

2009 Interim Results Announcement

August 2009



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1H 2009 Financial Review



Income Statement Summary

RMB million	1H 2008	2H 2008	1H 2009	1H 2009 Changes over 1H 2008 %	1H 2009 Changes over 2H 2008 %
Revenue	24,874	21,015	20,463	(17.73%)	(2.63%)
Consolidated Gross Profit	4,062	3,712	3,372	(16.98%)	(9.16%)
Operating Profit	1,272	672	671	(47.25%)	(0.15%)
Profit before tax	1,420	563*	750	(47.18%)	32.98%
Net Profit Attributable to Equity holders of the parent	1,150	348*	580	(49.57%)	66.67%
Earnings Per Share	RMB8.9 fen	RMB2.7 fen*	RMB4.5 fen	(49.44%)	66.67%
Consolidated Gross Profit Margin	16.33%	17.66%	16.48%	0.15 Percentage Pts	(1.18 Percentage Pts)
Operating profit margin	5.11%	3.20%	3.28%	(1.83 Percentage Pts)	0.08 Percentage Pts
Effective tax rate*	16.43%	22.32%	22.03%	5.60 Percentage Pts	(0.29 Percentage Pts)
Net profit margin (attributable to parent)	4.62%	1.66%*	2.84%	(1.78% Percentage Pts)	1.18 Percentage Pts

• Effective Tax Rate = Tax charge/ PBT add back non-tax deductible items

* Excluding one-time impairment of other investments

- Due to the impact of macro-economic environment and crisis, the revenue and operating profit fell.
- With contract standardization and product portfolio management, the consolidated gross profit margin increased 0.15 percentage pts from the corresponding period



Income Statement Summary

RMB million

	2008Q3	2008Q4	2009Q1	2009Q2
Revenue	11,522	9,493	9,801	10,662
Consolidated gross profit	2,035	1,677	1,549	1,823
Operating Expenses	1,438	1,603	1,228	1,473
Operating profit	598	74	321	350
Operating profit margin	5.19%	0.78%	3.28%	3.28%

- Sales revenue started to rise since the first quarter of 2009, operating profit also increased gradually.

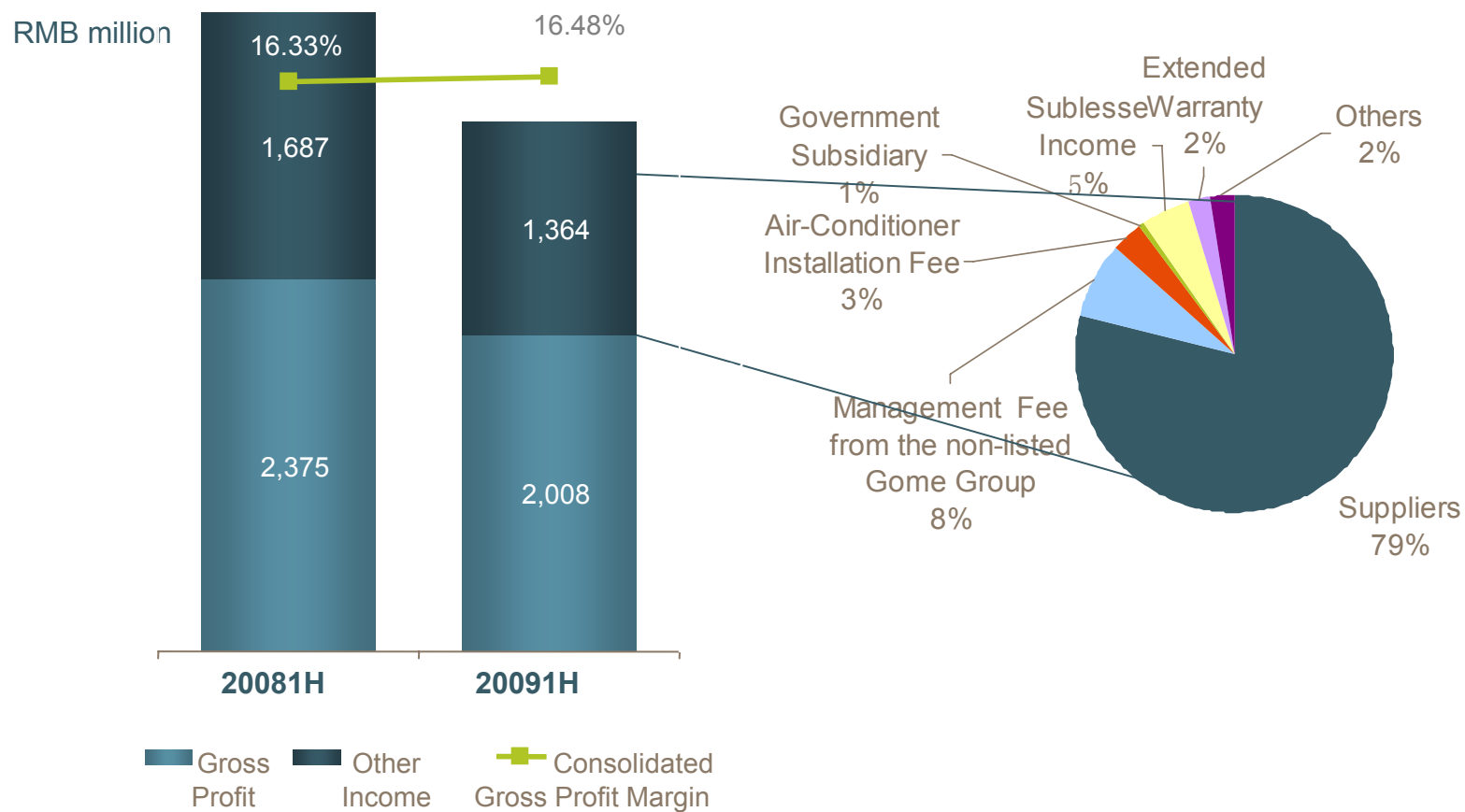
Financial Analysis

RMB million	1H2008	2H2008	1H2009	1H2009 changes over 1H2008%	1H2009 changes over 2H2008%
Cash & cash equivalents	3,397	3,051	2,716	(20.05%)	(10.98%)
Pledged deposits	7,001	4,840	7,400	5.70%	52.89%
pledged deposits Ratio	65.85%	57.03%	69.03% ¹	3.18 percentage pts	12 percentage pts
Inventory	5,416	5,473	4,103	(24.24%)	(25.03%)
Trade payable	3,671	4,431	3,612	(1.6%)	(18.48)
Bills payable	10,631	8,487	9,433	(11.27%)	11.15%
Inventory turnover days	44 days	53 days	47 days	3 days	(6 days)
Trade payable turnover days	38 days	39 days	39 days	1 day	-
Bills payable turnover days	75 days	93 days	88 days	13 days	(5 days)
Net cash inflow from operating activities	2,263	1,347	(297)*	N/A	N/A
Adjusted net cash inflow from operating activities ²	4,254	1,548	591	(86.11%)	(61.82%)
Net cash inflow from investing activities	(2,846)	(1,669)	(168)	94.10%	89.93%
Net cash inflow from financing activities	(2,177)	(36)	133	N/A	N/A

