国美电器

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Interim Report 2015

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BUILDING AN O2O TOTAL RETAIL ECOSYSTEM

GOME ELECTRICAL APPLIANCES HOLDING LIMITED

INTERIM REPORT 2015

FINANCIAL HIGHLIGHTS AND BUSINESS SUMMARY

Financial Highlights

	First half of 2015 RMBm	First half of 2014 RMBm
Revenue	**31,692**	29,124
Gross profit	**4,712**	4,430
Consolidated gross profit margin*	**17.70%**	18.83%
Profit from operating activities	**694**	738
Profit attributable to owners of the parent	**687**	693
Earnings per share		
– Basic and diluted	**RMB4.1 fen**	RMB4.1 fen
Interim dividend per share	**HK2.10 cents**	HK2.10 cents

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

Business Summary

- During the reporting period, adhered to the "building an O2O Total Retail Ecosystem" strategic goal, the Group achieved outstanding results
- The Group leveraged on the advantage of its store network and supply chain to develop its online business and to create synergies between online and offline platforms
- On the front end, the Group accelerated its development in its "Online + Offline + Mobile + Other Social Channels" interface platforms
- Leveraged on the low-cost and highly efficient back-end supply chain and its big data terminals, the Group continued to enhance the value of its platforms on procurement, logistic, after-sales, information system and financial services.

Overview

During the reporting period, GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") spared no effort in pursuing the strategic goal of "building an O2O Total Retail Ecosystem". The Group achieved outstanding results through an interface platform that encompasses "online + offline + mobile terminals + other social channels", as well as a value supply chain platform that encompasses procurement, logistics, after-sales, information system and financial services. Backed by the big data terminals, which all engaged in a more open and integrated business model that provide mutual benefits.

During the reporting period, the Group recorded sales revenue of approximately RMB31,692 million, up 8.82% as compared with RMB29,124 million in the same period last year. Sales growth for the comparable stores was approximately 2.26%, while sales growth for the comparable stores in the second-tier market was approximately 5.34%. In addition, the gross merchandise volume ("GMV") of the e-commerce business grew by approximately 151.34%. Consolidated gross profit margin slightly dropped by 1.13 percentage points from 18.83% in the same period last year to approximately 17.70%. Profit attributable to the owners of the parent was approximately RMB687 million, as compared to RMB693 million for the same period last year. By excluding the RMB100 million one-off compensation received in 2014, the profit attributable to the owners of the parent would be increased by 15.85% from RMB593 million for the corresponding period last year to RMB687 million. Moreover, the Group's cash and cash equivalents increased from RMB8,794 million as at 31 December 2014 to approximately RMB10,716 million as at 30 June 2015.

In the first half of 2015, the Group expedited the renovation and upgrade of its smart stores to exploit its physical stores' competitive advantages in satisfying customers' needs. To indulge consumers with an excellent shopping experience offered by the integration of its offline and online businesses, the Group is riding the wave of the "Internet Plus" strategy and strives to fully optimise its internet layout by speeding up the development of its online business. In addition, GOME's Total Retail strategy is supported by an open, low-cost and highly efficient supply chain which leverages on the integration of the Group's procurement, logistics, after-sales, information technology and financial services platforms to enable the Group to enhance its customer loyalty by carrying out in-depth data mining and targeted marketing to satisfy the needs of consumers of all ages in a wide range of shopping settings, and thereby laying a solid foundation for the "O2O Total Retail Ecosystem" which will bring mutual success to the industry.

Industry Environment

China's overall economy remained stable in the first half of 2015. The US economies showed signs of recovery, and China saw a rebound in foreign trade, indicating that confidence is being restored among enterprises. The promising outlook for China's long-term economic development provided sustainable growth momentum for the domestic home appliance industry.

During the reporting period, the pace of urbanization in China continued to accelerate, driving the steady growth in overall spending power. Meanwhile, as investment in R&D in the home appliance industry increases year after year, each new generation of smart products and high value-added products comes to the market faster and faster. High-end, health-related and energy-saving products were well accepted by consumers during the reporting period. The growing spending power of Chinese consumers and rapid replacement of smart products will inject new growth momentum into the home appliance market.

In 2015, the entire industry continued to see major reforms in the retail operating model. Against the backdrop of the emergence of E-commerce, a resurgence in small businesses, the prevalence of micro shops, and the comprehensive upgrade of logistics, after-sales, supply chain and information platforms by traditional retailers, the year 2015 marks a new era for retailers. In response to the drastic transformation of the industry, the Group endeavoured to optimise the layout of its retail business by optimising its store network, expanding its retail channels and accelerating the development of its E-commerce business, bearing in mind the ultimate aim of "building an O2O Total Retail Ecosystem". Our solid operating results reinforced the direction and vision of our Total Retail strategy.

Business Review

Development of Interface Platform

Enhancing Smart Store Shopping Experience

During the reporting period, the Group focused its efforts on the development of smart stores. The Group built vast array of experience showrooms such as Apple experience stores, Samsung experience stores, Gree lifestyle stores, Simens experience stores, kitchen and bathroom hardware stores and Xiaomi lifestyle stores to provide enjoyable shopping experiences to its customers.

During the reporting period, the Group continued to optimise its network in the first-tier market by opening flagship stores in core business districts. During the reporting period, the Group opened 33 new stores, closed 28 underperforming stores and renovated 72 flagship stores in the first-tier market.

The Group adhered to its network development model, opening “satellite stores” around “flagship stores” in the second-tier market. It also stepped up efforts in optimising its store network in the second-tier market and rapidly open new stores in core business districts and local markets that have not yet been covered. In addition, the Group focused on capturing market share by consolidating local home appliances retail chains. During the reporting period, the Group opened 84 new stores, closed 8 stores and assessed a total of 283 cities in the second-tier market.

To further expedite the renovation and upgrade of stores to version 2.0 super flagship stores, the Group also upgraded the terminal pricing and transaction system at stores across the country during the reporting period, which further strengthened the Group’s price advantage and shortened waiting times for customers. On top of this, the Group set out 9 service commitments focusing on customers’ needs so as to satisfy customers demand for a convenient shopping and service experience. In response to the ever-changing market needs, the Group is set to explore new development models and has initiated the establishment of a new generation of the O2O Experience Pavilion with an internet-based mindset. The Group strives to establish its presence in major second and third-tier cities as the leading home appliance stores in such regions by replicating the success of its flagship store-based operating model in the first-tier market.

The Nationwide Retail Network of the Group

As at 30 June 2015

Development of Network:

	Group total	GOME	China Paradise	Dazhong	CellStar
Flagship stores	258	194	36	28	–
Standard stores	352	294	42	16	–
Specialized stores	603	468	80	10	45
Total	1,213	956	158	54	45
Among them: First-tier market	698	508	106	46	38
Second-tier market	515	448	52	8	7
Net increase/(decrease) in store number	81	76	(1)	–	6
Number of stores opened	117	102	6	3	6
Among them: First-tier market	33	24	5	–	4
Second-tier market	84	78	1	3	2
Number of cities accessed	310	274	60	1	6
Among them: First-tier cities	27	21	9	1	1
Second-tier cities	283	253	51	–	5
Number of cities newly assessed	41	41	–	–	–

List of stores:

Region	Flagship stores	Standard stores	Specialized stores	Total
Beijing	48	30	14	92
Shanghai	27	17	19	63
Tianjin	16	16	9	41
Chengdu	17	27	26	70
Chongqing	13	21	19	53
Xi'an	17	20	63	100
Shenyang	12	8	9	29
Qingdao	12	13	14	39
Jinan	6	9	16	31
Shenzhen	19	23	34	76
Dongguan	–	13	10	23
Guangzhou	16	31	65	112
Foshan	6	12	19	37
Wuhan	7	20	33	60
Kunming	5	5	23	33
Fuzhou	6	14	25	45
Xiamen	3	9	28	40
Henan	6	15	27	48
Nanjing	3	15	21	39
Wuxi	1	2	10	13
Changzhou	2	5	5	12
Suzhou	4	4	16	24
Hefei	2	7	8	17
Xuzhou	1	5	13	19
Tangshan	3	–	6	9
Lanzhou	5	4	12	21
Wenzhou	–	1	8	9
Jiangxi	1	6	51	58
Total	258	352	603	1,213

Accelerating GOME-on-line Development

During the reporting period, GOME-on-line, the ever expanding online retail platform developed by GOME, became fully integrated with the Group's offline supply chain, logistics, after-sales, membership and information technology system. In an effort to satisfy all areas of its customers' needs, GOME set low price benchmarks for home appliances and launched a variety of one-stop after-sales services that include timely delivery services such as Precise and Timely Delivery (計時達及限時達), 30-day price guarantee, 30-day product return policy, 180-day replacement, as well as recycling, repair and extended warranties for home appliances.

