open Omni-Channel Retailer" strategy and actively pursued its internal reforms to adapt to the volatile external environment.

During the reporting period, the Group recorded sales revenue of approximately RMB29,124 million, up 7.41% as compared with RMB27,114 million in the same period last year. Sales growth for comparable stores was approximately 7.25%. Consolidated gross profit margin grew 0.49 percentage points from 18.34% in the same period last year to approximately 18.83%. Profit attributable to the owners of the parent company substantially increased by 115.22% from RMB322 million for the same period last year to approximately RMB693 million. Moreover, the Group's cash and cash equivalents increased from RMB9,016 million as at 31 December 2013 to approximately RMB13,074 million as at 30 June 2014.

To better tap the development potential in the internet era, the Group has undertaken a strategic change to evolve into an "Omni-Channel Retailer" to meet the strategic needs of the "online+offline+mobile" business model. As part of this move, the Group further enhanced its services in the core cities to widen its regional footprint and offer its customers cross-borders and cross-channels services. In respect of physical stores, the Group has focused more on home appliances and consumer electronic products and introduced more products from leading and influential brands, diversified its business portfolio and equipped stores with intelligent devices. For its e-commerce business, the Group has strengthened its operations by starting sales of diversified products on multiple platforms. Meanwhile, the Group will continue to leverage on its strengths in its consolidated supply chain value platforms, including procurement, information system and logistics, as well as fully launch the GOME's open and cost-efficient supply chain in the market. Moving forward, GOME will gradually become the leading and most professional omni-channel retailer in China by leveraging on its industry-leading platform.

Industry Environment

In the first half of 2014, while the global economic recovery remained slow, China's GDP grew 7.4% which fell within the reasonable floating range of its annual 7.5% target. The focus of China's economic development has shifted to the quality of economic growth rather than the rate of growth, and the overall economy has grown in a stable manner. In the long term, with the steady development of the Chinese economy, the home appliance market will also maintain an upward trend in its overall development.

During the reporting period, the Chinese government stepped up its effort in promoting the urban-rural integration, resulting in a gradual increase in urbanization and consequently consumption among residents. The consumption model also changed with the increasing purchasing power of young consumers, which in turn directed the transformation in the retail channels of the home appliance industry. The dual driving forces of consumption level and consumption pattern have opened up tremendous growth opportunities for the home appliance industry and the consumer electronic product markets.

To tap the market potential, the Group has been focusing on customer demand under its “Open Omni-Channel Retailer” strategy. It will strive to achieve sales growth and enhance its profitability by optimizing and developing its store network, promote the rapid growth of its e-commerce and mobile terminal business, reinforce the integration of various channels, establish an open supply chain platform and improve the quality of its after-sale services.

Business Review

Developing and Optimizing Store Network

This year, the Group plans to further optimize its network in the first-tier market by opening new stores in the unoccupied areas of major commercial districts and accelerating the pace of mega store openings in emerging commercial districts, while closing community stores and loss-making stores. During the reporting period, the Group added 21 new stores, closed 24 underperforming stores and renovated 31 flagship stores in the first-tier market.

Meanwhile, the Group continued to penetrate into second-tier market by opening “satellite stores” around “flagship stores”. It stepped up its effort in developing the network in the second-tier market and further tapped the demand to develop in the second and third-tier cities by opening key stores in regional commercial districts. During the reporting period, the Group added 34 new stores, closed 18 underperforming stores and has entered into 238 cities in the second-tier market.

To improve the store environment and customers’ shopping experience, the Group started providing free Wi-Fi services at its stores, which facilitated the full-range online price comparison. Service bells have also been installed to provide a higher level of customized services, which helped to boost transaction rates. Smaller stores, however, grew by providing comprehensive product categories and convenient services. The Group’s stores have been providing customers with a timely, comprehensive and brand-new electronic shopping experience through vivid experience, consultant-guided shopping and one-stop services. During the reporting period, sales of the Group’s comparable stores rose 7.25% year-on-year.

At the end of the reporting period, the Group owned 1,088 stores, with its sales network spanning 264 large and medium-sized cities nationwide and total store retail space of approximately 3,589,000 sq.m. The average retail space per store was approximately 3,299 sq.m., down 1.26% compared with 3,341 sq.m. at the end of 2013. With the inclusion of the 517 Non-listed GOME Group stores managed by the Group, the total number of stores being operated by the Group and the Non-listed GOME Group reached 1,605.

In addition, the Group actively promoted the strategic alliance with various channels including department stores, supermarkets and local chain stores. During the reporting period, the Group has increased its sales revenue through 79 cooperating stores with Wumart, Guangzhou Mopark and Wuhan Guomao.

Accelerating E-Commerce Development

The Group's e-commerce business focused on customer experience and continued to enhance customer loyalty by optimizing every core component of the business, including the home page experience, product page experience and personalized pages. By leveraging on the Group's supply chain, the e-commerce business has maintained its strengths in its diversified product portfolio and delivery of traditional home appliances. The Group has also attracted suppliers of traditional home appliances, 3C products, small home appliances and department stores to list their products on its open marketplace. This allows the full deployment of its strengths in product display, marketing, product breadth and internet traffic to increase its overall sales volume. In the first half of 2014, online sales (including transaction amount from the marketplace) increased by approximately 53.67% year-on-year.

In addition, the Group is actively pushing its mobile resale business. Focusing on the virtual network operator market, the Group will launch its campaigns in various aspects including cross-marketing, logistics, integration of information system and members sharing. By leveraging on its strengths in the existing retail network, the Group would be able to diversify its business, open up strategic channels for its mobile terminals and introduce new profit drivers.

The Nationwide Retail Network of the Group

As at 30 June 2014

Development of Network:

	Group total	GOME	China Paradise	Dazhong	CellStar
Flagship stores	223	162	33	28	–
Standard stores	342	288	37	17	–
Specialized stores	523	383	89	9	42
Total	1,088	833	159	54	42
Among them: First-tier market	680	480	113	50	37
Second-tier market	408	353	46	4	5
Net increase/(decrease) in store number	13	11	4	(2)	–
Number of stores opened	55	42	13	–	–
Among them: First-tier market	21	14	7	–	–
Second-tier market	34	28	6	–	–
Number of cities accessed	264	225	59	1	6
Among them: First-tier market	26	20	9	1	1
Second-tier market	238	205	50	–	5
Number of cities newly assessed	4	4	–	–	–

List of stores:

Region	Flagship stores	Standard stores	Specialized stores	Total
Beijing	48	35	17	100
Shanghai	25	17	25	67
Tianjin	13	17	10	40
Chengdu	14	30	19	63
Chongqing	12	20	16	48
Xian	15	19	56	90
Shenyang	7	13	8	28
Qingdao	8	15	11	34
Jinan	6	6	15	27
Shenzhen	15	23	35	73
Dongguan	–	11	13	24
Guangzhou	17	28	55	100
Foshan	2	12	19	33
Wuhan	7	18	27	52
Kunming	4	4	21	29
Fuzhou	5	11	26	42
Xiamen	3	11	26	40
Henan	5	13	25	43
Nanjing	2	13	20	35
Wuxi	1	2	11	14
Changzhou	2	6	7	15
Suzhou	4	6	11	21
Hefei	2	6	11	19
Xuzhou	1	1	16	18
Tangshan	1	1	4	6
Lanzhou	4	3	12	19
Wenzhou	–	1	7	8
Total	223	342	523	1,088

Optimizing Infrastructure Facilities

Procurement Platform

During the reporting period, the Group put in immense efforts to optimize and adjust its product mix and continued to enhance its product management capability. With a focus on forecasting consumption demand accurately, the Group leveraged on its economies of scale in procurement, customized products on its self-owned operations, or with the joint efforts of other suppliers, to strengthen its management of products and competitive advantages to differentiate itself from peers. Establishing a low-price benchmark in the market helps to boost sales volume while increasing sales from high-margin products helps to enhance profit. This may in turn meet customers' demand and grow the Group's market share at the same time.