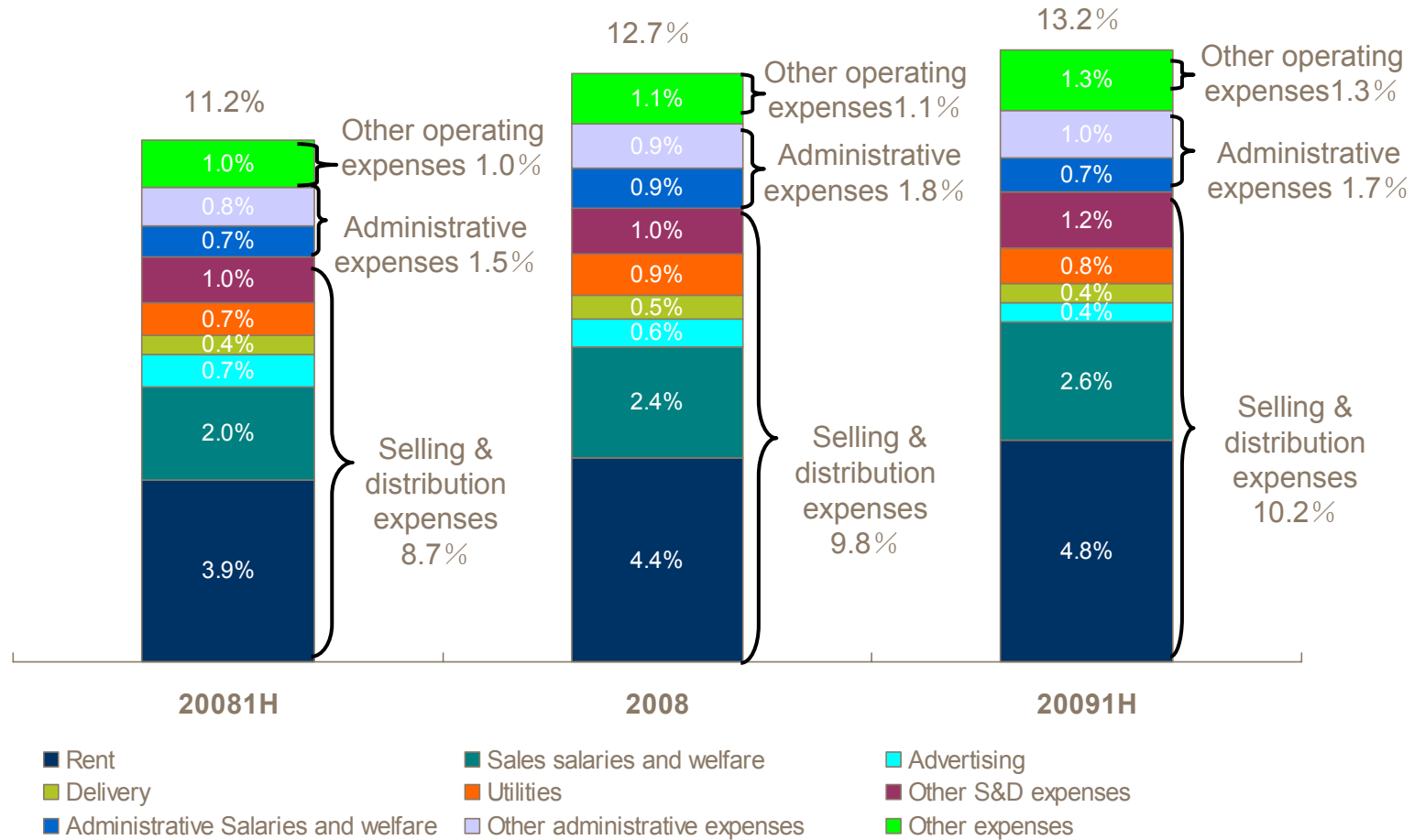
¹ & ²: Hong Kong standby letters of credit are not included in the calculation of the ratio of pledged deposits and adjusted net cash inflow from operating activities

Consolidated Gross Profit Margin and Other Income Analysis

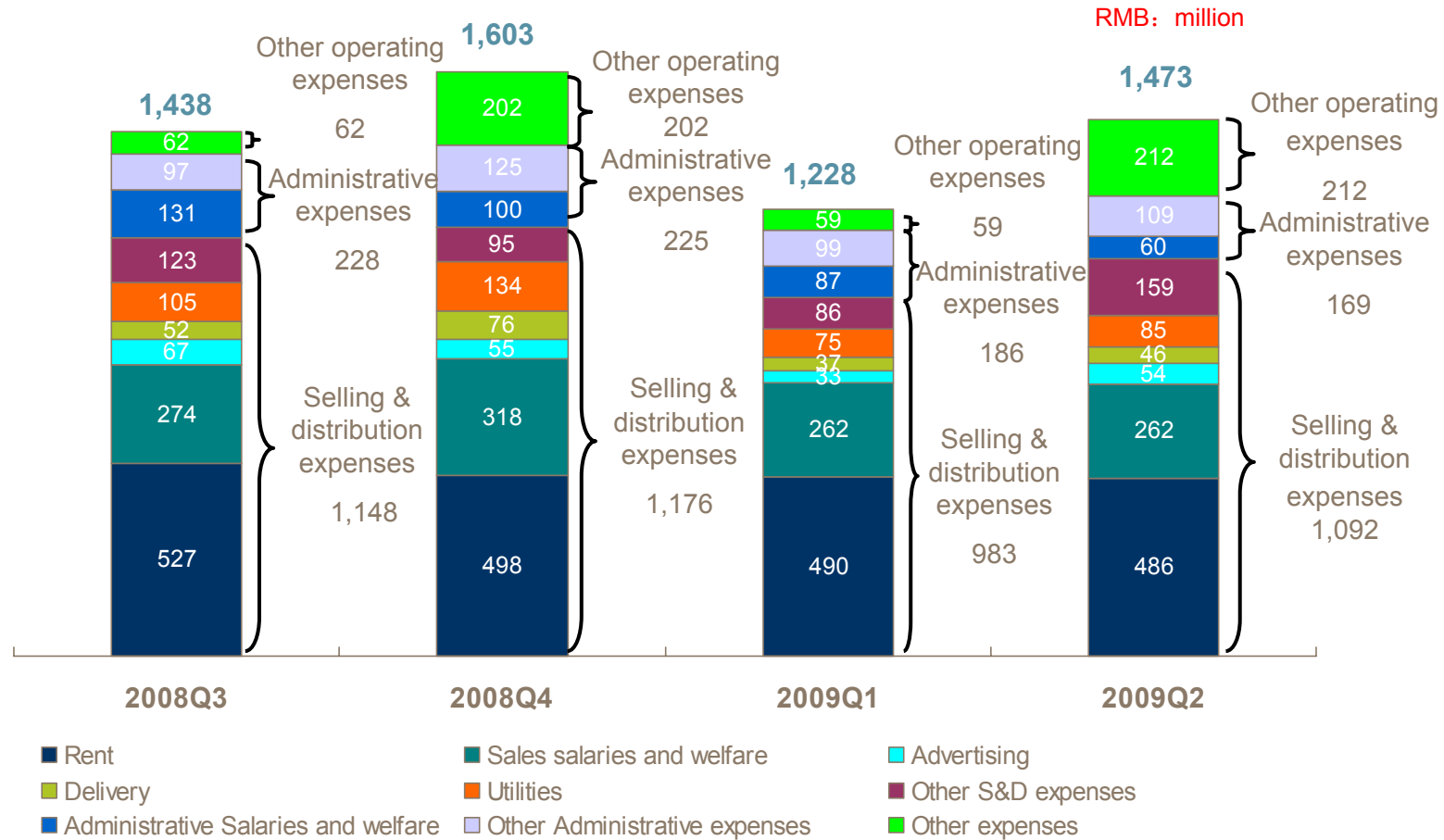
With supplier contract standardization and enhancement of product management capability, the consolidated gross profit margin has been increased continuously



Operating Expenses Ratio Analysis



Evolution of Operating Expenses Analysis



Operating expenses in 1H 2009 increased due to rent compensation payment for store closure and one-off charges and etc., such expenses were shown under the other operating expenses.