In addition, to exemplify the excellence of its user experience, GOME-on-line focused its effort on five core areas, including micro shops, logistics, GOME Home, market penetration and internet finance. Leveraging the Group's physical stores, mobile terminals and other social channels to develop GOME total retail ecosystem which allows users to move freely across all shopping channels. In the GOME total retail ecosystem, customers can visit offline stores for a firsthand product experience and order online by scanning QR codes, sharing reward points for both online and offline purchases. It also enables customers to pick up their online orders at stores and offers shopping assistance at micro-shops, etc. GOME-on-line has been undergoing a transformation into a top-tier e-commerce total retail ecosystem that satisfies customers' demand for one-stop shopping.

During the reporting period, the GMV of GOME-on-line increased by 151.34% over the same period last year.

Integrating Online and Offline Channels

During the reporting period, the Group focused on developing an online and offline integrated business model ("O2O"), with a strategy targeted at serving communities within a 5-kilometer radius of physical stores and customers of micro shops run by GOME employees, and adopting a "Service+Product" approach to secure a group of loyal customers. Through O2O, the Group was able to seamlessly engage customers with full-range services across different channels, further expand its product mix and enhance the customer experience to include consultation, purchase, installation, repair and recycling services.

Building a One Stop Shopping Portal for Home Decoration – GOME Home

In the first half of 2015, the Group partnered with Dong Yi Ri Sheng Home Decoration Group and Baihe.com to roll out China's first online 3D home decoration and interior design platform, providing users with one-stop service from interior design to home appliances purchases. This platform can provide customers with a novel experience that traditional providers of interior design services are unable to offer and it includes the home appliances installation plan at the designing stage. The platform allows for greater consistency between design sketches and finished products, leading to better customer satisfaction. The platform will cover 10 cities including Beijing, Shanghai, Tianjin, Chongqing in the first phase, and is expected to cover 50 cities in China by the end of the year.

Development of Supply Chain Platform

Upgrading Financial Services

With the aim of offering better and more targeted products and services to its network of consumers, suppliers and merchants, the Group further rolled out a series of financial products during the reporting period. These included online and offline Mei Tong Card (美通卡), online Mei Ying Bao (美盈寶) and Mei Yin Piao (美銀票), as well as supplier-oriented factoring finance and credit business. Looking ahead, the Group is committed to develop wealth management products, insurance products, funds, consumer financing products, supply chain finance products, cross-industry innovative product, etc. With continuous efforts to enhance customer loyalty and to provide strategic support, advices and interactions to its customers and suppliers at different stages of the total retail supply chain, GOME will enhance the value of its retail ecosystem.

Enhancing Logistics

During the reporting period, the Group's logistics and delivery service platform gradually transformed from a back-end supporting function to a front-end independent operation. The platform strengthened both the online and offline shopping experience for customers by strengthening its responsiveness to customer demand, thereby boosting transaction rates at physical stores and enhancing the conversion rate among online customers, and ultimately establishing a more comprehensive supply chain system spanning procurement, logistic and information system.

As for logistics management, the Group's management goals during the reporting period included service upgrade, cost reduction, market penetration and defect reduction. In terms of services, the Group continued to optimise and further promote its new logistics benchmark of "Three deliveries/day, precise delivery" launched in 2014. In terms of logistics services for the online business, the Group has completed the upgrade of its service to a higher benchmark, i.e. Precise and Timely Delivery. The Group continued to reduce overall logistic costs through various methods, such as by promoting self pick-up services, enhancing the effectiveness of vehicles usage, optimising delivery routes, etc. During the reporting period, delivery expenses as a percentage of sales revenue declined from 0.81% to 0.69% over the same period last year.

Optimising After-sales Services

During the reporting period, the Group focused on ramping up its after-sales service capabilities and service quality. In addition to the continuous expansion of after-sales service coverage, in particular for the second-tier market, the Group also placed emphasis on fortifying the service quality of its service team and strived to build an authorised service team of first-tier brands at respective after-sales branches. The confluence of these efforts has boosted the business volume of the Group's self-operated installation and maintenance services and gave a substantial boost to customer satisfaction.

The Group offered for a full range of after-sales services, including installation, extended warranty, maintenance and home appliance recycling, as well as the "Solving problems within 24-hours guarantee". Driven by consumer needs, GOME aims to enhance customer traffic to form a complete product and service cycle and fulfill its mission to build long lasting customer relationships.

Strengthening Information System Construction

During the reporting period, the Group further enhanced its pricing system and price management module at the store level, enabling the Group to maintain its competitive pricing strategies in a timely and flexible manner. Meanwhile, the Group also developed a mobile app which enables real-time display of promotions, timely feedback on inventory shortage and making execution instructions through the mobile terminals, significantly enhancing the efficiency of the Group's management. In addition, the Group had undertaken the continuous optimisation and upgrading of its established Enterprise Cooperation Platform (ECP) system, which has in turn strengthened collaboration between the Group and the suppliers, lowered the operating costs for both parties and gained fruitful results.

Developing an Open Supply Chain Platform

The Group endeavors to develop an open supply chain platform to enhance the efficiency of its supply chain at all levels. During the period, the Group continued to research and upgrade its IT platform in order to enhance the handling capability of its supply chain. With the information sharing platform, suppliers can check information such as real-time sales transactions, resources allocation, best-selling product inventory level, inventory structure and product control to make business decisions in a timely manner. Through upgraded big data terminal, the Group will be able to extract consumer behavior patterns from transaction data so as to tailor made and satisfy customers' needs from different channels.

Meanwhile, the Group continued to seek closer partnerships with suppliers and was able to receive direct and exclusive supplies from world-renowned manufacturers. It also entered into strategic partnerships with world-famous brands that include Gree, Haier, Midea, Apple, Samsung and Lenovo. The Group's enormous scale in procurement and its flexible cooperation model with suppliers, ensured the supply of high quality and wide variety of products with low procurement costs. With a well-developed supplier management system and a supportive and cooperative attitude to achieving mutual benefits, GOME is able to maintain long-term and stable relationship with suppliers.

During the reporting period, sales of differentiated products accounted for 35% of total revenue, up from 33% in the same period last year. The consolidated gross profit margin maintained at a high level of 17.70% in the industry. In addition, the Group's top five suppliers (by brand) accounted for approximately 43.24% of total procurement, higher than the 42.29% for the corresponding period in 2014.

Corporate Governance

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the "Board") consists of one executive director, three non-executive directors and four 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 its core corporate culture and value through "Trust". The Group remained committed to building a team of ethical staff based on mutual trust. The Group wishes to harvest fruitful results together with its employees by sharing the same dreams, challenges and values. Through the unity of dreams and values, employees were encouraged to understand and embrace "Trust", hence integrating "Trust" into their code of conduct. Meanwhile, GOME will continue to build mutually beneficial relationships with suppliers and business partners by upholding the rule of law and working according to the premise of value creation.

Consumer loyalty is the key to the sustainable development of GOME. GOME will spare no effort to develop itself and to win the trust of its customers.