During the reporting period, the Group's top five suppliers (by brand) accounted for approximately 42.29% of total procurement, increased slightly as compared with 40.51% for the corresponding period in 2013.

Information System

Information system is an important part for the development of an omni-channel retail platform. The Group managed its sales, supply chain and each part of its new business expansion by continuously optimizing its information system. The Group also improved the servicing capabilities of its channels based on the data provided by the information system, establishing a standard, open, stable and expandable system platform and information technology.

In the case of supporting its logistics with the information system, the Group achieved transparency in the management of warehouses, automation of warehouse operation and improved efficiency of operation procedures by fully upgrading its information system and logistic network. It also took the lead to establish the service benchmark of "Three deliveries/day, Precise delivery and Installation with delivery" to meet customers' needs for fast, precise delivery and installation.

During the reporting period, the Group formed strategic partnerships with various suppliers such as Haier, Samsung, Sharp, Lenovo and Gree. The Group continued to foster the development of its Enterprise Cooperation Platform (ECP), a platform which promotes the synergy of sales data analysis, benefit of joint marketing, product customization as well as resources sharing with suppliers. The Group also applied the open platform technology to allow the direct transfer of supply chain data to the ERP system of suppliers. This facilitated the seamless sharing of information and built closer ties with the suppliers in terms of orders, inventory level, reconciliation and settlement. The information provided by the ECP system basically helps to forecast consumption demand accurately, the suppliers will have timely updates on consumers' product demand, and the Group will also be able to request the suppliers to customize quality products in response to customer needs. This will help to enhance the competitiveness of the Group's core brands, further optimize its coordinated supply chain and hence increase the gross profit margin of its products.

Logistics

During the reporting period, under the omni-channel strategy, the Group established a logistic platform that supports both multi-channel sales and the supply chain. It also enhanced customer experiences by providing "Three deliveries/day, Precise delivery and Installation with delivery" high quality services, which is supported by the following four infrastructural facilities.

(1) The Group ensured the quality of its logistic services by leveraging on its network coverage. Currently, GOME (including Non-listed GOME Group) is operating 428 warehouses nationwide, with a total storage area of 1.95 million sq.m.;

(2) Supported by its industry-leading SAP information technology, GOME was able to develop a comprehensive logistic and customer service management system that facilitates the visualized management on delivery, installation and the maintenance process, as well as the management on the intelligent knowledge database to interactively support for customer enquiries. The logistic information system of GOME covers both proprietary warehouse management system and third-party logistic management systems, enabling it to conduct centralized deployment, arrangement and management of the resources;

(3) Based on the data from business analysis and customer services, the Group established a service assessment system that comprises key performance indicators such as response time, service quality and problem solving abilities. Such indicators were used to carry out comprehensive analysis on consumer behavior, provided insights for consumption pattern and hence helped to improve consumer service quality in all aspects;

(4) In addition to the 428 warehouses, the 1,605 chain stores (including stores of Non-listed GOME Group) nationwide were also served as delivery and pick-up points for online orders and last mile delivery centers. For example, online customer orders could be delivered to the nearest store for self pick-up, in which case the stores served as express service centers. Alternatively, orders could be processed and packed in-store, i.e. the delivery will be arranged from the GOME store nearby instead of the warehouse afar. By leveraging on the competitive advantage of GOME's channels and terminals, the Group will be able to reduce transportation distance, enhance efficiency of delivery services and reduce the loss from obsolete inventories.

Corporate governance

The Group strives to continuously improve its corporate governance. The board of directors of the Company (the "Board") consists of one executive director, three non-executive directors and five independent non-executive directors. This Board structure complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") that at least one-third of the directors should be independent directors to ensure the independence of the Board. Therefore, shareholder opinions are thoroughly deliberated by the Board in a constructive manner before it reaches a consensus.

Corporate Culture

During the reporting period, the Group continued to promote the corporate value of "Trust" and successfully built a team of trust-worthy staff through its management based on mutual trust. The Group strived to pursue shared dreams, share the risks, create the same set of values and to enjoy the fruits of their labor with its staff who shared the same values, interests, career development and future. The Group also encouraged employees to understand and embrace the value of "Trust" as well as to exemplify it in their conduct, in order to maintain its industry lead and become a reputable world-class retail enterprise.

To promote the corporate culture of "Trust", in addition to the Trust Ambassador Training for all staff in the early stage, the Group has also been actively launching various experimental "Trust" programs and rationalizing its regulations and procedures based on the core value of "Trust". Currently, "Being trusted is a pleasure" is not merely a concept well known by the public, but also a manifestation of the corporate culture of GOME. We believe that a brighter future awaits GOME as it externalizes its internal belief in its actions.

Human Resources Expertise

During the reporting period, the Group refined its human resources policy according to the Group's strategy and focused on team building and development among the senior management.

In the first half of 2014, the Group implemented a series of measures to bring in new talent and allocate its human resources with a view to building a management team and a core professional team for its expanding business. The Group rejuvenated the operation team by recruiting a certain percentage of staff externally. Meanwhile, the Group also built up its human resources pool of mid-level and senior management and established a mentoring system. Supporting positions were created at headquarters and major regions to promote a succession of talent through on-the-job-training.

For incentive policies, the Group invested considerable effort in the promotion of fair internal competition by continuously optimizing and improving the working environment and morale, which has boosted the Group's efficiency on the whole. Currently, in addition to regular evaluations and the distribution of bonuses based on its results, the Group is also carrying out other incentives such as staff performance scheme and team ranking awards.

As at 30 June 2014, the Group had a total of 41,658 employees.

Financial Review

Revenue

During the reporting period, the Group's sales revenue was approximately RMB29,124 million, up 7.41% from RMB27,114 million for the corresponding period in 2013. The Group's weighted average sales area was approximately 3,598,000 sq.m. Revenue per sq.m. was approximately RMB7,589, up 10.13% as compared with RMB6,891 for the corresponding period in 2013. During the reporting period, the Group had 942 comparable stores, recording a revenue of approximately RMB25,714 million, up 7.25% as compared with RMB23,975 million for the corresponding period in 2013.

Proportion of revenue from each product category over total revenue:

	First half of 2014	First half of 2013
As a percentage of sales revenue:		
AV	**21.63%**	24.87%
Air-conditioner	**17.88%**	16.34%
Refrigerator and washing machine	**19.82%**	19.76%
Telecommunication	**14.59%**	14.79%
Small white appliances	**13.05%**	12.97%
IT	**9.01%**	7.28%
Digital and others	**4.02%**	3.99%
Total	**100%**	100%

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB24,694 million in the reporting period, accounting for 84.79% of the total sales revenue, which was stable as compared with 84.69% for the corresponding period in 2013. The Group's gross profit was approximately RMB4,430 million, up 6.75% as compared with RMB4,150 million for the corresponding period last year. Gross profit margin was 15.21%, which was relatively stable as compared with 15.31% for the corresponding period last year.