1H 2009
Business Review



1H 2009 Business Performance Review

Industry trend

- The macro economic environment of 2009 Q1 extended the slowdown trend of 2008 Q4, low consumer sentiment continued to affect the overall performance of the retail industry
- The Chinese real estate market started to pick up at the end of Q1, in general, the sale of electrical appliances driven by real estate property sales are lagged behind 6 months to approximately one year
- With the macro economic recovery and regain of consumer sentiment in Q2, the sales of some products improved in terms of quantity, the fall in unit price of some products gradually stabilized. The sale of traditional electrical appliances such as television set, refrigerator, washing machine and air conditioners etc improved in terms of quantity, the fall in unit price of television sets was still serious, but the unit prices of refrigerators, washing machines and air conditioners were gradually stabilized. The fall in unit prices of mobile phones and computer products were still serious and the improvement of sale quantity was still insignificant.

Performance of consolidated gross profit margin and expense ratio

- Through the signing of contracts under new terms with suppliers and enhancement of differentiated product management, the Company's consolidated gross profit margin continued to increase steadily. Although the expenses were under considerable control by measures such as subleasing of store premises, rent reduction and organizational structure adjustment etc, the sale performance remained weak, thus the expense ratio was still at a high level.

Capital contribution of Bain Capital & resumption of trading of the Company

- Following the capital contribution of Bain Capital and the resumption of trading of GOME listed company, the operation of the Company recovered to the normal level, the relationship with suppliers and banks was in steady development, the impact of the ex-chairman incident gradually faded away, and with the pick-up of the macro economy, the Company's sale entered into the recovery stage.

Initial Results of Store Network Optimization in 1H 2009

Slowdown in expansion rate, optimization of network structure

- During 1H 2009, the Company closed down 110 low-efficiency stores, opened 30 new stores, the total number of stores reduced by 80 compared with that at the end of 2008

Enhancement of overall operational efficiency through closure of 110 stores

- During 1H 2009, the overall sales in half a year decreased by RMB1.82 billion due to the closure of 110 stores, which is estimated to avoid RMB155 million in losses to be brought by these stores for the entire year (based on the sales of those stores in 1H 2008).
- The one-time costs of store closure amounted to RMB46.65 million

Extent of drop in same store sales reduced gradually

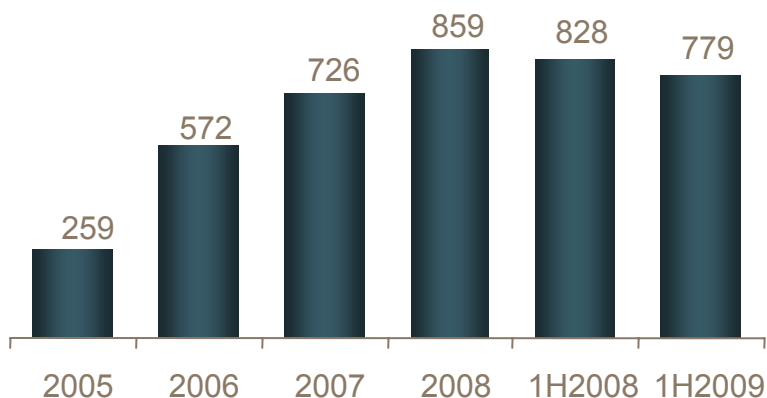
- During 2009 Q2, same store sales fell 8.28%, showing obvious improvement comparing with the fall of 20.75% in 2009 Q 1, during 1H 2009, same store sales fell 10.08%

Sales per square meter increased gradually

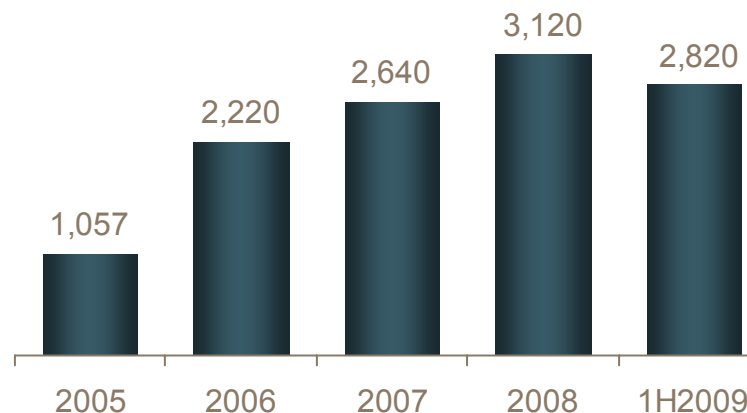
- During 2009 Q2, the sales per square meter was RMB3,658, representing an increase of 14.92% from RMB3,183 of 2009 Q1, representing an increase of 18.00% from the RMB3,100 of 2008 Q4, the sales per square meter in 1H 2009 was RMB 6,972, representing a decrease of 13.76% from the same period last year
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Initial Results of Store Network Optimization

Number of Stores

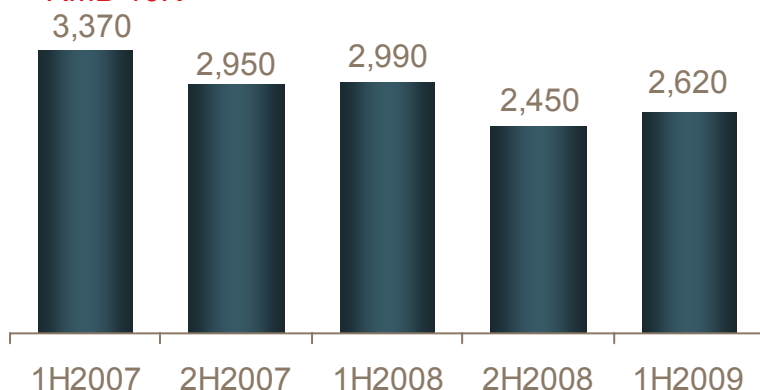


Sales Area at Period End
Sq. m (000)