Human Resources Expertise

The Group developed different human resources management programs targeted at different levels of staff. The "Reservoir" project was designed to nurture a pool of outstanding entry level talents. The "Career Acceleration" program, aims at retaining and developing mid-level staff, provides opportunities for staff to advance their careers. Succession planning ensures that there are qualified and motivated employees to fill vacancies in top-level management. By implementing targeted training and development programs, the Group not only developed a pool of talent, but also strengthened its employees' management skills and professionalism, hence paving a road for the employees to exercise their full potential and maximise their value for their fruitful and successful future.

As at 30 June 2015, the Group had a total of 44,447 employees.

Financial Review

Revenue

During the reporting period, the Group's sales revenue was approximately RMB31,692 million, up 8.82% from RMB29,124 million for the corresponding period in 2014. The weighted average sales area of the Group's stores was approximately 3,789,000 sq.m. Revenue per sq.m. was approximately RMB7,515, relatively the same as compared with RMB7,589 for the corresponding period in 2014. During the reporting period, the Group had 957 comparable stores, recording a revenue of approximately RMB26,219 million, up 2.26% as compared with RMB25,639 million for the corresponding period in 2014.

Proportion of revenue from each product category over total revenue of the Group is as follows:

	First half of 2015	First half of 2014
As a percentage of sales revenue:		
AV	**20.34%**	21.63%
Air-conditioner	**17.94%**	17.88%
Refrigerator and washing machine	**20.31%**	19.82%
Telecommunication	**16.01%**	14.59%
Small white appliances	**13.43%**	13.05%
IT	**8.59%**	9.01%
Digital and others	**3.38%**	4.02%
Total	**100%**	100%

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB26,980 million in the reporting period, accounting for 85.13% of the total sales revenue, as compared with 84.79% for the corresponding period in 2014. The Group's gross profit was approximately RMB4,712 million, up 6.37% as compared with RMB4,430 million for the corresponding period last year. Gross profit margin was approximately 14.87%, decreased by 0.34 percentage points as compared with 15.21% for the corresponding period last year.

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

	First half of 2015	First half of 2014
AV	**15.07%**	16.31%
Air-conditioner	**16.55%**	16.21%
Refrigerator and washing machine	**16.44%**	16.79%
Telecommunication	**11.90%**	11.72%
Small white appliances	**18.39%**	18.80%
IT	**8.80%**	9.38%
Digital and others	**10.83%**	11.09%
Total	**14.87%**	15.21%

Other income and gain

During the reporting period, the Group recorded other income and gain of approximately RMB899 million, representing a decrease of 14.62% as compared with RMB1,053 million for the corresponding period in 2014. By excluding the RMB100 million one-off compensation received in 2014, the other income and gain in 2014 would be adjusted to RMB953 million, as such the other income and gain would be decreased by approximately 5.67%.

Summary of other income and gain:

	First half of 2015	First half of 2014
As a percentage of sales revenue:		
Income from suppliers, net	**0.58%**	0.59%
Management and purchasing service fees from the Non-listed GOME Group	**0.51%**	0.54%
Income from products installation	**0.24%**	0.22%
Income from extended warranties	**0.40%**	0.34%
Gross rental income	**0.46%**	0.48%
Government grants	**0.09%**	0.14%
Other income from telecommunication service providers	**0.30%**	0.48%
Compensation received	**–**	0.34%
Others	**0.26%**	0.49%
Total	**2.84%**	3.62%

Consolidated gross profit margin

During the reporting period, the Group's consolidated gross profit margin was approximately 17.70%, slightly dropped by 1.13 percentage points as compared with 18.83% for the corresponding period in 2014.

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 RMB4,917 million, accounting for 15.51% of total sales revenue, down 0.79 percentage points as compared with 16.30% for the corresponding period in 2014.

Summary of operating expenses:

	First half of 2015	First half of 2014
As a percentage of sales revenue:		
Selling and distribution expenses	**12.02%**	12.26%
Administrative expenses	**2.50%**	2.88%
Other expenses	**0.99%**	1.16%
Total	**15.51%**	16.30%

Selling and distribution expenses

During the reporting period, the Group's total selling and distribution expenses amounted to approximately RMB3,810 million. The percentage over sales revenue was 12.02%, down 0.24 percentage point as compared with 12.26% for the corresponding period in 2014. The decrease in selling and distribution expenses was mainly due to the tightening control on the expenses by the Group during the period. Salaries and delivery expenses as a percentage of sales revenue decreased by 0.12 and 0.12 percentage points from 2.96% and 0.81% for the corresponding period last year to 2.84% and 0.69%, respectively.

Summary of selling and distribution expenses:

	First half of 2015	First half of 2014
As a percentage of sales revenue:		
Rental	**5.25%**	5.14%
Salaries	**2.84%**	2.96%
Utility charges	**0.81%**	0.74%
Advertising expenses	**1.25%**	1.42%
Delivery expenses	**0.69%**	0.81%
Others	**1.18%**	1.19%
Total	**12.02%**	12.26%

Administrative expenses

During the reporting period, administrative expenses of the Group were approximately RMB792 million, decreased by 5.71% as compared with RMB840 million for the corresponding period last year. The proportion over sales revenue was 2.50%, down 0.38 percentage points as compared with 2.88% for the corresponding period in 2014.

Other expenses

Other expenses of the Group mainly comprised, among others, business taxes and bank charges. Other expenses were approximately RMB315 million during the reporting period, accounting for 0.99% of sales revenue, down by 0.17 percentage points as compared with 1.16% for the corresponding period in 2014.

Profit from operating activities

As a result of the increase in sales revenue, increase in consolidated gross profit and decrease in the operating expenses ratio during the reporting period, the Group's profit from operating activities was approximately RMB694 million, as compared with RMB738 million for the corresponding period in 2014. By excluding the RMB100 million one-off compensation received in 2014, the profit from operating activities in 2014 would be adjusted to RMB638 million. The profit from operating activities during the reporting period would be increased by approximately 8.78% as compared to the adjusted operating profit.

Net finance income

During the reporting period, the Group's net finance income was approximately RMB106 million, which remain stable as compared with RMB108 million in the first half of 2014. In addition, interest income increased by 3.10% to approximately RMB133 million for the reporting period from RMB129 million for the corresponding period of the previous year.

Profit before tax

During the reporting period, the Group's profit before tax was approximately RMB801 million, a decrease of 5.32% as compared with RMB846 million for the corresponding period in 2014. By excluding the RMB100 million one-off compensation received in 2014, the profit before tax for the period would be increased by approximately 7.37% as compared to adjusted profit of RMB746 million last year. Profit margin before tax was 2.53%, as compared with 2.90% for the corresponding period in 2014.

Income tax expense

During the reporting period, the Group's income tax expense was approximately RMB276 million, showing an increase as compared with RMB248 million for the corresponding period in 2014. 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

During the reporting period, the Group's profit attributable to owners of the parent was approximately RMB687 million as compared with RMB693 million for the corresponding period last year. Net profit margin attributable to owners of the parent was 2.17% as compared with 2.38% for the corresponding period of the previous year. By excluding the RMB100 million one-off compensation received in 2014, the profit attributable to the parent for the period would be increased by approximately 15.85% as compared with the adjusted profit of RMB593 million in 2014.

Basic earnings per share attributable to owners of the parent was RMB4.1 fen, the same as the corresponding period of last year of RMB4.1 fen.

Cash and cash equivalents

As at the end of the reporting period, cash and cash equivalents held by the Group were approximately RMB10,716 million, representing an increase of 21.86% as compared with RMB8,794 million as at the end of 2014, the increase was mainly due to improvement in the operational efficiency of the Group.

Inventories

As at the end of the reporting period, the Group's inventories amounted to approximately RMB9,785 million, down 10.44% as compared with RMB10,926 million at the end of 2014. Inventory turnover days increased by 1 day from 68 days in 2014 to approximately 69 days during the reporting period.