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

	First half of 2014	First half of 2013
AV	**16.31%**	16.31%
Air-conditioner	**16.21%**	16.06%
Refrigerator and washing machine	**16.79%**	16.75%
Telecommunication	**11.72%**	11.61%
Small white appliances	**18.80%**	18.72%
IT	**9.38%**	9.38%
Digital	**11.09%**	12.05%
Total	**15.21%**	15.31%

Other income and gain

During the reporting period, the Group recorded other income and gain of approximately RMB1,053 million, representing an increase of 27.79% as compared with RMB824 million for the corresponding period in 2013. This is mainly due to the increase in income from extended warranties, other income from telecommunication service providers and the one off compensation received from Mr. Wong Kwong Yu ("Mr. Wong").

Summary of other income and gain:

	First half of 2014	First half of 2013
As a percentage of sales revenue:		
Income from suppliers, net	**0.59%**	1.07%
Management and purchasing service fees from the Non-listed GOME Group	**0.54%**	0.52%
Income from products installation	**0.22%**	0.18%
Income from extended warranties	**0.34%**	0.19%
Gross rental income	**0.48%**	0.48%
Government grants	**0.14%**	0.18%
Other income from telecommunication service providers	**0.55%**	0.22%
Compensation received	**0.34%**	–
Others	**0.42%**	0.20%
Total	**3.62%**	3.04%

Consolidated gross profit margin

During the reporting period, the Group's consolidated gross profit margin was approximately 18.83%, representing an increase of 0.49 percentage points as compared with 18.34% for the corresponding period in 2013.

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 expenses, administrative expenses and other expenses) were approximately RMB4,746 million, accounting for 16.30% of total sales revenue, down 0.75 percentage points as compared with 17.05% for the corresponding period in 2013.

Summary of operating expenses:

	First half of 2014	First half of 2013
As a percentage of sales revenue:		
Selling and distribution expenses	**12.26%**	13.26%
Administrative expenses	**2.88%**	2.81%
Other expenses	**1.16%**	0.98%
Total	**16.30%**	17.05%

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses amounted to approximately RMB3,570 million. The percentage over sales revenue was 12.26%, down 1 percentage point as compared with 13.26% for the corresponding period in 2013. The decrease in selling and distribution expenses 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 0.34 and 0.16 percentage points from 5.48% and 3.12% for the corresponding period last year to 5.14% and 2.96%, respectively.

Summary of selling and distribution expenses:

	First half of 2014	First half of 2013
As a percentage of sales revenue:		
Rental	**5.14%**	5.48%
Salaries	**2.96%**	3.12%
Utility charges	**0.74%**	0.74%
Advertising expenses	**1.42%**	2.04%
Delivery expenses	**0.81%**	0.65%
Others	**1.19%**	1.23%
Total	**12.26%**	13.26%

Administrative expenses

With continuing expansion of the Group's operating scale and the need to strengthen its precision management strategy, administrative expenses increased accordingly. During the reporting period, administrative expenses were approximately RMB840 million, increased by 10.24% as compared with RMB762 million for the corresponding period last year. The proportion over sales revenue was 2.88%, up 0.07 percentage points as compared with 2.81% for the corresponding period in 2013.

Other expenses

Other expenses of the Group mainly comprised, among others, business taxes and bank charges. Other expenses were approximately RMB335 million during the reporting period, accounting for 1.16% of sales revenue, up by 0.18 percentage points as compared with 0.98% for the corresponding period in 2013.

Profit from operating activities

As the result of the increase in sales revenue, increase in consolidated gross profit margin and decrease in the operating expenses ratio during the reporting period, the Group's profit from operating activities was approximately RMB738 million, a significant improvement by 111.46% as compared with RMB349 million for the corresponding period in 2013.

Net finance income

During the reporting period, the Group's net finance income was approximately RMB108 million, showing an increase as compared with RMB83 million in the first half of 2013. In addition, interest income increased by 9.32% to approximately RMB129 million for the reporting period from RMB118 million for the corresponding period of the previous year.

Profit before tax

During the reporting period, the Group's profit before tax was approximately RMB846 million, a significant improvement by 95.83% as compared with RMB432 million for the corresponding period in 2013. Profit margin before tax was 2.90%, increased by 1.31 percentage points as compared with 1.59% for the corresponding period in 2013.

Income tax expense

During the reporting period, in line with the increase in profit before tax, the Group's income tax expense was approximately RMB248 million, showing an increase as compared with RMB212 million for the corresponding period in 2013. The management of the Company considers that the effective tax rate applied to the Group for the reporting period was reasonable.

Profit for the period and earnings 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 increased by 115.22% from RMB322 million for the corresponding period last year to approximately RMB693 million. Net profit margin attributable to owners of the parent company was 2.38%, increased by 1.19 percentage points as compared with 1.19% for the corresponding period of the previous year. Basic earnings per share attributable to owners of the parent company was RMB4.1 fen, as compared with RMB1.9 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 RMB13,074 million, representing an increase of 45.01% as compared with RMB9,016 million as at the end of 2013, the increase was mainly due to improvement in the operational efficiency.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB9,235 million, up 12.33% as compared with RMB8,221 million at the end of 2013. Inventory turnover days increased to approximately 64 days during the reporting period from 56 days in the first half of 2013.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB2,187 million, down 6.26% from RMB2,333 million as at the end of 2013.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB21,475 million, up 18.80% from RMB18,077 million as at the end of 2013. Turnover days of trade and bills payables were approximately 145 days during the reporting period, increased by 5 days as compared with 140 days for the corresponding period in 2013.

Capital expenditure

During the reporting period, capital expenditure incurred by the Group amounted to approximately RMB371 million, representing a 75.83% increase as compared with RMB211 million for the first half in 2013.

Cash flows

During the reporting period, with the improvement in its profitability and operational efficiency, the Group's net cash flows generated from operating activities amounted to approximately RMB3,277 million, increased substantially as compared with RMB1,509 million for the corresponding period last year.

Net cash flows used in investing activities amounted to approximately RMB300 million, representing an increase as compared with RMB132 million in the first half of 2013.

Net cash flows from financing activities amounted to approximately RMB1,077 million, as compared with RMB25 million used in the first half of 2013.

Interim dividend and dividend policy

The Board declared an interim dividend of HK$2.1 cents (equivalent to RMB1.63 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2014, amounting to approximately HK$356,144,000 (equivalent to RMB277,044,000).

Currently, the Board anticipates that the dividend payout ratio will be maintained at approximately 40% 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 RMB71 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.

As at 30 June 2014, the total borrowings of the Group, being interest-bearing bank loans, which are denominated in US dollars, amounted to approximately RMB1,722 million. The interest-bearing bank loans are all with floating interest rates and are repayable within one year. The Group's financing activities continued to be supported by its bankers.

As at 30 June 2014, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to RMB1,722 million over total equity amounting to RMB15,821 million, decreased from 17.52% as at 31 December 2013 to 10.88%.

Charge on group assets

As at 30 June 2014, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounting to RMB4,409 million, certain inventories with a carrying value of RMB521 million and certain self-used properties and investment properties with a carrying value of RMB1,470 million. The Group's bills payable and interest-bearing bank loans amounted to RMB15,395 million in total.