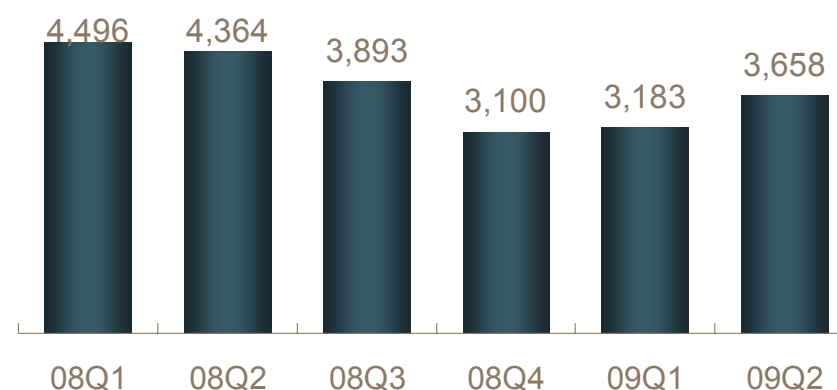


Average Sales of Individual Stores

RMB 10K

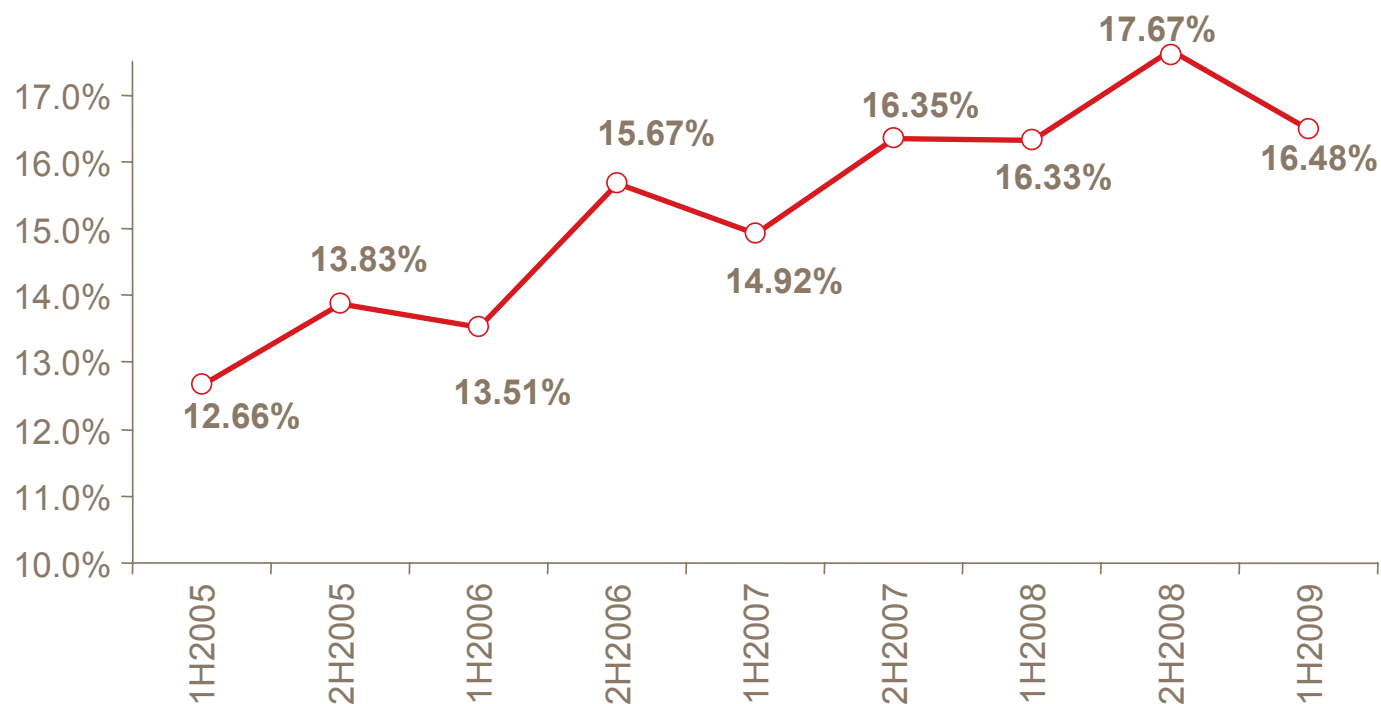


Sales Per Square Meter RMB Yuan



- With store network optimization and reduction of non-profit generating surface areas, the average sales of individual stores and sales per square meter obtained initial improvement

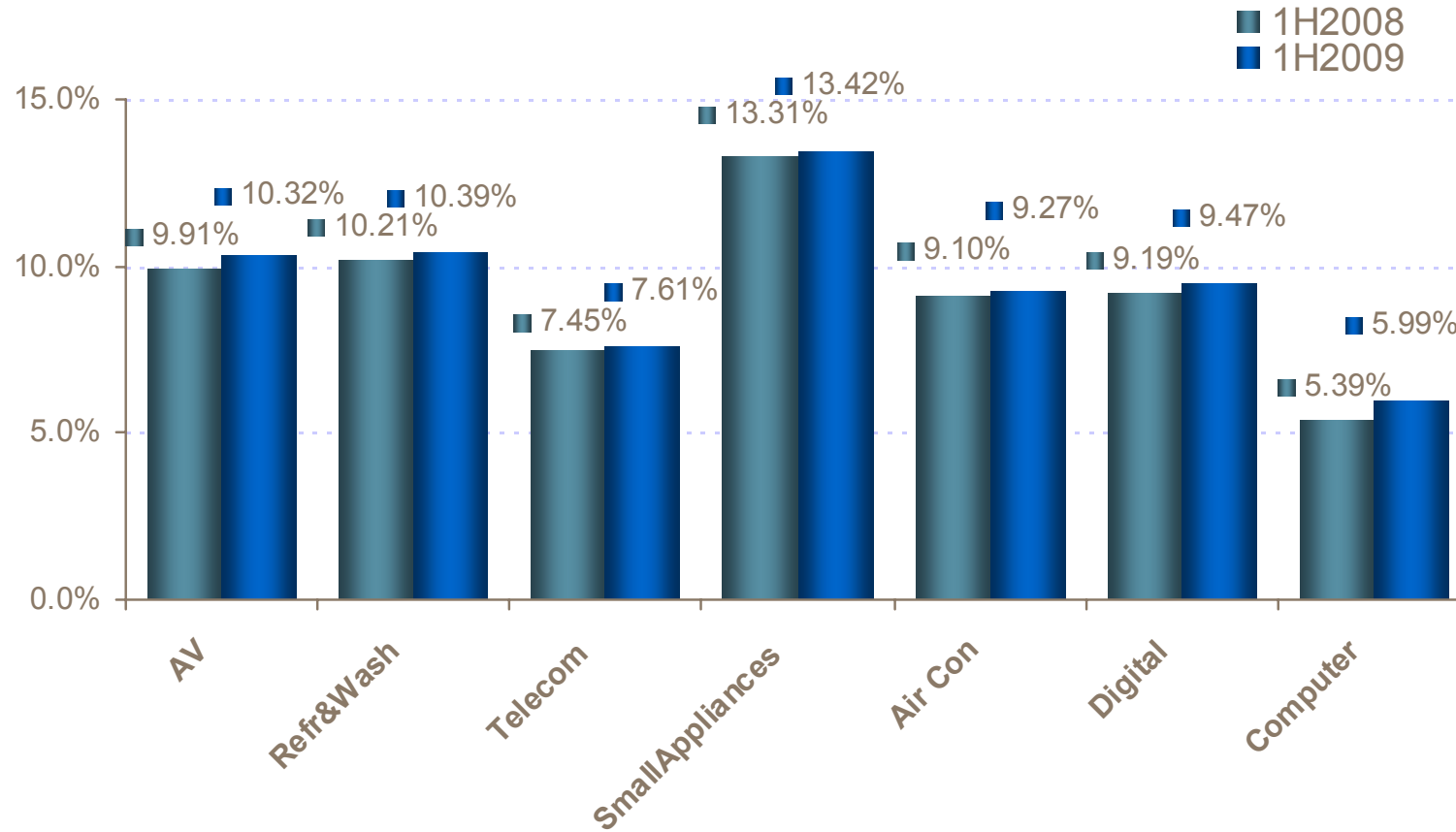
Consolidated Gross Profit Margin Maintained Continuous Growth