Prepayments, deposits and other receivables

As at the end of the reporting period, prepayments, deposits and other receivables of the Group amounted to approximately RMB3,417 million, down 28.78% from RMB4,798 million as at the end of 2014. This is mainly due to the full refund of the prepayment for the subscription of new issued shares in Huishang Bank Corporation Limited of approximately RMB1,412 million during the period.

Trade and bills payables

As at the end of the reporting period, trade and bills payables of the Group amounted to approximately RMB20,375 million, down 2.42% from RMB20,880 million as at the end of 2014. Turnover days of trade and bills payables were approximately 138 days during the reporting period, same as 138 days for 2014.

Capital expenditure

During the reporting period, capital expenditure incurred by the Group amounted to approximately RMB291 million, representing a 21.56% decrease as compared with RMB371 million for the first half in 2014.

Cash flows

During the reporting period, with the continuing improvement in its profitability and operational efficiency, the Group's net cash flows generated from operating activities amounted to approximately RMB1,761 million, as compared with RMB3,277 million for the corresponding period last year.

Net cash flows from investing activities amounted to approximately RMB153 million, as compared with net cash outflow of RMB300 million in the first half of 2014.

Net cash flows from financing activities amounted to approximately RMB9 million, as compared with RMB1,077 million in the first half of 2014.

Interim dividend and dividend policy

The Board declared an interim dividend of HK2.10 cents (equivalent to RMB1.62 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2015, amounting to approximately HK$356,193,000 (equivalent to RMB274,769,000).

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, the capital requirement of the Group and the 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. The Group had capital commitments of approximately RMB69 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 2015, the total borrowings of the Group, being interest-bearing bank loans, which were denominated in US dollars, amounted to approximately RMB1,523 million. The interest-bearing bank loans were all with floating interest rates and were repayable within one year. There was no fixed interest bank loan. The Group's financing activities continued to be supported by its bankers.

As at 30 June 2015, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to RMB1,523 million over total equity amounting to RMB16,839 million, decreased from 21.37% as at 31 December 2014 to 9.04%.

Charge on group assets

As at 30 June 2015, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounting to RMB4,083 million and certain owner-occupied properties and investment properties with a carrying value of RMB1,861 million. The Group's bills payables and interest-bearing bank loans amounted to RMB14,219 million in total.

Outlook and Prospects

Expanding the O2O Total Retail Ecosystem

In the second half of 2015, the Group will focus on the following four key areas of development to further enhance its consumer interface platforms with more interactive features and expand its O2O total retail ecosystem with the aim of attracting more customers and promoting sales growth:

- **Reinforcing Nationwide O2O "Total Retail Experience" :** The Group will continue to optimise its physical stores in the first-tier market and accelerate store expansion in the second-tier market in order to promote market penetration of its e-commerce business nationwide. By seamlessly engaging customers across online and offline channels, the Group is destined to achieve fuller integration of all channels and grow its "total retail ecosystem", thereby allowing customers to enjoy total retail experience and comprehensive services anytime, anyplace, anywhere.

- **Community-centric O2O:** The Group will continue to adopt an O2O "Service + Product" approach at its micro shops to serve customers throughout the entire product cycle. With more merchants joining and integrating the after-sales service platform, the Group will strive to promote greater customer loyalty and achieve its goal of maintaining long lasting customer relationships. For instance, targeting mini-communities formed within a 5-kilometer radius of physical stores and the micro shops supported fully by GOME employees, steady customer groups will naturally be created through enhanced loyalty. Through O2O, the Group expects to seamlessly engage customers across an array of online, offline and mobile channels, further expanding its product mix and complete the ecosystem.

- **Accelerating E-Commerce Development:** The Group will fully integrate its e-commerce platform with big data terminal and scalable procurement platforms in order to enhance brand awareness and customer satisfaction across different online terminals. The synergies resulting from the integration of online and offline channels will create huge room for growth. In addition, GOME-on-line's overseas shopping network has taken shape, and will soon launch shopping channels for Japan, Australia and other country-specific shopping channels.

- **Smart Home Appliances Industry:** The Group will instill the "Smart" concept in its store operations, product offerings and business partnerships in general, with an aim to enrich consumer experience in the home appliance retail industry. Currently, for Internet Smart TV, the Group is striving to build a complete internet ecosystem that encompasses "Content Development + User Terminal Manufacturing + Distribution Channels + Platform Operation" by investing in Internet Protocol Television so as to open up more channels to bring in more customers traffics.

Synergy Creation through Acquisition of Non-listed GOME Group

Reference is made to the Company's announcement dated 26 July 2015 (the "Announcement") regarding the proposed acquisition of Artway Development Limited (a company engaged in the retail sale of electrical appliances and consumer electronic products under the trademark of "GOME Electrical Appliances" and related operations mainly in cities other than the designated cities of the PRC in which the Group already operates). Capitalized terms used herein take the same meanings ascribed to them in the Announcement. Data used herein on Target Group is based on data as of 31 March 2015, for illustrative purpose only.

The Group expects that upon Completion of the Acquisition, the Group will be able to:

(1) Significantly expand its retail store network from 310 cities to more than 450 cities in the PRC and complete its nationwide retail network. The number of retail stores of the Group will increase from 1,213 before the Acquisition to around 1,791 upon Completion. The total sales area will increase from 3,934,000 sq.m. before the Acquisition to around 5,686,000 sq.m. upon Completion;

(2) Accelerate network coverage development in the second-tier market, and;

(3) Facilitate total integration of logistics, warehousing and after-sales services in order to create greater value for customers and shareholders:

   a. As at 30 June 2015, the Group operates 15 regional and 300 municipal distribution centers, with a total storage area of approximately 1,930,000 sq.m. that seamlessly covers over 400 counties, 1,400 villages and 26,000 towns in China. Upon Completion, the enlarged group will operate about 21 regional and 407 municipal distribution centers, with a total storage area of approximately 3,020,000 sq.m. that seamlessly covers over 600 counties, 2,500 villages and 45,000 towns in China;

   b. As at 30 June 2015, the Group operates a network of 1,327 after-sales service centers covering 234 cities in China. Upon Completion, the enlarged group will operate a network of approximately 2,122 after-sales service centers covering 410 cities in China.

INDEPENDENT REVIEW REPORT

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

Introduction

We have reviewed the interim financial information of GOME Electrical Appliances Holding Limited set out on pages 23 to 61 which comprises the condensed consolidated statement of financial position as at 30 June 2015 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
24 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2015

	Notes	For the six-month period ended 30 June 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
REVENUE	5	**31,692,485**	29,124,153
Cost of sales		**(26,980,149)**	(24,693,808)
Gross profit		**4,712,336**	4,430,345
Other income and gain	5	**899,059**	1,053,366
Selling and distribution expenses		**(3,810,460)**	(3,569,970)
Administrative expenses		**(791,665)**	(840,187)
Other expenses		**(314,940)**	(335,358)
Profit from operating activities		**694,330**	738,196
Finance costs	7	**(26,628)**	(21,470)
Finance income	7	**132,920**	129,386
PROFIT BEFORE TAX	6	**800,622**	846,112
Income tax expense	8	**(275,614)**	(247,598)
PROFIT FOR THE PERIOD		**525,008**	598,514
Attributable to:			
Owners of the parent		**686,923**	692,611
Non-controlling interests		**(161,915)**	(94,097)
		525,008	598,514
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic and diluted		**RMB4.1 fen**	RMB4.1 fen

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

	Notes	For the six-month period ended 30 June 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
PROFIT FOR THE PERIOD		**525,008**	598,514
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*11*	**259,470**	14,040
Exchange differences on translation of foreign operations		**14,627**	9,900
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**274,097**	23,940
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**274,097**	23,940
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**799,105**	622,454
Attributable to:			
Owners of the parent		**961,020**	716,551
Non-controlling interests		**(161,915)**	(94,097)
		799,105	622,454