Outlook and Prospects

In the second half of 2014, the Group will adopt various strategies under the premise of its "Omni-Channel Retailer" business model to further accelerate its growth (the "Acceleration Campaign"), boost its operational efficiency and effectiveness, as well as to leverage on its competitive edge in every business unit to gain more market share.

The Acceleration Campaign will focus on the following four areas:

1. Upgrading organizational structure: The Group will streamline its organizational structure to become a more intelligent, efficient and optimal entity to complement the full implementation of the Omni-Channel Retailer strategy.

2. Upgrading infrastructure: The Group will optimize its procurement platform to increase the proportion of differentiated products; enhance its information system to better support the online/offline supply chain; as well as strengthen its nationwide logistic system to achieve the "Three Delivery/Day, Precise Delivery and Installation with Delivery" service targets.

3. Accelerating online development: The Group will develop its omni-channel product and service platform by leveraging on its core competitiveness in home appliances to drive a "self-owned operation + marketplace + virtual" business model to support its online business. By leveraging on the consolidated supply chain, the Group will be able to integrate online and offline consumers, as well as products and services. In addition, the Group's e-commerce will take initiatives to broaden product categories, enhance price competitiveness by leveraging on its differentiated products, provide logistics and after-sales services that exceed market standard, enhance the overall shopping experience as well as protect consumers' interests, to increase its market share and profitability.

4. Accelerating offline development: The Group will push for the upgrade of existing stores to become the new smart and intelligent retail terminals. At the same time, it will continue to focus on opening flagship stores and optimizing network in the first-tier market, as well as implementing the "satellite stores around flagship stores" model in the second-tier market and through strategic alliances with channel stores. This will speed up the Group's pace in gaining more market share.

In conclusion, the Acceleration Campaign implements supply chain reforms and improves the consumer experience, backed by the specialized management team and new incentive system. It strives to step up the execution of the Omni-Channel Retailer strategy to drive online/offline integration and store network expansion in the second-tier market, as well as the development of online business into the omni-channel products and services platform with core competitive advantage in direct home appliance retailing.

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

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

Introduction

We have reviewed the interim financial information of GOME Electrical Appliances Holding Limited set out on pages 22 to 58 which comprises the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statement of profit or loss, 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 Main Board Listing 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
25 August 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2014

	Notes	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
REVENUE	5	**29,124,153**	27,114,476
Cost of sales		**(24,693,808)**	(22,964,807)
Gross profit		**4,430,345**	4,149,669
Other income and gain	5	**1,053,366**	823,738
Selling and distribution expenses		**(3,569,970)**	(3,595,050)
Administrative expenses		**(840,187)**	(762,085)
Other expenses		**(335,358)**	(267,155)
Profit from operating activities		**738,196**	349,117
Finance costs	7	**(21,470)**	(35,341)
Finance income	7	**129,386**	118,231
PROFIT BEFORE TAX	6	**846,112**	432,007
Income tax expense	8	**(247,598)**	(212,098)
PROFIT FOR THE PERIOD		**598,514**	219,909
Attributable to:			
Owners of the parent company		**692,611**	322,322
Non-controlling interests		**(94,097)**	(102,413)
		598,514	219,909
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	9		
– Basic and diluted		**RMB4.1 fen**	RMB1.9 fen

	Note	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
PROFIT FOR THE PERIOD		**598,514**	219,909
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*11*	**14,040**	(17,820)
Exchange differences on translation of foreign operations		**9,900**	72,728
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**23,940**	54,908
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**23,940**	54,908
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**622,454**	274,817
Attributable to:			
Owners of the parent company		**716,551**	377,230
Non-controlling interests		**(94,097)**	(102,413)
		622,454	274,817

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*10*	**4,336,147**	4,094,770
Investment properties		**708,631**	948,805
Goodwill		**7,145,117**	7,145,117
Other intangible assets		**277,520**	289,239
Other investments	*11*	**149,040**	135,000
Lease prepayments and deposits		**352,687**	314,977
Deferred tax assets		**33,881**	50,588
Total non-current assets		**13,003,023**	12,978,496
CURRENT ASSETS			
Inventories	*12*	**9,235,047**	8,220,734
Trade and bills receivables	*13*	**293,747**	245,492
Prepayments, deposits and other receivables	*14*	**2,186,663**	2,333,481
Due from related companies	*15*	**171,282**	123,174
Pledged deposits	*16*	**4,408,970**	6,406,795
Cash and cash equivalents	*16*	**13,073,513**	9,015,813
Total current assets		**29,369,222**	26,345,489
CURRENT LIABILITIES			
Interest-bearing bank loans	*17*	**1,721,613**	2,683,171
Trade and bills payables	*18*	**21,474,959**	18,077,489
Customers' deposits, other payables and accruals		**2,082,694**	2,046,809
Due to related companies	*15*	**517,718**	464,142
Tax payable		**586,051**	562,620
Total current liabilities		**26,383,035**	23,834,231

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NET CURRENT ASSETS		**2,986,187**	2,511,258
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,989,210**	15,489,754
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**168,699**	172,296
Total non-current liabilities		**168,699**	172,296
Net assets		**15,820,511**	15,317,458
EQUITY			
Equity attributable to owners of the parent company			
Issued capital	*20*	**423,221**	421,551
Proposed dividends		**–**	441,392
Reserves		**16,101,183**	15,064,311
		16,524,404	15,927,254
Non-controlling interests		**(703,893)**	(609,796)
Total equity		**15,820,511**	15,317,458

Zhang Da Zhong
Director

Zou Xiao Chun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2014

		Attributable to owners of the parent company													
	Notes	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve# RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		**421,551**	**9,461,244**	**657**	**(851,561)**	**157,953**	**117,468**	**41,040**	**1,441,972**	**(163,859)**	**4,859,397**	**441,392**	**15,927,254**	**(609,796)**	**15,317,458**
Profit for the period		-	-	-	-	-	-	-	-	-	**692,611**	-	**692,611**	**(94,097)**	**598,514**
Other comprehensive income for the period:															
Changes in fair value of other investments	*11*	-	-	-	-	-	-	**14,040**	-	-	-	-	**14,040**	-	**14,040**
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	**9,900**	-	-	**9,900**	-	**9,900**
Total comprehensive income for the period		-	-	-	-	-	-	**14,040**	-	**9,900**	**692,611**	-	**716,551**	**(94,097)**	**622,454**
Scrip dividend	*20*	**3,149**	**161,375**	-	-	-	-	-	-	-	-	**(164,524)**	-	-	-
Repurchase of shares	*20*	**(1,479)**	**(79,526)**	-	-	-	-	-	-	-	-	-	**(81,005)**	-	**(81,005)**
Equity-settled share option arrangements	*21*	-	-	-	-	**5,083**	-	-	-	-	-	-	**5,083**	-	**5,083**
Dividend declared		-	-	-	-	-	-	-	-	-	-	**(276,868)**	**(276,868)**	-	**(276,868)**
Compensation received	*25*	-	-	-	**233,389**	-	-	-	-	-	-	-	**233,389**	-	**233,389**
Wind-up of subsidiaries		-	-	-	-	-	-	-	**(3,732)**	-	**3,732**	-	-	-	-
At 30 June 2014 (unaudited)		**423,221**	**9,543,093***	**657***	**(618,172)***	**163,036***	**117,468***	**55,080***	**1,438,240***	**(153,959)***	**5,555,740***	**-**	**16,524,404**	**(703,893)**	**15,820,511**

* As at 30 June 2014, these reserve accounts comprised the consolidated reserves of RMB16,101,183,000 (31 December 2013: RMB15,064,311,000) in the interim condensed consolidated statement of financial position.