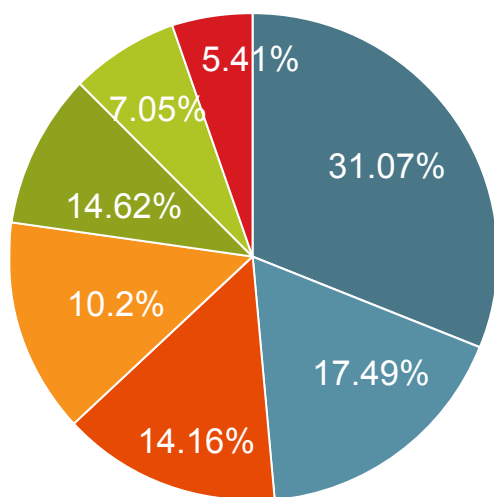
- **Product Portfolio management:** to further increase the proportion of OEM, ODM products, private label, exclusive sale, focused promotion of particular products, increase the proportion of high gross profit margin products, such as small electrical appliances, household electrical appliances and 3C accessories etc
- **Standardization of terms with suppliers:** The standardization of the terms of the contracts with suppliers makes the income from suppliers more standardized and transparent, increase the gross profit margin of contracts

Note: Consolidated gross profit margin = (gross profit + other income) / sales

Continuous Growth in Gross Profit Margin by Product

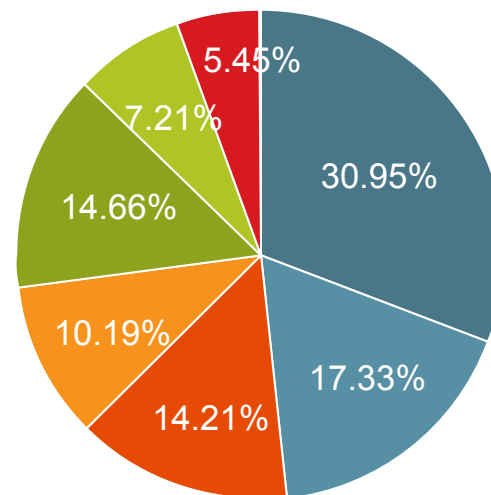


Revenue Mix by Product Analysis



1H 2008

Total: RMB 24.874 billion



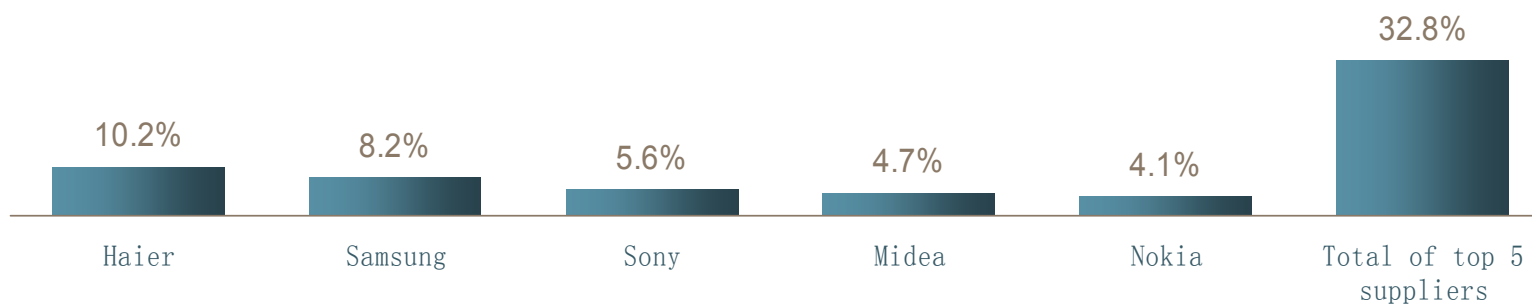
1H 2009

Total: RMB 20.463 billion

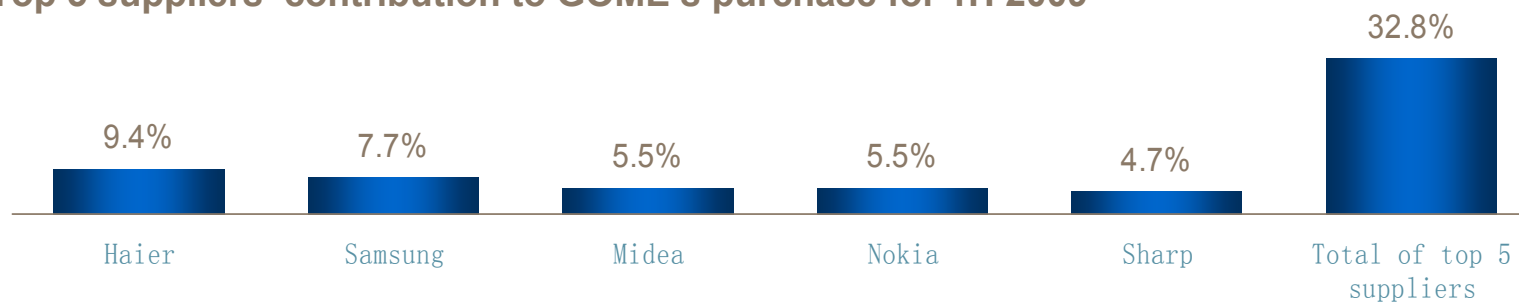
- AV
- Refrigerator and washing machine
- Telecommunication
- Small electrical appliances
- Air conditioner
- Digital
- Computer

Stable Supplier Relationship Maintained

Top 5 suppliers' contribution to GOME's purchase for 1H 2008



Top 5 suppliers' contribution to GOME's purchase for 1H 2009

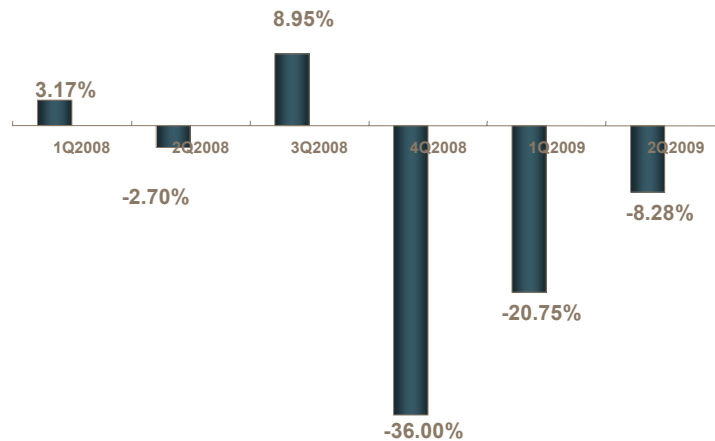


Stable relationship with suppliers helped GOME to go through the crisis stage steadily