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*10*	**4,384,014**	4,417,234
Investment properties		**601,224**	601,224
Goodwill		**7,145,117**	7,145,117
Other intangible assets		**254,082**	265,801
Other investments	*11*	**476,820**	217,350
Lease prepayments and deposits		**368,940**	311,128
Deferred tax assets		**28,217**	31,795
Total non-current assets		**13,258,414**	12,989,649
CURRENT ASSETS			
Inventories	*12*	**9,785,346**	10,926,399
Trade and bills receivables	*13*	**417,241**	267,694
Prepayments, deposits and other receivables	*14*	**3,416,568**	4,797,960
Due from related companies	*15*	**258,939**	227,964
Equity investments at fair value through profit or loss	*16*	**976,309**	–
Pledged deposits	*17*	**4,083,495**	6,072,895
Cash and cash equivalents	*17*	**10,715,978**	8,794,112
Total current assets		**29,653,876**	31,087,024
CURRENT LIABILITIES			
Interest-bearing bank loans	*18*	**1,523,494**	3,425,950
Trade and bills payables	*19*	**20,375,192**	20,880,430
Customers' deposits, other payables and accruals		**2,575,996**	2,425,413
Due to related companies	*15*	**767,316**	521,213
Tax payable		**671,850**	626,151
Total current liabilities		**25,913,848**	27,879,157

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NET CURRENT ASSETS		**3,740,028**	3,207,867
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,998,442**	16,197,516
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**159,401**	162,998
Total non-current liabilities		**159,401**	162,998
Net assets		**16,839,041**	16,034,518
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*20*	**423,268**	423,221
Proposed dividends		**234,864**	234,864
Reserves		**17,214,222**	16,247,831
		17,872,354	16,905,916
Non-controlling interests		**(1,033,313)**	(871,398)
Total equity		**16,839,041**	16,034,518

Zhang Da Zhong	**Zou Xiao Chun**
Director	*Director*

		Attributable to owners of the parent													
	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 2015		**423,221**	**9,543,093**	**657**	**(618,172)**	**163,036**	**117,468**	**123,390**	**1,505,592**	**(150,872)**	**5,563,639**	**234,864**	**16,905,916**	**(871,398)**	**16,034,518**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**686,923**	**-**	**686,923**	**(161,915)**	**525,008**
Other comprehensive income for the period:															
Changes in fair value of other investments	11	**-**	**-**	**-**	**-**	**-**	**-**	**259,470**	**-**	**-**	**-**	**-**	**259,470**	**-**	**259,470**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,627**	**-**	**-**	**14,627**	**-**	**14,627**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**259,470**	**-**	**14,627**	**686,923**	**-**	**961,020**	**(161,915)**	**799,105**
Exercise of share options	20	**47**	**5,024**	**-**	**-**	**(1,555)**	**-**	**-**	**-**	**-**	**-**	**-**	**3,516**	**-**	**3,516**
Equity-settled share option arrangements	21	**-**	**-**	**-**	**-**	**1,902**	**-**	**-**	**-**	**-**	**-**	**-**	**1,902**	**-**	**1,902**
Wind-up of subsidiaries		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,316)**	**-**	**2,316**	**-**	**-**	**-**	**-**
At 30 June 2015 (unaudited)		**423,268**	**9,548,117***	**657***	**(618,172)***	**163,383***	**117,468***	**382,860***	**1,503,276***	**(136,245)***	**6,252,878***	**234,864**	**17,872,354**	**(1,033,313)**	**16,839,041**

* As at 30 June 2015, these reserve accounts comprised the consolidated reserves of RMB17,214,222,000 (31 December 2014: RMB16,247,831,000) 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													
	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		3,149	161,375	-	-	-	-	-	-	-	-	(164,524)	-	-	-
Repurchase of shares		(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		-	-	-	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2015

	Notes	For the six-month period ended 30 June 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**800,622**	846,112
Adjustments for:			
Finance income	*7*	**(132,920)**	(129,386)
Finance costs	*7*	**26,628**	21,470
Loss on equity investments at fair value through profit or loss	*6*	**23,691**	–
Loss on disposal of items of property and equipment	*6*	**7,958**	14,815
Reversal of impairment provision for items of property and equipment	*6*	**(3,052)**	–
Depreciation	*6*	**287,545**	284,434
Amortisation of intangible assets	*6*	**11,719**	11,719
Equity-settled share option expense	*21*	**1,902**	5,083
Compensation received	*5*	**–**	(100,102)
		1,024,093	954,145
Decrease/(increase) in inventories		**1,141,053**	(1,014,313)
Increase in trade and bills receivables		**(149,547)**	(48,255)
Increase in lease prepayments and deposits		**(57,812)**	(37,710)
(Increase)/decrease in prepayments, deposits and other receivables		**(31,218)**	107,010
Increase in amounts due from related companies		**(30,975)**	(48,108)
Decrease/(increase) in pledged deposits for bills payable	*17*	**45,273**	(103,767)
(Decrease)/increase in trade and bills payables		**(505,238)**	3,397,470
Increase in customers' deposits, other payables and accruals		**156,671**	58,681
Increase in amounts due to related companies		**246,103**	53,576
Cash generated from operations		**1,838,403**	3,318,729
Interest received		**152,730**	169,194
Income tax paid		**(229,934)**	(211,057)
Net cash flows from operating activities		**1,761,199**	3,276,866

	Notes	For the six-month period ended 30 June **2015** **(Unaudited)** **RMB'000**	2014 (Unaudited) RMB'000
Net cash flows from operating activities		**1,761,199**	3,276,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(290,720)**	(371,261)
Purchases of equity investment		**(1,000,000)**	–
Return of prepayment from Huishang share subscription		**1,411,973**	–
Proceeds from disposal of items of property and equipment		**31,490**	71,742
Net cash flows from/(used in) in investing activities		**152,743**	(299,519)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	(81,005)
Compensation received		**–**	333,491
New bank loans		**–**	1,410,917
Decrease in pledged deposits for bank loans	*17*	**1,944,127**	2,101,592
Repayment of bank loans		**(1,906,356)**	(2,392,661)
Exercise of share options		**3,516**	–
Dividend paid		**–**	(276,868)
Interest paid		**(32,716)**	(18,688)
Net cash flows from financing activities		**8,571**	1,076,778
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,922,513**	4,054,125
Cash and cash equivalents at 1 January		**8,794,112**	9,015,813
Effect of foreign exchange rate changes, net		**(647)**	3,575
CASH AND CASH EQUIVALENTS AT 30 JUNE		**10,715,978**	13,073,513
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*17*	**9,109,474**	12,474,099
Non-pledged time deposits with original maturity of less than three months when acquired		**1,606,504**	599,414
		10,715,978	13,073,513

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, consumer electronic products retail stores and electronic products on-line sales 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 2015 (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 2014.

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 2014, except for the adoption of new amendments effective as of 1 January 2015.

The Group applied the following new amendments for the first time in 2015. 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 amendment are described below:

Employee Contributions (Amendments to IAS 19)
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

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

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 4 to this Interim Financial Information as the reconciliation is reported to the chief operating decision maker for the purpose of decision making.

IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

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

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, and thus this amendment is not relevant for the Company and its subsidiaries.

IFRS 13 *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

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

IAS 40 *Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of 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, consumer electronic products retail stores and electronic products on-line sales 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, loss on equity investments at fair value through profit or loss, finance costs and corporate and other unallocated expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss 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.