The asset revaluation reserve arose from changes in use from owner-occupied properties to investment properties carried at fair value.

		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		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
Other comprehensive (loss)/income for the period:														
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2014

	Notes	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**846,112**	432,007
Adjustments for:			
Finance income	*7*	**(129,386)**	(118,231)
Finance costs	*7*	**21,470**	35,341
Fair value gain on a cross currency swap	*5*	**–**	(10,311)
Loss on disposal of items of property and equipment	*6*	**14,815**	17,243
Depreciation	*6*	**284,434**	266,281
Amortisation of intangible assets	*6*	**11,719**	11,719
Equity-settled share option expense	*21*	**5,083**	(11,468)
Compensation received	*5,25*	**(100,102)**	–
		954,145	622,581
(Increase)/decrease in inventories		**(1,014,313)**	1,338,043
Increase in trade and bills receivables		**(48,255)**	(8,561)
(Increase)/decrease in lease prepayments and deposits		**(37,710)**	33,464
Decrease in prepayments, deposits and other receivables		**107,010**	333,517
Increase in amounts due from related companies		**(48,108)**	(55,485)
Increase in pledged deposits for bills payable	*16*	**(103,767)**	(103,279)
Increase/(decrease) in trade and bills payables		**3,397,470**	(584,379)
Increase in customers' deposits, other payables and accruals		**58,681**	26,963
Increase/(decrease) in amounts due to related companies		**53,576**	(26,567)
Cash generated from operations		**3,318,729**	1,576,297
Interest received		**169,194**	117,039
Income tax paid		**(211,057)**	(184,214)
Net cash flows from operating activities		**3,276,866**	1,509,122

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2014

	Notes	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Net cash flows from operating activities		**3,276,866**	1,509,122
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(371,261)**	(211,214)
Proceeds from disposal of items of property and equipment		**71,742**	79,528
Net cash flows used in investing activities		**(299,519)**	(131,686)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(81,005)**	–
Compensation received	*25*	**333,491**	–
New bank loans		**1,410,917**	1,064,780
Decrease in pledged deposits for bank loans	*16*	**2,101,592**	137,891
Repayment of bank loans		**(2,392,661)**	(1,189,570)
Dividend paid		**(276,868)**	–
Interest paid		**(18,688)**	(37,666)
Net cash flows from/(used in) financing activities		**1,076,778**	(24,565)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,054,125**	1,352,871
Cash and cash equivalents at 1 January		**9,015,813**	7,067,349
Effect of foreign exchange rate changes, net		**3,575**	(7,172)
CASH AND CASH EQUIVALENTS AT 30 JUNE		**13,073,513**	8,413,048
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*16*	**12,474,099**	8,380,011
Non-pledged time deposits with original maturity of less than three months when acquired		**599,414**	33,037
		13,073,513	8,413,048

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 2014 (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 2013.

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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group applied the following new interpretation and amendments for the first time in 2014. However, they do not impact the interim condensed consolidated financial statements 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:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no significant impact on the Group.

IFRIC 21 *Levies*
IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on 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 on a cross currency swap, 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 and other investments as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenue		
Sales to external customers	**29,124,153**	27,114,476
Segment results	**685,428**	347,208
Reconciliation		
Bank interest income	**129,386**	118,231
Unallocated income	**100,514**	84
Fair value gain on a cross currency swap	**–**	10,311
Finance costs	**(21,470)**	(35,341)
Corporate and other unallocated expenses	**(47,746)**	(8,486)
Profit before tax	**846,112**	432,007

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Segment assets	**24,706,841**	23,715,789
Reconciliation		
Corporate and other unallocated assets	**17,665,404**	15,608,196
Total assets	**42,372,245**	39,323,985
Segment liabilities	**24,075,371**	20,588,440
Reconciliation		
Corporate and other unallocated liabilities	**2,476,363**	3,418,087
Total liabilities	**26,551,734**	24,006,527

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segment information		
Depreciation and amortisation	**296,153**	278,000
Capital expenditure*	**372,194**	208,305

* Capital expenditure consists of additions to property and equipment.

5. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

	Notes	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**29,124,153**	27,114,476
Other income			
Income from suppliers, net		**172,797**	289,850
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**156,437**	141,127
Income from products installation		**64,969**	48,472
Gross rental income		**140,249**	129,302
Government grants	*(ii)*	**41,806**	49,304
Other service fee income		**100,097**	52,608
Compensation received	25	**100,102**	–
Others		**276,909**	102,764
		1,053,366	813,427
Gain			
Fair value gain on a cross currency swap	19	**–**	10,311
		–	10,311
		1,053,366	823,738

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 BEFORE TAX

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

	Notes	For the six-month period ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Cost of inventories sold		**24,693,808**	22,964,807
Depreciation		**284,434**	266,281
Amortisation of intangible assets	*(i)*	**11,719**	11,719
Loss on disposal of items of property and equipment		**14,815**	17,243
Minimum lease payments under operating leases in respect of land and buildings		**1,585,807**	1,568,818
Gross rental income	5	**(140,249)**	(129,302)
Foreign exchange differences, net		**17,570**	566
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**1,043,531**	1,018,301
Pension scheme contributions*		**215,713**	209,783
Social welfare and other costs		**42,417**	18,268
Equity-settled share option expense		**5,065**	(10,989)
		1,306,726	1,235,363

Note:

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

* At 30 June 2014, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2013: Nil).

7. FINANCE (COSTS)/INCOME

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

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance costs:		
Interest expenses on bank loans wholly repayable within five years	**(21,470)**	(35,341)
Finance income:		
Bank interest income	**129,386**	118,231

8. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax – PRC	**234,488**	176,900
Deferred income tax	**13,110**	35,198
Total tax charge for the period	**247,598**	212,098

8. INCOME TAX EXPENSE *(continued)*

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 2013: 25%) on their respective taxable income. During the current period, 25 entities (six-month period ended 30 June 2013: 22 entities) of the Group obtained approvals from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates.

The Group realised 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 2014 and 2013, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares of 16,888,176,000 in issue during the period (six-month period ended 30 June 2013: 16,875,056,000).

For the six-month period ended 30 June 2014 and 30 June 2013, no potential ordinary shares had any dilutive effect on the earnings per share.

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

The calculations of basic and diluted earnings per share are based on:

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent company used in the basic and diluted earnings per share calculation	**692,611**	322,322

	Number of shares for the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**16,888,176**	16,875,056

10. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2014, the Group acquired items of property and equipment at a total cost of RMB372.2 million (six-month period ended 30 June 2013: RMB208.3 million). Items of property and equipment with a net carrying amount of RMB86.6 million (six-month period ended 30 June 2013: RMB96.8 million) were disposed off during the six-month period ended 30 June 2014.

Certain of the buildings of the Group in the PRC were pledged as security for bills payable (note 18) and interest-bearing bank loans (note 17) of the Group as at 30 June 2014. The aggregate carrying value of the pledged buildings of the Group as at 30 June 2014 amounted to RMB1,045,716,000 (31 December 2013: RMB283,348,000).

11. OTHER INVESTMENTS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Listed investment, at fair value	**149,040**	135,000

The balance as at 30 June 2014 represented the fair value of the Group's investments in 27,000,000 shares, representing approximately 10.7% of the outstanding issued shares, of 三聯商社股份有限公司 ("Sanlian Commercial Co., Ltd." or "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 2014 and 31 December 2013. 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 investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss.