Steady Increase in Operational Efficiency

Sale of individual stores
(vs. corresponding period)



In 1H 2009 there were 595 comparable stores

Comparison of sale of individual stores against overall sale (1H 2009 Comparing with 1H2008)

Decrease in sale	Rate of store closure	Decrease in Sale of individual stores
-17.73%	-9.3%*	-10.08%

*80 net closing stores(1H 2009)/ 859 stores (as at end of 2008)

- In 2009 Q1 the Company's operation was still affected by the global financial crisis and poor consumer sentiment, the reduction in sale volume and unit prices of products in Q1 was still decreasing, which caused a continuous decline in the same store sales. In Q2, there was some improvement in the sale volume, the fall in unit prices of products stabilized gradually, the growth of same store sales started to resume.
- The Company's management quickly changed the business strategy of rapid expansion to the strategy of operational quality of individual stores, and it tried its best to improve the same store sales and sales per square meter, their results were first seen in 1H 2009.
- With the adjustment of stores, same store sales achieved improvement, store operating efficiency enhanced gradually



Future Initiatives and Prospects



Overview of 2H 2009 Business Strategies

Change from rapid expansion to profit oriented business strategy

- To continue increase consolidated gross profit margin through product management and improvement in relationship with suppliers
- To increase operational efficiency through store network optimization and expenses structure adjustment

Continue to optimize store network, promote transformation and reform of stores

- To continue to close stores with poor operational quality, meanwhile, open new stores in first and second tiers cities
- To promote new store model that can be duplicated
- To further proceed with the sublease, rent reduction and surrender of leases in order to lower rental costs
- To explore the business models of second and third markets

Enhance product mix management

- Differentiated product management: To promote exclusive sale of products, increase OEM and ODM and private labels
- Enlarge product variety, increase the proportion of small electrical appliances, household electrical appliances, 3C products and 3C product accessories
- To improve the terms of the contracts with suppliers
- To enhance individual product management capability
- To enhance the promotional capability of points of sale at stores through sales personnel training

Participate actively in state subsidy policies

- To facilitate sales growth through participating in the three major policies: Go Rural Policy, Exchange old for new, Energy Saving Subsidy policies

Promote new business

- To explore e-commerce

*3C products: computer, communication, consumer electronic products.



Store Network Optimization and Transformation & Reform Program

Optimize store network

- To continue to close stores with poor operational quality, open new stores in first and second tier cities at the same time

Change display methods of products

- To change the layout of one-brand-one-hall in the past, and replace this with a product layout by function

Enlarge product varieties

- To increase product models and new brands, introduce household electrical appliance categories, for example, running equipment, beauty equipment, lighting, kitchenware, time pieces etc (in “Xin Huo Guan” (新活馆), the first successfully reformed super flagship store located at China Central Television Tower in Beijing, 266 new brands were added and the number of individual product type changed from 20,000 to 50,000)

Create a super electronic platform for 3C consumer products

- To create a new consumer electronic product platform, the percentage share of 3C products (such as mobile phone, computer, digital products) was 45% of the entire product quantities inside the stores

Perfect ancillary facilities

- Simplified settlement workflow; upgrade of procurement, distribution systems, safeguard punctual delivery
- To introduce multi-media experience centre; provide more professional, personalized purchase guidance consultation
- To set up “household electrical appliance clinic”, order spare parts and accessories of electrical appliances for clients from the original manufacturers

Increase operational efficiency of individual stores

- To increase the average sale of individual stores, sales per square metre, growth in sales of comparable stores and operating profit margin

Promote new store model

- To duplicate the style of “Xin Huo Guan” (新活馆), located at China Central Television Tower in Beijing in mega cities in Beijing, Shanghai, Guangzhou and Shenzhen etc in 2H 2009; for other first tier cities, duplicate the flagship store style of Renmin Road, Suzhou in 2H 2009;

*3C: computers、communications、 consumer electronics.



Product Management Enrichment and Supplier Relationship Improvement

Enrich product management

- To increase the exclusive distribution rights, sale authorization as the first seller, exclusive product sale of classical models, and private label products
- To increase the product categories and models of OEM, ODM, autonomous brand products
- To increase products with high gross profit margin such as small household electrical appliances, household electrical appliances, 3C product accessories etc, for example, kitchenware, tableware, time pieces, lighting devices, mobile phone accessories, computer accessories, digital camera accessories etc
- To increase derivative electrical products, for example, sports equipments, beauty equipments, medical equipments

Continue improve relationship with suppliers

- To stress more on dialogues on equal standing and consultation with suppliers
 - To transform from the unique focus on the Group's interests to that on supply chain optimization
 - To maintain certainty in the terms of contracts and cooperation methods, optimize product mix and promotion of differentiated products, jointly maintain the marketplace
 - To standardize price management system, create sustainable profit potentials together with suppliers
 - To strive to create a chain store sale platform for household electrical appliances with maximum input-output ratios and lowest costs
-

State Subsidy Policy Stimulates Sales Growth

Go Rural Subsidy Program

- To contribute to sales by the adoption of Go Rural policy
- To set up “Go Rural” special counters in existing stores
- To cooperate with regional retailers
- To expand product category and brand
- To follow and analyze sales data by ERP system
- Customer services provided by call centers

Exchange Old for New Subsidy Program

- The Exchange Old for New policy was launched in trial cities one after another, GOME had rather high market share in the trial cities and would become one of the top beneficiaries (See the Appendix for details of the Exchange Old for New policy)
- Sales in the trial cities of Shanghai, Beijing, Guangzhou, Shenzhen, Tianjin and Fuzhou were 57% of the overall sales of GOME listed company; GOME is in a better position in terms of market share in these regions

Energy-Saving Subsidy Program

- Energy-Saving Subsidy Program drove sales of energy saving products, double subsidies together with the Exchange Old for New policy apply to some products, this stimulated the new model upgrade and replacement of products (See the Appendix for details of the Energy-Saving Subsidy Program)
-

Bain Capital's Capital Contribution

Capital contribution

- With the convertible bonds due 2016 for which Bain Capital subscribed and an open offer of shares by the Company, the Group obtained supplementary capital

Strategies & operation

- Given its rich global investment experience in the retail industry, Bain Capital will formulate the Company's medium and long term development strategies and operational blueprints with GOME management, the recent focus was to assist GOME to improve the IT and ERP systems, financial analysis system of the Company and promotion of e-commerce

Supervisor

- As supervisor, Bain Capital sends observers to station in GOME, attend daily operational meeting and give feedback, consultation and opinions, assisted the Company to continue to improve internal control system, and align with international standards in areas such as operation, finance and legal matters

Referral of potential business partners

- Bain Capital will arrange GOME management to conduct face-to-face exchanges with retail companies that the former invested, absorb advanced retail experience at global level, seek potential strategic cooperation partners

Corporate strategies

- Bain Capital holds 3 directorships in GOME's board of directors (there are total 11 directors in GOME's board of directors, including 5 executive directors from GOME management, 3 independent directors and 3 non-executive directors from Bain Capital)
 - Bain Capital will help Company to look for legal and financial experts.
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Thank you!