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenue		
Sales to external customers	**31,692,485**	29,124,153
Segment results	**771,679**	685,428
Reconciliation		
Bank interest income	**132,920**	129,386
Unallocated income	**344**	100,514
Loss on equity investments at fair value through profit or loss	**(23,691)**	–
Finance costs	**(26,628)**	(21,470)
Corporate and other unallocated expenses	**(54,002)**	(47,746)
Profit before tax	**800,622**	846,112

4. OPERATING SEGMENT INFORMATION *(continued)*

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Segment assets	**26,631,471**	28,960,521
Reconciliation		
Corporate and other unallocated assets	**16,280,819**	15,116,152
Total assets	**42,912,290**	44,076,673
Segment liabilities	**23,718,504**	23,827,056
Reconciliation		
Corporate and other unallocated liabilities	**2,354,745**	4,215,099
Total liabilities	**26,073,249**	28,042,155

	For the six-month period ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Other segment information		
Depreciation and amortisation	**299,264**	296,153
Capital expenditure*	**290,720**	372,194

* 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 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**31,692,485**	29,124,153
Other income			
Income from suppliers, net		**184,092**	172,797
Management and purchasing service fees from the Non-listed GOME Group	*(i)*	**160,897**	156,437
Income from products installation		**75,640**	64,969
Gross rental income		**145,419**	140,249
Government grants	*(ii)*	**26,677**	41,806
Other service fee income		**127,658**	100,097
Other income from telecommunication service providers		**95,396**	141,230
Commission income earned through online platform		**36,589**	18,416
Others		**46,691**	117,263
		899,059	953,264
Gain			
Compensation received		**–**	100,102
		899,059	1,053,366

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):

		For the six-month period ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Cost of inventories sold		**26,980,149**	24,693,808
Depreciation		**287,545**	284,434
Amortisation of intangible assets	*(i)*	**11,719**	11,719
Loss on disposal of items of property and equipment		**7,958**	14,815
Loss on equity investments at fair value through profit or loss		**23,691**	–
Minimum lease payments under operating leases in respect of land and buildings		**1,781,137**	1,585,807
Gross rental income	5	**(145,419)**	(140,249)
Foreign exchange differences, net		**32,028**	17,570
Reversal of impairment provision for items of property and equipment		**(3,052)**	–
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**995,957**	1,043,531
Pension scheme contributions*		**235,123**	215,713
Social welfare and other costs		**37,165**	42,417
Equity-settled share option expense		**1,690**	5,065
		1,269,935	1,306,726

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 2015, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2014: Nil).

7. FINANCE (COSTS)/INCOME

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

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance costs:		
Interest expenses on bank loans wholly repayable within five years	**(26,628)**	(21,470)
Finance income:		
Bank interest income	**132,920**	129,386

8. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax – PRC	**275,633**	234,488
Deferred income tax	**(19)**	13,110
Total tax charge for the period	**275,614**	247,598

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 Bermuda, the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in Bermuda, 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 2014: 25%) on their respective taxable income. During the current period, 25 entities (six-month period ended 30 June 2014: 25 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 2015 and 2014, 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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,959,826,000 in issue during the period (six-month period ended 30 June 2014: 16,888,176,000 shares).

For the six-month periods ended 30 June 2015 and 30 June 2014, there are no potentially dilutive ordinary shares.

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

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**686,923**	692,611

	Number of shares for the six-month period ended 30 June	
	2015	2014
	(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	**16,959,826**	16,888,176

10. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2015, the Group acquired items of property and equipment at a total cost of RMB290.7 million (six-month period ended 30 June 2014: RMB372.2 million). Items of property and equipment with a net carrying amount of RMB39.4 million (six-month period ended 30 June 2014: RMB86.6 million) were disposed of during the six-month period ended 30 June 2015.

Certain of the buildings of the Group in the PRC were pledged as security for bills payable (note 19) and interest-bearing bank loans (note 18) of the Group as at 30 June 2015. The aggregate carrying value of the pledged buildings of the Group as at 30 June 2015 amounted to RMB1,492,999,000 (31 December 2014: RMB1,027,907,000).

11. OTHER INVESTMENTS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Listed investment, at fair value	**476,820**	217,350

The balance as at 30 June 2015 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 2015 and 31 December 2014. After initial recognition, the available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investments are derecognised or until the 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 during the current period. 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.

11. OTHER INVESTMENTS *(continued)*

As at 30 June 2015, the fair value of these investments was based on the quoted market price of the listed shares, which was RMB17.66 (31 December 2014: RMB8.05) per share.

During the six-month period ended 30 June 2015, the gain in respect of the Group's other investments recognised in other comprehensive income amounted to RMB259,470,000 (six-month period ended 30 June 2014: gain of RMB14,040,000).

The Group further purchased 4,000,000 shares of Sanlian from 13 July 2015 to 28 July 2015, after which the Group's shareholding in Sanlian was increased from 10.7% to 12.3%. The directors of the Company consider that the Group does not have control or significant influence over Sanlian after this increase in shareholding.

12. INVENTORIES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Merchandise for resale	**9,657,362**	10,792,532
Consumables	**127,984**	133,867
	9,785,346	10,926,399

As at 30 June 2015, the Group did not have any inventories (31 December 2014: inventories amounting to RMB521 million) pledged as security for the Group's bills payable (note 19).

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**334,785**	215,817
3 to 6 months	**78,131**	34,021
6 months to 1 year	**4,325**	17,856
	417,241	267,694

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
Prepayments		**982,732**	740,279
Advances to suppliers		**1,608,795**	1,722,515
Receivables from Wuhan Yinhe	*(i)*	**166,586**	166,586
Prepayment for share subscription	*(ii)*	**–**	1,411,973
Deposit for a land use right	*(iii)*	**213,000**	–
Other deposits and receivables		**444,278**	755,430
Current portion of prepaid land lease payments		**1,177**	1,177
		3,416,568	4,797,960

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 floor of the property, respectively. 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.

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

Note: (continued)

(i) *(continued)*

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.

According to related rules and regulations in Mainland China, the Group cannot directly take ownership of the properties for its receivables but need to go through a certain auction processes related to the properties, as arranged by the court. By 30 June 2015, three auctions had been aborted because no one participated in the bidding and the Group did not bid either. Under the relevant laws, if the auction is not successful for three times, the Group is entitled to take ownership of the properties as settlement of such receivables. As at 30 June 2015, the court was in process of assessing if the Group was entitled to further compensation before settlement by transfer of ownership of the properties.

(ii) On 11 November 2014, the Group agreed to acquire a 5.41% stake, or 633 million new ordinary shares in the enlarged capital of Huishang Bank Corporation Limited ("Huishang"), at HK$3.8 (equivalent to RMB3.0) per share in cash, or at a total consideration of HK$2,404 million (equivalent to RMB1,897 million), in a privately negotiated capital enlargement transaction.

On 26 November 2014, as agreed with Huishang, the Group changed the acquisition plan from 5.41% to 4.09% stake, or from 633 million to 471 million new ordinary shares. The total consideration changed from HK$2,404 million (equivalent to RMB1,897 million) to HK$1,790 million (equivalent to RMB1,412 million) which was paid by the Group on 31 December 2014.

On 1 February 2015, the Group announced that as certain conditions precedent in relation to the subscription of Huishang shares have not been satisfied, and the Group and Huishang have not reached agreement on the continuous implementation of the transaction, the Group's proposed subscription of Huishang shares was terminated on 31 January 2015. The total amount of HK$1,790 million (equivalent to RMB1,412 million) including interest thereon was refunded to the Group on 16 January 2015.

(iii) On 30 June 2015, the Group entered into a contract to purchase the land use right of a piece of state-owned land of 10,258 square meters with the Bureau of Land Resources and Housing Management of Guangzhou Municipality, at a total consideration of RMB1,063,370,000. Pursuant to the contract, the Group paid an amount of RMB213,000,000 as a deposit and the total consideration should be paid by two equal instalments with deadlines on 30 July 2015 and 20 December 2015, respectively. As at the date of approval of the Interim Financial Information, the registration of the land use right with the relevant PRC authorities is still pending.