Of the seven directors of Sanlian, two were nominated by the Group effective from 30 June 2014 while from 1 January 2014 to 29 June 2014 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 2014, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB5.52 (31 December 2013: RMB5.0) per share.

During the six-month period ended 30 June 2014, the gain in respect of the Group's other investments recognised in other comprehensive income amounted to RMB14,040,000 (six-month period ended 30 June 2013: loss of RMB17,820,000).

12. INVENTORIES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Merchandise for resale	**9,044,030**	8,053,461
Consumables	**191,017**	167,273
	9,235,047	8,220,734

As at 30 June 2014, the Group's inventories amounting to RMB521 million (31 December 2013: RMB573 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**222,367**	208,500
3 to 6 months	**15,592**	25,099
6 months to 1 year	**55,788**	11,893
	293,747	245,492

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**30 June 2014 (Unaudited) RMB'000**	31 December 2013 (Audited) RMB'000
Prepayments		**674,956**	645,365
Advances to suppliers		**647,749**	856,717
Other deposits and receivables		**696,195**	663,636
Receivables from Wuhan Yinhe	*(i)*	**166,586**	166,586
Current portion of prepaid land lease payments		**1,177**	1,177
		2,186,663	2,333,481

Note:

(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 Property Co., Ltd." or "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 the Hubei Provincial People's High Court (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 Company's management has 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 statement of profit or loss for the year ended 31 December 2009.

In February 2010, the Group applied for enforcement of the court decision and the frozen property was 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 continued to serve effect. On 20 February 2014, the Intermediate People's Court of Huanggang City restarted auction of the frozen property.

15. DUE FROM/DUE TO RELATED COMPANIES

Due from related companies

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Management fee receivables from the Non-listed GOME Group*	**93,309**	64,437
Other receivables from the Non-listed GOME Group**	**77,973**	58,737
	171,282	123,174

* 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Payables to the Non-listed GOME Group **	**517,718**	464,142

** 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Cash and bank balances	**12,474,099**	8,699,676
Time deposits	**5,008,384**	6,722,932
	17,482,483	15,422,608
Less: Pledged for bills payable	**(4,078,970)**	(3,975,203)
Pledged for interest-bearing bank loans	**(330,000)**	(2,431,592)
	(4,408,970)	(6,406,795)
Cash and cash equivalents	**13,073,513**	9,015,813

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB17,104,501,000 (31 December 2013: RMB14,700,915,000). 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 one year, and earn interest at the respective short term deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

17. INTEREST-BEARING BANK LOANS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Bank loans	**1,721,613**	2,683,171

The bank loans as at 30 June 2014 are denominated in United States dollars ("USD") and bear interest at the 3-month London Interbank Offered Rate ("LIBOR") plus 1.7% to 2.0%.

The Group's bank loans are secured by the Group's buildings (note 10), investment properties and/or pledged time deposits (note 16).

The carrying amount of the bank loans approximates to their fair value.

18. TRADE AND BILLS PAYABLES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Trade payables	**7,801,899**	5,992,325
Bills payable	**13,673,060**	12,085,164
	21,474,959	18,077,489

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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 3 months	**14,059,684**	11,908,864
3 to 6 months	**6,282,551**	5,565,819
Over 6 months	**1,132,724**	602,806
	21,474,959	18,077,489

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 RMB423,865,000 (31 December 2013: RMB105,476,000).

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 was effective from 14 March 2012 to 14 March 2014.

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

During the six-month period ended 30 June 2013, the Group recorded the Swap Contract at fair value with any changes in value reported in profit or loss and recognised a fair value gain on the Swap Contract of RMB10,311,000 in the interim condensed consolidated statement of profit or loss. On 8 August 2013, the Company and the Bank settled the contract before the date of expiration and the cross currency swap did not have any impact on the 2014 interim condensed consolidated financial information.

20. ISSUED CAPITAL

	Number of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.025 each at 1 January 2014 and 30 June 2014	**200,000,000**	**5,000,000**	**5,300,000**
Issued and fully paid:			
Ordinary shares of HK$0.025 each at 1 January 2014	**16,875,056**	**421,877**	**421,551**
Scrip dividend (note (i))	**158,699**	**3,967**	**3,149**
Shares repurchased (note (ii))	**(74,527)**	**(1,863)**	**(1,479)**
Ordinary shares of HK$0.025 each at 30 June 2014	**16,959,228**	**423,981**	**423,221**

20. ISSUED CAPITAL *(continued)*

Notes:

(i) On 20 March 2014, the board of directors recommended the payment of a dividend which is payable in cash with a scrip dividend option. A total of 158,699,192 ordinary shares were allotted to the shareholders who have elected to exercise the scrip dividend option.

(ii) On 7 April 2014, 11 April 2014, 15 April 2014, 26 May 2014 and 29 May 2014, the Company repurchased a total of 74,527,000 ordinary shares of the Company of HK$0.025 each at a total consideration of HK$102,049,000 (equivalent to RMB81,005,000). The repurchased shares were cancelled on 30 April 2014 and 12 June 2014 respectively. The consideration paid in excess of the par value of these repurchased shares of approximately RMB79,526,000 was debited to the share premium.

21. SHARE OPTION SCHEME

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

	Six-month period ended 30 June 2014		Six-month period ended 30 June 2013	
	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**	**97,952**	1.90	133,268
Forfeited during the period	**1.90**	**(1,255)**	1.90	(3,988)
Lapsed during the period	**1.90**	**(501)**	1.90	(18,958)
At 30 June (unaudited) (note (i))	**1.90**	**96,196**	1.90	110,322

21. SHARE OPTION SCHEME *(continued)*

Note:

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

30 June 2014 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
88,351	**1.90**	**on or before 15 November 2015**
7,845	**1.90**	**between 15 May 2015 and 15 November 2015**
96,196		

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		

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

The Group recognised a share option expense of RMB5,083,000 during the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: reversal of a share option expense of RMB11,468,000). There was no share option exercised during the six-month period ended 30 June 2014 (2013: Nil).

At the end of the reporting period, the Company had 96,196,000 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 96,196,000 additional ordinary shares of the Company and additional share capital of HK$2,405,000 (equivalent to approximately RMB1,909,000) and share premium of HK$180,368,000 (equivalent to approximately RMB143,176,000) (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 96,196,000 share options outstanding under the share option scheme, which represented approximately 0.57% of the Company's shares in issue as at that date.

22. DIVIDEND

	For the six-month period ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Proposed final:		
Nil (2013:Cash dividend of HK$1.3 cents (equivalent to RMB1.0 fen) per ordinary share)	**–**	173,649
Proposed special:		
Nil (2013: Scrip dividend of HK$337,501,000 (equivalent to RMB267,743,000))	**–**	267,743
Interim dividend: HK$2.10 cents (equivalent to RMB1.63 fen) (2013: HK$0.70 cents (equivalent to RMB0.56 fen))per ordinary share	**277,044**	94,093
	277,044	535,485

Pursuant to the board of directors' resolution dated 25 August 2014, an interim dividend of HK$2.10 cents per ordinary share was declared. On 27 August 2013, the board of directors declared 2013 interim dividend of HK$0.70 cents per ordinary share.