Appendix

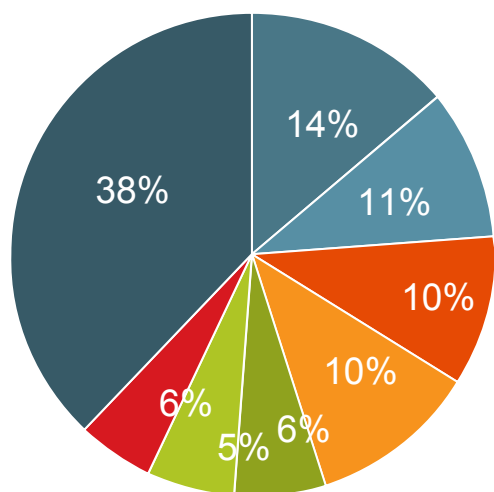


Coverage Of Store Network Optimization

As at the end of June 2009	GOME Group	GOME	China Paradise	CellStar
Flagship stores	75	57	18	0
Standard stores (incl. supermarket stores)	675	552	123	0
Specialized stores	29	6	2	21
Total:	779	615	143	21
Tier 1 Market	481	357	106	18
Tier 2 Market	298	258	37	3
Net increase of store number in 2008:	-80	-42	-35	-3
Number of stores closed:	110	69	38	3
Tier 1 Market	74	41	30	3
Tier 2 Market	36	28	8	0
Number of cities accessed:	205	170	55	7
Tier 1 Market	27	21	10	1
Tier 2 Market	178	149	45	6
Number of cities newly accessed	0	0	0	0

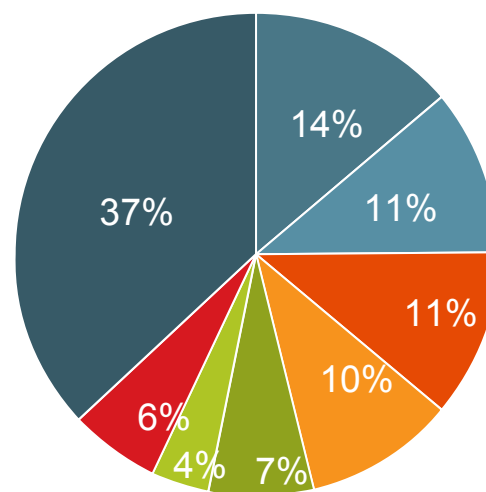


Analysis on Revenue by Region



1H2008

Total: RMB24.87 billion



1H2009

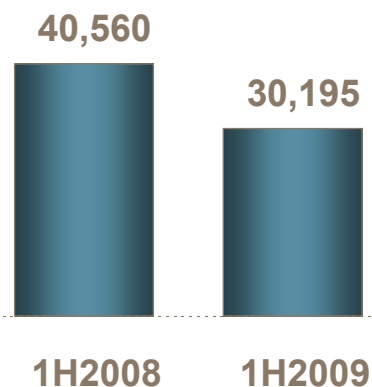
Total: RMB20.463 billion

- Shanghai
- Beijing
- Guangzhou
- Shenzhen
- Tianjin
- Fuzhou
- Chengdu
- Others



Huge Potentials still Exist for the Growth of Extended Warranty Service

RMB '000



1H 2009 gross profit of sale of extended warranty service

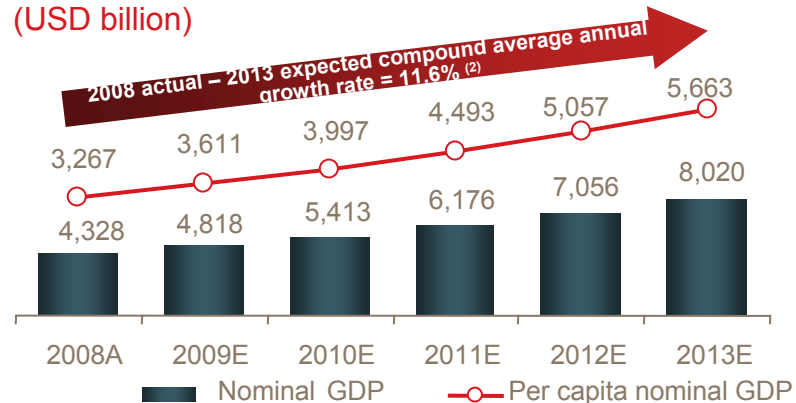
	GOME	Leading companies of international counterparts
Average gross profit margin on sales	51.25%	80%
Participation rate	5.93%	30%
Profit from extended warranty service as a percentage of the overall profit from operation of the Company	5%	50%
Average selling price of extended warranty service	RMB100	RMB300

GOME first launched extended warranty service in 2007, this service was the first extended warranty service offered in China.

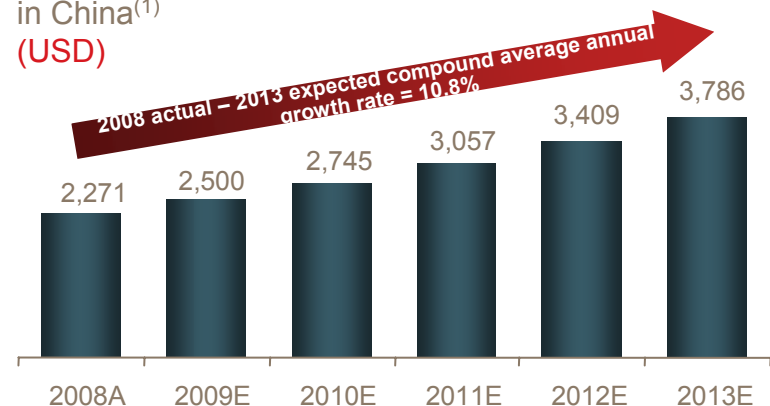


Positive Macro Economic Outlook

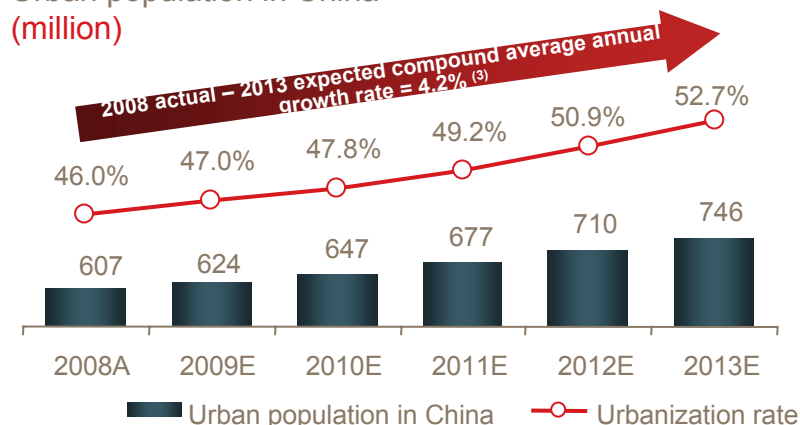
Nominal GDP and per capita GDP of China⁽¹⁾
(USD billion)