15. DUE FROM/DUE TO RELATED COMPANIES

Due from related companies

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Management and purchasing service fee receivables from the Non-listed GOME Group*	**83,520**	71,410
Other receivables from the Non-listed GOME Group**	**175,419**	156,554
	258,939	227,964

* 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Payables to the Non-listed GOME Group**	**767,316**	521,213

** 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. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Listed equity investments, at market value	**976,309**	–

The Group invested RMB1 billion in the Mainland China's stock market via CITIC Securities CO., Ltd. during the current period and such equity investments were classified as held for trading by the Group. As at 30 June 2015, the market value of the Group's purchased stocks was RMB976 million while a loss of RMB24 million was recorded in the Group's consolidated statement of profit or loss. Subsequent to 30 June 2015, as at 24 August 2015, due to fluctuations in Mainland China's stockmarket, the market value of the Group's purchased stocks was RMB742 million.

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Cash and bank balances	**9,109,474**	8,468,197
Time deposits	**5,689,999**	6,398,810
	14,799,473	14,867,007
Less: Pledged time deposits for bills payable	**(4,083,495)**	(4,128,768)
Pledged time deposits for interest-bearing bank loans	**–**	(1,944,127)
	(4,083,495)	(6,072,895)
Cash and cash equivalents	**10,715,978**	8,794,112

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB13,685,294,000 (31 December 2014: RMB13,896,497,000). 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.

18. INTEREST-BEARING BANK LOANS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Bank loans	**1,523,494**	3,425,950

The bank loans as at 30 June 2015 are denominated in United States dollars ("USD") and bear interest at the 3-month London Interbank Offered Rate ("LIBOR") plus 1.8% to 2.0%.

The Group's bank loans are secured by the Group's buildings (note 10) and investment properties as at 30 June 2015.

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

19. TRADE AND BILLS PAYABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade payables	**7,679,837**	7,220,716
Bills payable	**12,695,355**	13,659,714
	20,375,192	20,880,430

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	**12,281,078**	12,475,119
3 to 6 months	**6,849,594**	7,443,568
Over 6 months	**1,244,520**	961,743
	20,375,192	20,880,430

The Group's bills payable above are secured by:

(i) the pledge of certain of the Group's time deposits (note 17);

(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 RMB367,938,000 (31 December 2014: RMB433,096,000).

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

20. ISSUED CAPITAL

	Number of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.025 each at 1 January 2015 and 30 June 2015	**200,000,000**	**5,000,000**	**5,300,000**
Issued and fully paid:			
Ordinary shares of HK$0.025 each at 1 January 2015	**16,959,228**	**423,981**	**423,221**
Share option exercised (note 21)	**2,345**	**59**	**47**
Ordinary shares of HK$0.025 each at 30 June 2015	**16,961,573**	**424,040**	**423,268**

21. SHARE OPTION SCHEME

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

	Six-month period ended 30 June 2015		Six-month period ended 30 June 2014	
	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**	**96,091**	1.90	97,952
Exercised during the period	**1.90**	**(2,345)**	1.90	–
Forfeited during the year	**1.90**	**–**	1.90	(1,255)
Expired during the period	**1.90**	**(2,372)**	1.90	(501)
At 30 June (unaudited) (note (i))	**1.90**	**91,374**	1.90	96,196

21. SHARE OPTION SCHEME *(continued)*

Note:

(i) According to the board resolution on 23 June 2015, the end of exercise period of the share options was amended from 15 November 2015 to 15 November 2016. Upon the modification, the total increase in fair value of the outstanding share options of approximately RMB1.9 million was recognised in the share option reserve.

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

30 June 2015 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
91,374	**1.90**	**On or before 15 November 2016**

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		

* 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 RMB1,902,000 during the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: RMB5,083,000). The weighted average share price at the date of exercise for share options exercised during the six-month period ended 30 June 2015 was HK$2.25 per share.

At the end of the reporting period, the Company had 91,374,000 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 91,374,000 additional ordinary shares of the Company and additional share capital of HK$2,284,000 (equivalent to approximately RMB1,801,000) and share premium of HK$171,326,000 (equivalent to approximately RMB135,108,000) (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 91,374,000 share options outstanding under the share option scheme, which represented approximately 0.54% of the Company's shares in issue as at that date.

22. DIVIDENDS

	For the six-month period ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interim dividend:		
HK2.10 cents (equivalent to RMB1.62 fen) (2014: HK2.10 cents (equivalent to RMB1.63 fen)) per ordinary share	**274,769**	277,044
Proposed final dividend:		
Nil (2014: cash dividend of HK1.80 cents (equivalent to RMB1.38 fen) per ordinary share)	**–**	234,864
	274,769	511,908

Subsequent to 30 June 2015, 2014 final dividend was paid on 16 July 2015.

Pursuant to the board of directors' resolution dated 24 August 2015, an interim dividend of HK2.10 cents per ordinary share was declared. On 25 August 2014, the board of directors declared 2014 interim dividend of HK2.10 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 1 to 20 years and there are no restrictions placed upon the Group by entering into these lease agreements.

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**2,772,562**	2,919,815
In the second to fifth years, inclusive	**7,205,306**	8,056,776
After five years	**2,665,994**	3,206,863
	12,643,862	14,183,454

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 sub-leases on its leased properties under operating lease arrangements. These non-cancellable leases have remaining terms ranging from 1 to 10 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**201,784**	206,838
In the second to fifth years, inclusive	**481,571**	536,495
After five years	**146,269**	151,681
	829,624	895,014

(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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for:		
Construction of property and equipment	**69,454**	74,385

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 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Sales to the Non-listed GOME Group*	*(i)*	**1,572,469**	298,686
Purchases from the Non-listed GOME Group	*(i)*	**458,778**	462,088
Provision of management and purchasing services to the Non-listed GOME Group	*(ii), 5*	**160,897**	156,437
Rental expenses and other expenses to GOME Property and the Non-listed GOME Group**	*(iii)*	**66,380**	45,105
Service fee to GOME Ruidong (defined in (i) below)	*(iv)*	**2,548**	2,832

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

24. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

(iii) On 17 November 2014, the Group renewed the lease agreements and supplemental agreements with GOME Property and Beijing GOME with respect to the continuous use of the certain properties. On 25 August 2014, GOME-Online entered into a lease agreement with respect to its use of additional properties with GOME Property. During the six-month period ended 30 June 2015, the rental expenses incurred by the Group payable to GOME Property and Beijing GOME amounted to RMB58,496,000 (six-month period ended 30 June 2014: RMB37,221,000) and RMB7,884,000 (six-month period ended 30 June 2014: RMB7,884,000), respectively.

The transactions constitute continuing connected transactions under the Listing Rules.

(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 pursuant to 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 pursuant to 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.

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.

24. RELATED PARTY TRANSACTIONS *(continued)*

(b) Commitments with related companies

As disclosed in note 24(a)(iii), the Group had rental commitments with GOME Property and Beijing GOME of RMB58,496,000 (31 December 2014: RMB116,993,000) and RMB7,884,000 (31 December 2014: 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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**1,651**	2,069
Other emoluments:		
Salaries, allowances and other expenses	**5,019**	5,945
Pension scheme contributions	**111**	101
Equity-settled share option expense	**825**	(482)
	7,606	7,633

25. 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**976,309**	–	**976,309**	–
Other investments	**476,820**	217,350	**476,820**	217,350
	1,453,129	217,350	**1,453,129**	217,350

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.

25. 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 2015

	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**
Equity investments at fair value through profit or loss	**976,309**	**–**	**–**	**976,309**
Other investments:				
Equity investments	**476,820**	**–**	**–**	**476,820**
	1,453,129	**–**	**–**	**1,453,129**

As at 31 December 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	217,350	–	–	217,350

During the six-month period ended 30 June 2015, there were no transfers into or out of Level 1 and Level 2, and no transfers into or out of Level 3.

26. EVENTS AFTER THE REPORTING PERIOD

On 23 June 2015, the Group announced that the Group entered into an agreement with 北京戰聖投資有限公司 (Beijing Zhansheng Investment Co., Ltd.) ("Beijing Zhansheng") on 23 June 2015, under which the Group agreed to acquire from Beijing Zhansheng the sales shares at the consideration of approximately RMB3.83 billion subject to adjustments based on the adjusting clauses of the agreement. The sales shares represent 100% of the 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 completion of acquisition is conditional upon the Ministry of Commerce of the PRC having approved the acquisition in respect of any anti-trust arrangement or a waiver granted to such effect. Up to the date of approval of the Interim Financial Information, the acquisition is not yet approved by the Ministry of Commerce.