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 19 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within one year	**2,819,573**	2,775,770
In the second to fifth years, inclusive	**7,401,281**	7,597,182
After five years	**1,774,612**	2,833,618
	11,995,466	13,206,570

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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within one year	**243,570**	261,987
In the second to fifth years, inclusive	**636,242**	689,211
After five years	**180,304**	272,589
	1,060,116	1,223,787

(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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Contracted, but not provided for:		
Construction of property and equipment	**70,844**	106,660

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 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 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Sales to the Non-listed GOME Group *	*(i)*	**298,686**	127,679
Purchases from the Non-listed GOME Group	*(i)*	**462,088**	272,435
Provision of management and purchasing services to the Non-listed GOME Group	*(ii), 5*	**156,437**	141,127
Rental expenses and other expenses to Beijing Pengrun Property and the Non-listed GOME Group**	*(iii)*	**45,105**	46,016
Service fee to GOME Ruidong (defined in (i) below)	*(iv)*	**2,832**	2,600
Rental income from a related company	*(v)*	**–**	67

* 北京鵬潤投資有限公司 ("Beijing Eagle Investment Co., Ltd."), 北京鵬潤地產控股有限公司 ("Beijing Pengrun Property Co., Ltd." or "Beijing Pengrun Property"), 北京國美電器有限公司 ("Beijing GOME Electrical Appliance Co., Ltd." or "Beijing GOME"), 國美電器零售有限公司 ("GOME Electrical Appliance Retail Co., Ltd." or "GOME Retail") and their respective subsidiaries of the foregoing companies and 北京國美投資有限公司 are collectively referred to as the "Non-listed GOME Group". GOME Retail and its subsidiaries are engaged in the retail sale and related operations of electrical appliances and consumer electronic products under the trademark of "GOME Electrical Appliances" in cities other than the designated cities of the PRC in which the Group operates. The companies comprising the Non-listed GOME Group are owned by Mr. Wong Kwong Yu ("Mr. Wong"), a substantial shareholder and the former chairman of the Company.

** 北京新恒基房地產有限公司 ("Beijing Xinhengji Property Co., Ltd." or "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 day, the Group entered into (1) the master merchandise purchase agreement for the supply of general merchandise (including electrical appliances and consumer electronic products) by 北京國美鋭動電子商務有限公司 ("Beijing GOME Ruidong e-Commerce Co., Ltd." or "GOME Ruidong"), of which Mr. Wong has beneficial interest as an equity holder, and the Non-listed GOME Group to the Company's subsidiaries (including 庫巴科技(北京)有限公司 ("Kuba") and 國美在線電子商務有限公司 ("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 electronic 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 (including the transactions with Kuba and GOME-on-line which are defined as connected persons under the Listing Rules), respectively.

The transactions constitute continuing connected transactions under the Main Board Listing 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 a purchasing service 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 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 6 December 2013, 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 2014, the rental expenses incurred by the Group payable to Beijing Pengrun Property and Beijing GOME amounted to RMB37,221,000 (six-month period ended 30 June 2013: RMB38,789,000) and RMB7,884,000 (six-month period ended 30 June 2013: 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 day, 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 rental income from GOME Home Appliances (Hong Kong) Limited, a company owned by Mr. Wong. The contract was terminated on March 2013.

The transactions constitute continuing connected transactions but are exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

All the above related party transactions were determined by mutual agreements between the involved parties after taking into account prevailing market prices. The board of directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

(b) Commitments with related companies

As disclosed in note 24(a)(iii), the Group had rental commitments with Beijing Pengrun Property and Beijing GOME of RMB37,221,000 (31 December 2013: RMB74,442,000) and RMB7,884,000 (31 December 2013: RMB15,768,000) 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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**2,069**	2,384
Other emoluments:		
Salaries, allowances and other expenses	**5,945**	5,357
Pension scheme contributions	**101**	96
Equity-settled share option expense	**(482)**	(3,403)
	7,633	4,434

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 had granted an interim injunction to freeze assets of up to HK$1,655,167,000 in relation to the former director and chairman of the Company, Mr. Wong, his spouse Ms. Du Juan and two companies, Shinning Crown Holdings Inc. ("Shinning Crown") and Shine Group Limited ("Shine Group") (together, "the Defendants").

Mr. Wong and Ms. Du Juan were alleged to have organised a share repurchase (the "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 to repay a HK$2.4 billion personal loan due from Mr. Wong to a financial institution (the "Allegation").

The SFC alleged that the Share Repurchase had a negative impact on the Company's financial position and was not in the best interest of the Company and its shareholders. The SFC alleged that the Share Repurchase by the Company 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 profit from his shares sold. The SFC also alleged 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 sought orders that Mr. Wong, Ms. Du Juan and the two companies owned and controlled by them in order 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
- pay damages to the Company.

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

High Court continues orders against Mr. Wong and his spouse

The order made on 4 August 2009 was an ex parte interim injunction obtained by the SFC. The Defendants had not yet had a chance to reply to the SFC's allegations.

On 7 August 2009, the Company announced that it had 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)*

High 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, namely Shinning Crown and Shine Group, not to dispose of, deal with or encumber 779,255,678 shares of the Company pending further order.

Shinning Crown and Shine Group deposited with the High 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 High Court, together with the orders made on 8 September 2009 prohibiting the disposal of the shares, would preserve them for the purposes of the legal proceedings initiated by the SFC. Accordingly, the interim injunctions against Shinning Crown and Shine Group were discharged. However, the interim injunction remained effective against Mr. Wong and Ms. Du Juan.The interim injunction against Ms. Du Juan was subsequently discharged as stated below.

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

High Court varies order against Ms. Du Juan

The High Court varied the interim injunction order in relation to the proceedings commenced by the SFC involving the Allegations against Mr. Wong and his spouse on 3 March 2011. Following undertakings to the High Court by Shinning Crown and Shine Group, 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 and Shine Group 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 injunction order has no effect on the freezing order against Mr. Wong.

25. CONTINGENCIES *(continued)*

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

Resolution of the Allegations by Mr. Wong, Ms. Du Juan, Shinning Crown, Shine Group and the SFC

The Company has been informed that, as a result of the mediation between the SFC and the Defendants, the SFC and the Defendants have reached an agreement to resolve the legal proceedings commenced by the SFC involving the Allegations subject to certain conditions being fulfilled by the Defendants, including: (i) requisitioning by Shinning Crown and Shine Group of a shareholders' meeting and the ratification by independent shareholders (other than Mr. Wong, Ms. Du Juan, Shining Crown, Shine Group and their respective associates) of the Share Repurchases conducted by the Company between 22 January 2008 and 5 February 2008 involving approximately 129.8 million shares of the Company (of which approximately 70% were originally held by or for Mr. Wong) and (ii) certain breaches of duties to the Company by Mr. Wong and Ms. Du Juan (the "Breaches of Duties"); and (iii) the payment of compensation in the amount of approximately HK$420,609,000 in aggregate by Mr. Wong and Ms. Du Juan to the Company in order for Mr. Wong, Ms. Du Juan, Shinning Crown, Shine Group and any other persons to be released from all liabilities and claims in relation to the Share Repurchases and the Breaches of Duties (the "Payment").

In addition, Mr. Wong and Ms. Du Juan have also agreed to pay (i) all costs involved in convening and holding the special general meeting and (ii) the SFC's legal costs.