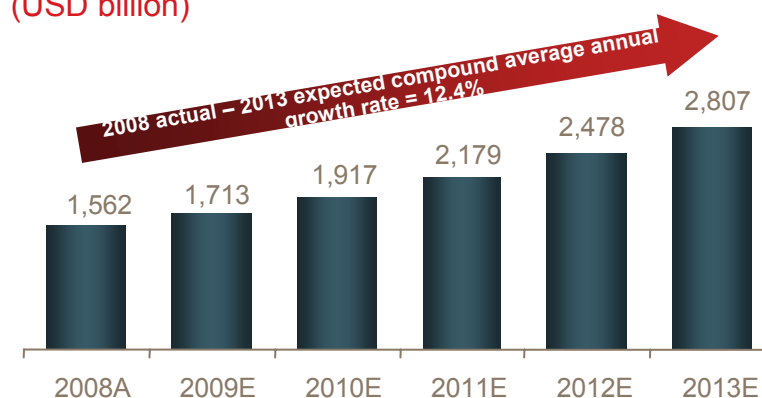
Per capita disposable income of families in urban areas in China⁽¹⁾
(USD)



Urban population in China⁽¹⁾
(million)



Total retail sales of consumer products in China⁽¹⁾
(USD billion)



(1) Source of information: Historical data of the State Statistics Bureau; forecast data from the International Monetary Fund and Frost & Sullivan

(2) Compound average annual growth rate of per capita GDP

(3) Compound average annual growth rate of urban population in China

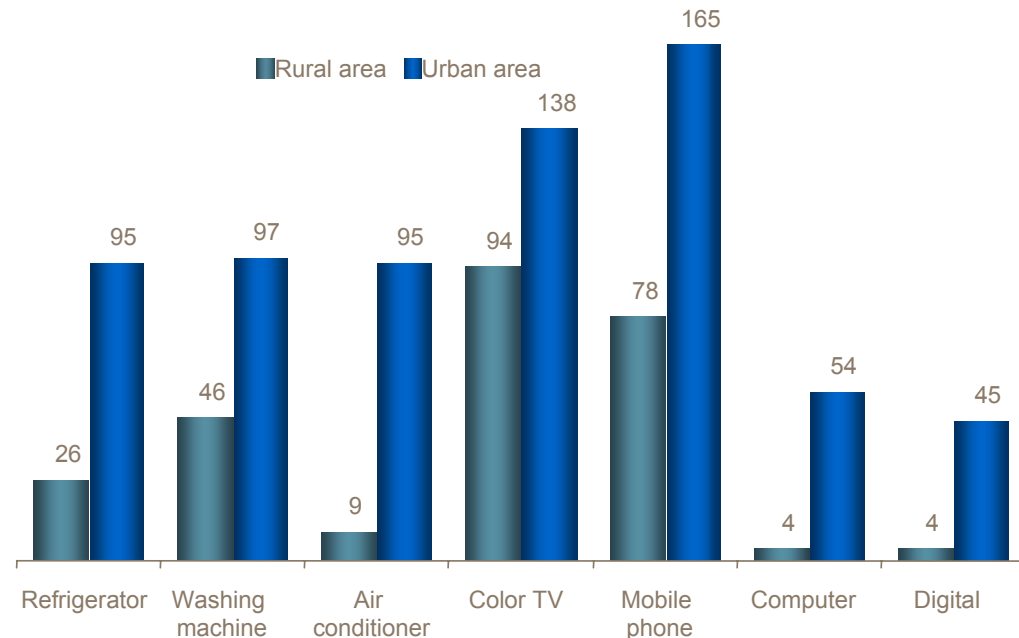


Growth Opportunities of Rural Areas in China

Household electrical appliance subsidy program for rural areas

- The government grants a 13% subsidy on the retail prices of specified household electrical appliances
- Main product categories: colour television sets, refrigerators, washing machines, mobile phones, air conditioners, computers etc
- First stage – Dec 2007 – Dec 2008 Trial projects in the three provinces of Shandong, Henan and Szechuan
- Second stage – Starting from February 2009 for a period of four years, that project will be commenced on a nationwide scale
- The government forecast that the project will bring in sales of 1,600 billion
- The low penetration rate of household electrical appliances in the rural market will bring long-term growth opportunities of emerging consumer markets and product replacement

Ownership rate of household electrical appliance Per hundred families (2007/2006)



Source of information: State Statistics Bureau

Exchange Old for New Subsidy Program

Trial province & city	<ul style="list-style-type: none">■ Beijing city, Shanghai city, Tianjin city, Fuzhou province, Changsha city, Guangdong province, Shandong province, Zhejiang province, Jiangsu province
Implementation period	<ul style="list-style-type: none">■ 1 June 2009 to 31 May 2010
Scope of subsidized products	<ul style="list-style-type: none">■ Television set, refrigerator (including freezer), washing machine, air conditioner, computer
Subsidy standard	<ul style="list-style-type: none">■ 10% Subsidy based on the selling prices of new household electrical appliances, with a threshold limit of RMB400/unit for television set, RMB300/unit for refrigerator (including freezer), RMB250/unit for washing machine, RMB350/unit for air conditioner & RMB400/unit for computer
Expenses by the Ministry of Finance	<ul style="list-style-type: none">■ A total of RMB2 billion will be provided, of which 80% of the subsidy amount by the Ministry of Finance at central government level, 20% of the subsidy amount by the Ministry of Finance at local level. RMB20 billion of sales will be driven by this

Energy-Saving Subsidy Program

Launching period	<ul style="list-style-type: none">■ June 2009 to June 2011
Scope of subsidized products	<ul style="list-style-type: none">■ Applied to 10 product categories including air conditioner, refrigerator, washing machine, slim TV, microwave machine, electric cooker, electromagnetic induction stove, water heater, computer monitor, television set beyond grade 1 or grade 2 energy saving efficiency
Subsidy standard	<ul style="list-style-type: none">■ Different subsidies will be given to energy saving products of grade 1 or grade 2 according to the energy saving efficiency grade of the products. For example, the “Implementation Rules for the Promotion of High Energy Saving Efficiency Air conditioner for Room” stipulates that RMB300-650/unit (set) of subsidy will be granted to air conditioner with grade 2 energy saving efficiency, and RMB500-850/unit (set) of subsidy will be granted to air conditioner with grade 1 energy saving efficiency.
Means of subsidy	<ul style="list-style-type: none">■ The manufacturer sell the high energy saving efficiency products at a price equivalent to the normal selling price minus the Ministry of Finance subsidy, the Ministry of Finance will grant subsidy to the manufacturer based on the quantity of products so applied and subsidy standard
Target of the Program	<ul style="list-style-type: none">■ An annual demand of RMB400 – 500 billion will be driven. By 2012, the market share of high energy saving efficiency products will increase by 10 – 20% to a range beyond 30% (at present, the market share of energy saving product is only 2% - 5%).