On 26 July 2015, the Group announced that the Group and GOME Management Ltd. (the "Vendor"), entered into the acquisition agreement on 17 July 2015, pursuant to which the Group has conditionally agreed to purchase the sale shares, representing the entire issued capital of Artway Development Limited (the "Target"), from the Vendor for HK$11,268,000,000, subject to adjustment based on the audited consolidated statement of financial position of the Target as at 30 June 2015. The Vendor is an associate of Mr. Wong, the controlling shareholder of the Group, and hence a connected person of the Group under the Listing Rules. The acquisition constitutes a major and connected transaction for the Company under the Listing Rules which requires the approval of the independent shareholders by poll, which is not yet completed by the date of approval of the Interim Financial Information.

27. 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 24 August 2015.

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 2015, 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
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 2015, 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: The Share Option Scheme expired on 14 April 2015. As at 24 August 2015, the maximum number of Shares available for issue under the Share Option Scheme was 91,374,000 Shares, representing the Options that have been granted but not yet exercised and representing approximately 0.54% of the issued share capital of the Company as at the time of approval of this interim report by the Board on 24 August 2015.

Options granted under the Share Option Scheme remain valid in accordance with the terms of the Share Option Scheme and the terms of their grant.

(c) Particulars of the directors' service contracts

As at 30 June 2015, 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 of the Company 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 was elected as director of the Company on 24 June 2015), 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 trademark of "GOME Electrical Appliances", and related operation, mainly in cities other than the designated cities of the PRC in which the Group already operates (the "Non-listed GOME Group").

On 29 July 2004 and 28 February 2006, Mr. Wong and the Company entered into non-competition undertakings to govern competitions between the Group and the Non-listed GOME Group. Pursuant to the terms of the non-competition undertakings (i) the Group is restricted from carrying on retail business of electrical appliances and consumer electronics products by whatever means (whether through conventional retail stores or non-conventional modes of business (including online sales)) in areas where the Non-listed GOME Group operated the retail business of electrical appliances and consumer electronics products under the "GOME" brand name as at 3 June 2004; and (ii) reciprocally, the Non-listed GOME Group is restricted from carrying on the retail business of electrical appliances and consumer electronics products by whatever means (whether through conventional retail stores or non-conventional modes of business (including online sales)) in areas where the Group operated the retail business of electrical appliances and consumer electronics products under the "GOME" brand name as at 3 June 2004. In May 2012, pursuant to the subscription of a 40% interest in GOME-on-line by the Non-listed GOME Group, Mr. Wong has granted to the Group a waiver from compliance with the restriction set out in (i) above (excluding conventional mode of business). The effect is that the Group is able to operate its non-conventional modes of business via GOME-on-line with no geographical restriction.

(e) Material supplements to directors' profile

Mr. Ng Wai Hung ("Mr. Ng") has been an independent non-executive director of China Star Cultural Media Group Limited and Kingbo Strike Limited since March 2015 and June 2015, respectively. China Star Cultural Media Group Limited changed its name to Lajin Entertainment Network Group Limited on 9 July 2015.

Mr. Ng has been an independent non-executive director of Perception Digital Holdings Limited during the period from January 2013 to August 2014. Perception Digital Holdings Limited changed its name to E-Rental Car Company Limited since 4 May 2015.

SHARE OPTION SCHEME

As at 30 June 2015, Options to subscribe for an aggregate of 91,374,000 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 2015**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**As at 30 June 2015** *(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	85,904,000	–	(2,345,000)	(2,372,000) *(Note 4)*	81,187,000	2.14
Total			96,091,000	–	(2,345,000)	(2,372,000)	91,374,000	

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 and 23 June 2015, another resolutions were passed by the Board to further amend the terms of the Options granted, respectively. As at 30 June 2015, the revised terms would have the following effects:

   a. 91,374,000 vested Options will become lapsed and ceased to have any further effect after 15 November 2016.

   b. 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. 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. As at 30 June 2015, all the Options granted have been vested.

4. 2,372,000 Options were lapsed during the six-month period ended 30 June 2015.

5. The price of Shares disclosed for the Options exercised during the period is the weighted average of the closing price, quoted on the Stock Exchange immediately before the date of exercise of Options.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or the Chief Executive, as at 30 June 2015, 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

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.

(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 2015, 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 HK2.10 cents (equivalent to RMB1.62 fen) per ordinary share (the "Interim Dividend") for the six-month period ended 30 June 2015, amounting to approximately HK$356,193,000 (equivalent to RMB274,769,000), to shareholders whose names appear on the register of members of the Company on Tuesday, 22 September 2015. The Interim Dividend will be payable on or about Thursday, 15 October 2015.

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 Tuesday, 22 September 2015, 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 Monday, 21 September 2015. The record date for the determination of entitlement to the Interim Dividend will be on Tuesday, 22 September 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2015.

CHANGES TO THE BOARD

As disclosed in the announcement of the Company dated 28 January 2015 and 24 June 2015, changes to the Board since 31 December 2014 were as follows:

Ms. Huang Xiu Hong was appointed as a non-executive Director with effect from 24 June 2015.

Mr. Yu Sing Wong was appointed as a non-executive Director with effect from 24 June 2015.

Mr. Wang Gao was appointed as an independent non-executive Director with effect from 24 June 2015.

Mr. Sze Tsai Ping, Michael has retired as an independent non-executive Director with effect from 24 June 2015.

Mr. Chan Yuk Sang has retired as an independent non-executive Director with effect from 24 June 2015.

Mr. Zhu Jia has resigned as a non-executive Director with effect from 28 January 2015.

Ms. Wang Li Hong has resigned as a non-executive Director with effect from 28 January 2015.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2015, 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:

During the period ended 30 June 2015, 天津國美商業管理諮詢有限公司 (Tianjin GOME Commercial Consultancy Company Limited) ("Tianjin Consultancy"), a subsidiary of the Company, had advances in the aggregate amount of RMB3.6 billion (as at 31 December 2014: RMB3.6 billion) (the "Advance") to 北京戰聖投資有限公司 (Beijing Zhansheng Investment Co., Ltd.) ("Beijing Zhansheng"), a third party independent of each of the Company and its connected persons (within the meaning of the Listing Rules), through 興業銀行股份有限公司北京分行 (Beijing Branch of Industrial Bank Co., Ltd) (the "Lending Bank") pursuant to the loan agreement entered into between Tianjin Consultancy, Beijing Zhansheng and the Lending Bank on 14 December 2007. The Advance was used by Beijing Zhansheng for the sole purpose of acquisition of the entire registered capital of 北京市大中家用電器連鎖銷售有限公司 (Beijing Dazhong Home Appliances Retail Co., Ltd.). The Advance is a secured loan. The Advance (original entered in 2007 and subsequently renewed in 2008, 2009 and 2011) was extended in December 2012 from 5 December 2012 to 4 December 2015 and the interest was 5.40%. As at 30 June 2015, the aggregate Advance was RMB3.6 billion and the Advance represented approximately 8.39% 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 2015 as reviewed by Ernst & Young, the external auditors.

CORPORATE INFORMATION

Directors

Executive Director

ZOU Xiao Chun

Non-executive Directors

ZHANG Da Zhong *(Chairman)*
HUANG Xiu Hong
YU Sing Wong

Independent Non-executive Directors

LEE Kong Wai, Conway
NG Wai Hung
LIU Hong Yu
WANG Gao

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 Merchants Bank
Bank of Shanghai

Auditors

Ernst & Young
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office

Suite 2915, 29th Floor
Two International Finance Centre
8 Finance Street, 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