On 17 March 2014, the Company received a requisition letter from Shinning Crown and Shine Group requesting the board to convene a special general meeting for the purposes of considering the requisitioned resolution to approve, confirm and ratify the Share Repurchases and the Breaches of Duties and to confirm and approve the acceptance of the Payment by Mr. Wong and Ms. Du Juan to the Company. In response to the requisition, the board convened a special general meeting of the Company on 17 April 2014. The requisitioned resolution was passed, the SFC together with the Defendants applied to the High Court for a joint order for the discharge of the injunction against Mr. Wong, release of all undertakings of Shinning Crown and Shine Group and release of the Defendants' shares in the Company held in the High Court. The High Court granted orders sought by the SFC on 5 May 2014.

The Payment of HK$420,609,000 represented the gains of Mr. Wong of HK$294,015,000 (equivalent to RMB233,389,000), which was recorded in equity, and the interest accrued thereon of HK$126,594,000 (equivalent to RMB100,102,000), which was recorded in the interim condensed consolidated statement of profit or loss for the six-month period ended 30 June 2014.

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 OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000	**30 June 2014 (Unaudited) RMB'000**	31 December 2013 (Audited) RMB'000
Financial assets				
Other investments	**149,040**	135,000	**149,040**	135,000

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customers' deposits, other payables and accruals, amounts due from/to related companies and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 listed equity investments are based on quoted market prices.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Other investments:				
Equity investments	**149,040**	**–**	**–**	**149,040**

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other investments:				
Equity investments	135,000	–	–	135,000

During the six-month period ended 30 June 2014, there were no transfers into or out of Level 1 and Level 2, and no transfers into or out of Level 3.

27. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to 30 June 2014.

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 25 August 2014.

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 2014, 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 Director/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % shareholding
Zhu Jia	1,168,920	–	–	–	1,168,920	0.01
Wang Jun Zhou	10,187,000 *(Note 1)*	–	–	–	10,187,000	0.06

Note:

1. The relevant interests represented 10,187,000 shares of the Company (the "Share(s)") issuable upon exercise of the options (the "Option(s)") granted to the Chief Executive 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 Chief Executive beneficially.

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

Save as disclosed above, as at 30 June 2014, 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 the 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 25 August 2014, the maximum number of Shares available for issue under the Share Option Scheme was 370,175,032 Shares (including Options for 96,196,000 ordinary shares that have been granted but not yet exercised), representing approximately 2.18% of the issued share capital of the Company as at the time of approval of this interim financial information by the Board on 25 August 2014.

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 Hong Kong Stock Exchange (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 2014, 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.

On 29 July 2004, Mr. Wong and the Company entered into the Non-competition Undertaking pursuant to which Mr. Wong undertook to the Company that he would not and would procure that the Non-listed GOME Group would not, among 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 16 July 2014, Mr. Lee Kong Wai, Conway ("Mr. Lee") has been appointed as a non-executive director and the deputy chairman of Merry Garden Holdings Limited. In addition, with effect from 9 May 2014, 4 August 2014 and 11 August 2014, Mr. Lee has also been appointed as independent non-executive director of GCL New Energy Holdings Limited, WH Group Limited and China Rundong Auto Group Limited, respectively, all of the above companies are listed on the Hong Kong Stock Exchange.

With effect from June 2014, Mr. Ng Wai Hung ("Mr. Ng") has been appointed as an independent non-executive director of On Time Logistics Holdings Limited, a company listed on the Hong Kong Stock Exchange.

SHARE OPTION SCHEME

As at 30 June 2014, Options to subscribe for an aggregate of 96,196,000 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**	**As at 1 January 2014**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**As at 30 June 2014** *(Note 1)*	**Price of Shares for Options exercised during the period** *(Note 5)*
		HK$						HK$
Chief Executive								
Wang Jun Zhou	7 July 2009	1.90	10,187,000	–	–	–	10,187,000	–
Other employees	7 July 2009	1.90	87,765,000	–	–	(1,756,000) *(Note 4)*	86,009,000	–
Total			97,952,000	–	–	(1,756,000)	96,196,000	

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 2014, the revised terms would have the following effects:

    a. 88,351,000 vested Options will become lapsed and ceased to have any further effect after 15 November 2015.

    b. Up to 7,845,000 Options may be exercised commencing from 15 May 2015 and will become lapsed and ceased to have any further effect after 15 November 2015.

    c. 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. 1,756,000 Options were lapsed during the six-month period ended 30 June 2014.

5. No Options were exercised during the six-month period ended 30 June 2014.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or the Chief Executive, as at 30 June 2014, other than the Director or the Chief Executive as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares 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	5,500,503,338	32.43
Ms. Du Juan *(Note 2)*	Long position	5,500,503,338	32.43
Shinning Crown Holdings Inc. *(Note 3)*	Long position	4,619,779,938	27.24
Bain Capital Asia Integral Investors, LP. *(Note 4)*	Long position	1,691,053,013	9.97
Bain Capital Investors, LLC *(Note 5)*	Long position	1,691,053,013	9.97

Notes:

1. Of these 5,500,503,338 Shares, 4,619,779,938 Shares were held by Shinning Crown Holdings Inc. and 634,016,736 Shares were held by Shine Group Limited (both companies are 100% beneficially owned by Mr. Wong), and 240,955,927 Shares were held by Smart Captain Holdings Limited and 5,750,737 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 2014, no other person (other than the Director 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 under Section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

The Board declared an interim dividend of HK$2.1 cents (equivalent to RMB1.63 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2014, amounting to approximately HK$356,144,000 (equivalent to RMB277,044,000), to shareholders whose names appear on the register of members of the Company on Monday, 22 September 2014. The Interim Dividend will be payable on or about Wednesday, 15 October 2014.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement to the Interim Dividend, the register of members of the Company will be closed on Monday, 22 September 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19 September 2014. The record date for the determination of entitlement to the Interim Dividend will be on Monday, 22 September 2014.

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

During the six-month period ended 30 June 2014, the Company repurchased an aggregate of 74,527,000 shares on the Hong Kong Stock Exchange, details of which are as follows:

Month/Year	Number of shares repurchased	Highest price	Lowest price	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
April to May 2014	74,527,000 Shares of HK$0.025 each in the share capital of the Company	1.44 per Share	1.30 per Share	102,048,630
	74,527,000 Shares			102,048,630

The Shares repurchased during the six-month period ended 30 June 2014 were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2014.

CHANGES TO THE BOARD

As disclosed in the announcement of the Company dated 8 May 2014, changes to the Board since 31 December 2013 were as follows:

Mr. Cheung Leong has resigned as a non-executive Director with effect from 8 May 2014.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2014, the Company was in compliance with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

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, all Directors have confirmed their compliance with the Model Code during the period under review.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

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

As at 30 June 2014, 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 2013: 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 the 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 6.56% per annum. It has been subsequently renewed and extended in 2008 and in 2009, and was further extended for a period of two years from 15 December 2009 to 14 December 2011 at the interest rate of 4.86% per annum. The advance 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 from 5 December 2012 to 4 December 2015 and the annual interest rate was 5.40%. As at 30 June 2014, the Advance was RMB3.6 billion and represented approximately 8.50% 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 the 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 2014 as reviewed by Ernst & Young, the external auditors.

CORPORATE INFORMATION

Directors

Executive Director
ZOU Xiao Chun

Non-executive Directors
ZHANG Da Zhong *(Chairman)*
ZHU Jia
WANG Li Hong

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

ZOU Xiao Chun
SZETO King Pui, Albert

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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong