GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

2017 FINANCIAL HIGHLIGHTS

- During the reporting period, the total gross merchandise volume ("GMV") of the Group for both online and offline operations increased by approximately 20.10% as compared with the corresponding period last year. The GMV from the e-commerce business increased by approximately 48.67% while GMV from the online marketplace increased by approximately 118.13% as compared with the corresponding period last year

- Sales revenue of the Group was approximately RMB71,575 million, as compared with RMB76,695 million in the previous year

- Consolidated gross profit margin was approximately 18.26%, as compared with 16.09% in the previous year

- Loss attributable to owners of the parent was approximately RMB450 million, as compared with a profit of RMB325 million in the previous year

- Basic loss per share was RMB2.1 fen, as compared with earnings of RMB1.6 fen in the previous year

The board of directors (the "Board") of GOME Retail Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
REVENUE	*6*	**71,574,873**	76,695,025
Cost of sales	*7*	**(60,519,950)**	(66,318,216)
Gross profit		**11,054,923**	10,376,809
Other income and gains	*6*	**2,012,321**	1,964,324
Selling and distribution expenses		**(9,595,440)**	(9,448,122)
Administrative expenses		**(2,322,337)**	(1,979,752)
Other expenses		**(1,531,295)**	(751,945)
Share of losses of associates		**(19,976)**	–
(Loss)/profit before finance (costs)/income and tax		**(401,804)**	161,314
Finance costs	*8*	**(691,860)**	(234,615)
Finance income	*8*	**294,803**	231,794
(LOSS)/PROFIT BEFORE TAX	*7*	**(798,861)**	158,493
Income tax expense	*9*	**(328,789)**	(212,688)
LOSS FOR THE YEAR		**(1,127,650)**	(54,195)
Attributable to:			
Owners of the parent		**(449,895)**	325,139
Non-controlling interests		**(677,755)**	(379,334)
		(1,127,650)	(54,195)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
– Basic		**(RMB2.1 fen)**	RMB1.6 fen
– Diluted		**(RMB2.1 fen)**	RMB1.6 fen

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	**2017** *RMB'000*	2016 *RMB'000*
LOSS FOR THE YEAR		**(1,127,650)**	(54,195)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*12*	**(240,030)**	20,322
Exchange differences on translation of foreign operations		**(12,454)**	(1,035)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(252,484)**	19,287
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(252,484)**	19,287
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,380,134)**	(34,908)
Attributable to:			
Owners of the parent		**(702,379)**	344,426
Non-controlling interests		**(677,755)**	(379,334)
		(1,380,134)	(34,908)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**6,398,106**	6,644,941
Investment properties		**901,285**	605,030
Goodwill		**14,110,000**	14,324,966
Other intangible assets		**388,522**	432,403
Investments in associates		**201,684**	17,000
Investment in a joint venture		**3,781**	–
Other investments	*12*	**1,956,320**	1,007,046
Lease prepayments and deposits		**2,142,728**	1,521,948
Entrusted loan		**500,000**	500,000
Deferred tax assets		**48,789**	56,251
Total non-current assets		**26,651,215**	25,109,585
CURRENT ASSETS			
Inventories		**11,255,447**	11,605,958
Trade and bills receivables	*13*	**186,370**	162,908
Prepayments, deposits and other receivables		**5,053,080**	4,731,201
Due from related companies		**349,953**	239,392
Equity investments at fair value through profit or loss		**3,748,709**	1,333,529
Pledged deposits		**6,735,401**	5,382,804
Cash and cash equivalents		**9,243,844**	13,236,752
Total current assets		**36,572,804**	36,692,544
CURRENT LIABILITIES			
Trade and bills payables	*14*	**22,838,893**	23,898,406
Current portion of a finance lease payable		**51,994**	–
Customers' deposits, other payables and accruals		**4,296,710**	3,932,511
Interest-bearing bank loans		**3,025,262**	520,164
Due to related companies		**121,820**	661,427
Tax payable		**1,059,600**	1,051,761
Current portion of bonds payable	*15*	**3,949,387**	–
Total current liabilities		**35,343,666**	30,064,269

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2017

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
NET CURRENT ASSETS		**1,229,138**	6,628,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,880,353**	31,737,860
NON-CURRENT LIABILITIES			
Bonds payable	*15*	**8,165,796**	8,849,485
Due to related companies		**1,617,682**	–
Deferred tax liabilities		**460,765**	443,098
Interest-bearing bank loans		**96,938**	1,470,050
Finance lease payable		**12,946**	–
Total non-current liabilities		**10,354,127**	10,762,633
Net assets		**17,526,226**	20,975,227
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**518,322**	527,309
Reserves		**19,394,803**	21,958,850
		19,913,125	22,486,159
Non-controlling interests		**(2,386,899)**	(1,510,932)
Total equity		**17,526,226**	20,975,227

Notes:

1. CORPORATE AND GROUP INFORMATION

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

The principal activities of the Group are the operation and management of networks of retail stores of electrical appliances and consumer electronic products and online sale of electronic products in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain other investments which are classified as available-for-sale financial assets and equity investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs* 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes will be provided in the notes to the financial statements.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no subsidiary classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

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 operation and management of networks of retail stores of electrical appliances and consumer electronic products and online sale of electronic products 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income, unallocated income, finance costs, gain on equity investments at fair value through profit or loss, dividends income from listed investments, share of losses of associates, and corporate and other unallocated expenses are excluded from this measurement.

Segment assets exclude investments in associates, investment in a joint venture, other investments, deferred tax assets, equity investments at fair value through profit or loss, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

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

	2017	2016
	RMB'000	*RMB'000*
Segment revenue		
Sales to external customers	**71,574,873**	76,695,025
Segment results	**(395,416)**	256,877
Reconciliation:		
Bank interest income	**294,803**	231,794
Unallocated income	**6,309**	2,351
Finance costs	**(691,860)**	(234,615)
Gain on equity investments at fair value through profit or loss, net	**213,594**	10,207
Dividends income from listed investments	**10,938**	–
Share of losses of associates	**(19,976)**	–
Corporate and other unallocated expenses	**(217,253)**	(108,121)
(Loss)/profit before tax	**(798,861)**	158,493

4. OPERATING SEGMENT INFORMATION (Continued)

	2017	2016
	RMB'000	*RMB'000*
Segment assets	**41,285,491**	40,785,747
Reconciliation:		
Corporate and other unallocated assets	**21,938,528**	21,016,382
Total assets	**63,224,019**	61,802,129
Segment liabilities	**28,940,045**	28,492,344
Reconciliation:		
Corporate and other unallocated liabilities	**16,757,748**	12,334,558
Total liabilities	**45,697,793**	40,826,902
Other segment information		
Depreciation and amortisation	**888,511**	786,767
Capital expenditure*	**1,039,269**	1,016,813

* Capital expenditure consists of additions to property and equipment, investment properties and other intangible assets.

Geographical information

(a) Revenue from external customers

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**71,574,873**	76,695,025

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**24,332,621**	24,007,736
Hong Kong	**37,920**	38,552
Europe	**3,781**	–
United States of America	**271,784**	–
	24,646,106	24,046,288

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and other investments.

5. BUSINESS COMBINATION UNDER COMMON CONTROL

On 31 March 2017, the Group acquired 60% of the equity interests of 美信網絡技術有限公司 (Meixin Network Technology Company Limited or "Meixin") and its subsidiaries (the "Meixin Group"), an unlisted group principally engaged in the a business of mobile social data platform known as "GOME Plus", at a cash consideration of RMB900 million.

Meixin Group was ultimately controlled by Mr. Wong Kwong Yu ("Mr. Wong"), who is also the controlling shareholder of the Group. Therefore, the Group accounted for this transaction as business combination under common control by applying the pooling of interests method. The fair value of the consideration paid for this acquisition exceeding the carrying amount of the net liabilities attributable to the Group was recognised as capital reserve amounted to RMB1,227,318,000.

The carrying amounts of the assets and liabilities of the Meixin Group as at the date of acquisition were:

	Carrying amounts recognised on acquisition *RMB'000*
Property and equipment	275,540
Inventories	53,857
Trade and bills receivables	102
Prepayments, deposits and other receivables	91,035
Due from related companies	414,012
Cash and cash equivalents	24,455
Trade and bills payables	(167)
Customers' deposits, other payables and accruals	(98,139)
Current portion of finance lease payable	(50,953)
Due to related companies	(1,203,858)
Finance lease payable	(51,414)
Total identifiable net liabilities at carrying amount	(545,530)
Non-controlling interests	218,212
Capital reserve arising on acquisition	1,227,318
Satisfied by:	
Cash	900,000

An analysis of the cash flows in respect of the acquisition of the Meixin Group is as follows:

	RMB'000
Cash consideration	(900,000)
Cash and cash equivalents acquired	24,455
Net outflow of cash and cash equivalents	(875,545)

The Group incurred transaction costs of RMB1,740,000 for this acquisition. These transaction costs have been expensed and are included in the consolidated statement of profit or loss.

Management of the Company has determined not to restate the financial statements for the periods prior to date of the business combination under common control. Since 31 March 2017, the Meixin Group contributed revenue of RMB32 million and a loss of RMB335 million for the period.

6. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Notes	**2017** **_RMB'000_**	2016 *RMB'000*
Revenue			
Sale of electrical appliances and consumer electronic products		**71,574,873**	76,695,025
Other income			
Income from suppliers, net		**429,281**	389,405
Management fee from Artway Group	*(i)*	**–**	31,656
Income from air-conditioner installation		**190,494**	192,764
Gross rental income		**243,244**	297,474
Government grants	*(ii)*	**151,784**	177,079
Other service fee income		**356,218**	340,263
Income from compensation		**33,820**	104,037
Other income from telecommunication service providers		**94,673**	89,432
Commission income from providing on-line platforms		**77,933**	118,525
Income from disposal of other investments		**3,788**	–
Income from financial products		**93,131**	42,827
Dividends income from listed investments		**10,938**	–
Others		**85,294**	56,336
		1,770,598	1,839,798
Gains			
Fair value gain on investment properties		**28,129**	5,198
Fair value gains, net:			
Equity investments at fair value through profit or loss		**213,594**	10,207
Derivative financial instruments		**–**	109,121
		2,012,321	1,964,324

Notes:

(i) The management fee from Artway Development Limited and its subsidiaries (the "Artway Group") represented the transactions between the Group and the Artway Group for the period from 1 January 2016 to 31 March 2016.

(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.

7. (LOSS)/PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**60,519,950**	66,318,216
Depreciation	**811,330**	723,993
Amortisation of other intangible assets*	**43,881**	39,700
Amortisation of prepaid land lease payments	**33,300**	23,074
Loss on disposal of property and equipment***	**91,196**	5,859
Impairment of goodwill***	**214,966**	22,986
Net gain on equity investments at fair value through profit or loss	**(213,594)**	(10,207)
Minimum lease payments under operating leases	**4,431,414**	4,360,033
Impairment provision for property and equipment***	**374,204**	37,852
Fair value gain on derivative financial instruments	**–**	(109,121)
Foreign exchange differences, net	**154,375**	35,418
Auditors' remuneration		
– audit services	**7,413**	7,811
– non-audit services	**1,834**	762
Staff costs excluding directors' and chief executive's remuneration:		
Wages, salaries and bonuses	**2,867,010**	2,597,935
Pension scheme contributions**	**649,434**	615,472
Social welfare and other costs	**95,940**	77,402
Share award expense****	**9,011**	–
Equity-settled share option expense	**–**	294
	3,621,395	3,291,103
Gross rental income	**(243,244)**	(297,474)
Net fair value gain on investment properties	**(28,129)**	(5,198)

Notes:

* The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

** At 31 December 2017, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2016: Nil).

*** These items are included in "Other expenses" in the consolidated statement of profit or loss.

**** During the year, the Company granted share appreciation rights under the restricted share award scheme to employees, executives and officers as part of their remuneration package, whereby the employees, executives and officers will become entitled to a future cash payment, based on the increase in the Company's share price from the exercisable price. The cost of share appreciation rights is measured initially at fair value at the grant date using the binomial tree model, taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

8. FINANCE (COSTS)/INCOME

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

	2017	2016
	RMB'000	*RMB'000*
Finance costs:		
Interest expense on bank loans	**(37,389)**	(27,739)
Interest expense on borrowing from related parties	**(53,658)**	–
Interest expense on bonds payable	**(597,451)**	(206,876)
Interest expense on finance lease payable	**(4,289)**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**(692,787)**	(234,615)
Less: Interest capitalised	**927**	–
	(691,860)	(234,615)
Finance income:		
Bank interest income	**294,803**	231,794

9. INCOME TAX EXPENSE

An analysis of the provision for tax in the financial statements is as follows:

	2017	2016
	RMB'000	*RMB'000*
Current income tax	**303,660**	230,455
Deferred income tax	**25,129**	(17,767)
Total tax charge for the year	**328,789**	212,688

The Group is subject to income tax on an entity basis on the 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 the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2016: 25%) on their respective taxable income. During the year, 48 entities (2016: 47 entities) of the Group obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

The Group realised tax benefits during the year through applying the preferential corporate income tax rates and the corporate income tax exemptions. 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.

As the Group had assessable profits arising in Hong Kong for 2017, a provision for Hong Kong profits tax of RMB46,000 has been made for the year ended 31 December 2017 (2016: Nil).

9. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit or loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the Group's effective tax rate, is as follows:

	2017					
	Hong Kong		**Mainland China**		**Total**	
	RMB'000	**%**	***RMB'000***	**%**	***RMB'000***	**%**
Loss before tax	**(271,953)**		**(526,908)**		**(798,861)**	
Income tax at the statutory tax rate	**(44,872)**	**16.5**	**(131,727)**	**25.0**	**(176,599)**	**22.1**
Tax effect of preferential tax rates	**–**		**(38,025)**		**(38,025)**	
Effect of reversed withholding tax at 5% on the distributable profits of the Group's subsidiaries in Mainland China	**–**		**(25,189)**		**(25,189)**	
Income not subject to tax	**(27,952)**		**(2,372)**		**(30,324)**	
Expense not deductible for tax	**72,870**		**75,211**		**148,081**	
Tax losses utilised from previous years	**–**		**(46,790)**		**(46,790)**	
Tax losses not recognised	**–**		**497,635**		**497,635**	
Tax charge at the Group's effective rate	**46**		**328,743**		**328,789**	

	2016					
	Hong Kong		Mainland China		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
(Loss)/profit before tax	(83,983)		242,476		158,493	
Income tax at the statutory tax rate	(13,857)	16.5	60,619	25.0	46,762	29.5
Tax effect of preferential tax rates	–		(43,082)		(43,082)	
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries in Mainland China	–		23,650		23,650	
Income not subject to tax	(19,349)		–		(19,349)	
Expense not deductible for tax	22,084		8,759		30,843	
Tax losses utilised from previous years	–		(109,824)		(109,824)	
Tax losses not recognised	11,122		272,566		283,688	
Tax charge at the Group's effective rate	–		212,688		212,688	

9. INCOME TAX EXPENSE (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. On 27 October 2017, the Company and a subsidiary of the Group obtained Hong Kong Special Administrative Region Certificate of Resident Status and could entitle the 5% preferential withholding tax rate subject to the dividends for the years 2015, 2016 and 2017. Thus, the Group reversed withholding tax of RMB25,189,000 in the consolidated statement of profit or loss which was previously accrued for the years 2015 and 2016 by applying a lower withholding tax rate. At 31 December 2017, save for the withholding tax provided on the dividends declared out of the current year's profits by the Group's subsidiaries established in Mainland China, no deferred tax has been recognised for the remaining unremitted earnings in these subsidiaries that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately to RMB7,890,452,000 at 31 December 2017 (2016: RMB8,068,348,000).

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

The calculation of the basic (loss)/earnings per share is based on the profit or loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 21,390,244,000 (2016: 20,797,082,000) in issue during the year.

The calculation of the diluted (loss)/earnings per share is based on the profit or loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted loss per share is the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2017 and 2016 as the impact of the warrants and share options outstanding had no dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	2017	2016
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic and diluted (loss)/earnings per share calculation	**(449,895)**	325,139

	Number of shares	
	2017	2016
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	**21,390,244**	20,797,082

11. DIVIDENDS

	2017 *RMB'000*	2016 *RMB'000*
Interim:		
Cash dividend of Nil (2016: Nil) per ordinary share	**–**	–
Proposed final:		
Cash dividend of Nil (2016: Cash dividend of HK0.70 cents (equivalent to RMB0.59 fen)) per ordinary share	**–**	130,056
	–	130,056

Pursuant to the board of directors' resolution dated 27 March 2018, the board did not recommend the payment of a final dividend so as to preserve capital for funding needs of the Group.

12. OTHER INVESTMENTS

	Notes	2017 *RMB'000*	2016 *RMB'000*
Listed equity investments in Mainland China, at fair value			
Investment in Gome Telecom	*(i)*	**475,851**	685,385
Investment in MTC	*(ii)*	**270,234**	300,730
Unlisted equity investment, at cost	*(iii)*	**1,210,235**	20,931
		1,956,320	1,007,046

Notes:

(i) The balance as at 31 December 2017 represented the fair value of the Group's investments in 39,987,400 shares, representing approximately 15.84% of the outstanding issued shares of 國美通訊設備股份有限公司 (Gome Telecom Equipment Co., Ltd. ("Gome Telecom"), formerly known as "Sanlian Commercial Co., Ltd."). Gome Telecom 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 31 December 2017 and 31 December 2016. 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 consolidated statement of profit or loss.

Of the seven directors of Gome Telecom, two were nominated by the Group as at 31 December 2017 (31 December 2016: two). With reference to Gome Telecom's memorandum and articles of association and by taking into account the current shareholding structure of Gome Telecom, the directors of the Company consider that the Group has no absolute right to determine the composition of the board of directors of Gome Telecom or appoint directors to Gome Telecom and thus the Group does not have control or significant influence over Gome Telecom.

As at 31 December 2017, the fair value of this investment was based on the quoted market price, which was RMB11.90 (31 December 2016: RMB17.14) per share. During 2017, the loss in respect of this investment recognised in other comprehensive income amounted to RMB209,534,000 (2016: RMB90,372,000).

During 2017, Gome Telecom sold products to the Group amounting to RMB44,450,000 (2016: Nil) and leased properties to the Group with a rental expense of RMB25,619,000 (2016: Nil), respectively.

12. OTHER INVESTMENTS (Continued)

(ii) During 2016, the Group subscribed 30,193,814 shares of 深圳兆馳股份有限公司 ("Shenzhen MTC Co., Ltd." or "MTC") with a consideration of RMB370,780,000 representing approximately 1.67% of the issued shares. MTC is a company established in the PRC and listed on the Shenzhen Stock Exchange. The Group classified this investment as available-for-sale financial assets at 31 December 2017 and 31 December 2016. After initial recognition, the available-for-sale financial assets are measured at fair value, with gains or losses recognised in other comprehensive income until the investment 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 consolidated statement of profit or loss.

On 8 June 2017, MTC declared and paid cash dividend of RMB0.25 for every 10 shares and stock dividend of 15 shares for every 10 shares held by the shareholders. As at 31 December 2017, the Group held 75,484,535 shares, which represented 1.67% of the issued shares of MTC.

As at 31 December 2017, the fair value of this investment was based on the quoted market price, which was RMB3.58 (31 December 2016: RMB9.96) per share. During 2017, the loss in respect of this investment recognised in other comprehensive income amounted to RMB30,496,000 (2016: gain of 70,050,000).

(iii) As at 31 December 2017, unlisted equity investments with carrying amount of RMB1,210,235,000 (2016: RMB20,931,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. Management of the Group has no plan to dispose of these investments at the current stage.

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 ageing 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:

	2017	2016
	RMB'000	*RMB'000*
Outstanding balances, aged:		
Within 3 months	**140,556**	126,513
3 to 6 months	**45,358**	28,284
6 months to 1 year	**456**	8,111
	186,370	162,908

An ageing analysis of trade and bills receivables that are not considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**70,278**	63,257
Less than 3 months past due	**92,957**	77,398
Over 3 months past due	**23,135**	22,253
	186,370	162,908

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

13. TRADE AND BILLS RECEIVABLES (Continued)

Receivables that were past due but not impaired relate to mainly corporate customers which have long business relationship with the Group. Management is of the opinion that no provision for impairment is necessary at this stage because there has not been a significant change in credit quality of the individual debtors and the balances are considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The balances are unsecured and non-interest-bearing.

14. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**8,040,453**	8,529,553
Bills payable	**14,798,440**	15,368,853
	22,838,893	23,898,406

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the goods receipt date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**12,208,312**	15,185,137
3 to 6 months	**8,939,643**	7,569,643
Over 6 months	**1,690,938**	1,143,626
	22,838,893	23,898,406

The Group's bills payable are secured by the pledge of certain of the Group's assets as follows:

(i) time deposits;

(ii) inventories;

(iii) buildings; and

(iv) investment properties.

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

15. BONDS PAYABLE

On 7 January 2016, 28 January 2016 and 10 May 2016, the Group issued bonds at par values of RMB3,000 million, RMB300 million and RMB1,700 million on the Shanghai Stock Exchange, which are repayable on 7 January 2022, 28 January 2022 and 10 May 2022, respectively. These bonds could be redeemed by the holder and the earliest repayment dates are 7 January 2019, 28 January 2019 and 10 May 2019, respectively. The net proceeds after deducting the transaction cost of RMB105,232,000 was RMB4,894,768,000. The interests are paid on an annual basis.

On 8 December 2016, the Group issued non-public bonds at par values of RMB4,000 million, which is repayable on 8 December 2022. The bonds could be redeemed by the holder and the earliest repayment date is 8 December 2018. The net proceeds after deducting the transaction cost of RMB60,000,000 was RMB3,940,000,000. The interests are paid on an annual basis.

On 10 March 2017 and 23 June 2017, the Group issued overseas bonds in an aggregate principal amount of US$400 million (equivalent to RMB2,777,143,000) and US$100 million with bonds premium of US$625,000 (equivalent to RMB686,735,000), respectively. These two sets of bonds form a single series which is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The net proceeds after deducting the transaction cost of RMB40,833,000 was RMB3,423,045,000. The interests are paid on a semi-annual basis.

After initial recognition, these bonds are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate. The interest expense calculated based on the effective interest rate was RMB597,451,000 which was included in finance costs of the consolidated statement of profit or loss.

The movements of bonds payable during the year are as follows:

	RMB'000
Carrying amount as at 1 January 2017	**8,849,485**
Interest reclassified to current portion in previous year	**192,158**
Additions	**3,423,045**
Interest expenses during the year	**597,451**
Interest paid during the year	**(507,611)**
Exchange differences	**(196,018)**
	12,358,510
Less: Interest to be paid within one year	**(243,327)**
Current portion included in current liabilities	**(3,949,387)**
Included under non-current liabilities as at 31 December 2017	**8,165,796**

16. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events subsequent to 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2017 (the "Reporting Period"), GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") launched "Home · Living" strategy. This new blueprint follows the Group's plans to evolve into a one-stop home solution provider, going beyond the traditional home appliance retailer field. Accordingly, the Company changed its name to "GOME Retail Holdings Limited" from "GOME Electrical Appliances Holding Limited". In the second half of 2017, the Company announced a new brand vision – "Better lifestyle through GOME", which is set to facilitate trillions of Chinese households in their leap from quality living to fine living with technology and style.

During the Reporting Period, the Group's total gross merchandise volume ("GMV") for both online and offline operations increased by approximately 20.10% as compared with the corresponding period last year. The sales revenue from the comparable stores increased by approximately 2.33% year-on-year. The consolidated gross profit margin maintained at a high level which increased by 2.17 percentage points, from 16.09% for the corresponding period last year to approximately 18.26%. With the e-commerce business entering the online-offline integration stage, where there had been a decrease in direct e-commerce sales revenue, result in the Group's total sales revenue was down by 6.68% to approximately RMB71,575 million, as compared with RMB76,695 million for the corresponding period last year. The GMV from the e-commerce business increased by approximately 48.67% while GMV from the online marketplace increased by approximately 118.13% as compared with the corresponding period last year. The Group now has over 200 million members and is speeding up its expansion on the services regime and expanding into the fourth- and fifth-tier cities to enhance its new competitive advantage.

During the Reporting Period, the overall operating performance of the Group remained strong. Based on applicable accounting standards, the Group impaired the goodwill for its under-performing business of approximately RMB215 million, and impaired the property and equipment of approximately RMB374 million. In addition, interest on bonds payable also increased from RMB207 million to approximately RMB597 million in the period, as a result of the increase in debts. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period was approximately RMB450 million, as compared with a profit of RMB325 million for the corresponding period last year. However, if the non-operating items, such as impairment of goodwill, impairment of property and equipment, fair value gains on equity investments, gains on derivative financial instruments, foreign exchange loss, income from compensation and interest expense on bonds payable are excluded, the profit of the Group would be approximately RMB531 million, increased by 24.36% as compared with RMB427 million for the corresponding period last year.

We are looking forward to forming an internet retail platform of efficiency, openness and win-win synergy, further exploring the "Home • Living" market which is valued at RMB10 trillion. We are committed to internet retail and achieving high-speed growth on the way, bringing higher returns for our shareholders.

FINANCIAL REVIEW

The financial information disclosed below includes the data of Artway Development Limited and its subsidiaries (the "Artway Group") from 1 April 2016, but does not include the figures of the Artway Group from January to March 2016. Since the acquisition of the Artway Group was completed on 31 March 2016, the financial information of the Artway Group has been consolidated with the Group starting from 1 April 2016.

Revenue

During the Reporting Period, the Group's revenue was approximately RMB71,575 million, down 6.68% from RMB76,695 million in 2016, mainly due to the e-commerce business entering into the online-offline integration stage with a decrease in direct e-commerce sales. The Group's weighted average sales area was approximately 5,075,000 sq.m. and the revenue per sq.m. (excluding sales revenue from the e-commerce business) was approximately RMB13,273, increased by 1.97% as compared with RMB13,016 for the corresponding period in 2016.

During the Reporting Period, aggregate sales of 978 comparable stores of the Group was approximately RMB46,879 million, up 2.33% from RMB45,812 million for the corresponding period in 2016. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted for approximately 34% of the total revenue, as compared with 36% for the corresponding period last year, representing a decrease in revenue contributed from the first-tier market and a continuing increase in revenue contributed from the second-tier market.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB60,520 million in the Reporting Period, accounted for 84.55% of the revenue, decreased as compared with 86.47% for the corresponding period in 2016. Gross profit was approximately RMB11,055 million, up 6.53% from RMB10,377 million in the previous year. The gross profit margin was 15.45%, increased by 1.92 percentage points as compared with 13.53% for the corresponding period last year. The increase in gross profit margin was mainly attributable to the increase in differentiated product sales and decrease in the revenue from the e-commerce business with relatively low gross profit margin during the year.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB2,012 million, representing an increase of 2.44% as compared with RMB1,964 million in 2016.

Summary of other income and gains:

	2017	2016
As a percentage of sales revenue:		
Income from suppliers, net	**0.60%**	0.51%
Income from air-conditioner installation	**0.27%**	0.25%
Gross rental income	**0.34%**	0.39%
Government grants	**0.21%**	0.23%
Other service fee income	**0.50%**	0.44%
Others	**0.89%**	0.74%
Total	**2.81%**	2.56%

Consolidated gross profit margin

During the Reporting Period, as a result of the increase in the gross profit margin and other income and gains margin, the Group's consolidated gross profit margin also increased by 2.17 percentage points from 16.09% for the corresponding period last year to 18.26%.

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

Operating expenses

During the Reporting Period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB13,449 million as compared with RMB12,180 million for the corresponding period last year. The expenses ratio was 18.79%, up by 2.91 percentage points as compared with 15.88% for the corresponding period in 2016.

The increase in the operating expenses, among others, was mainly attributable to the increase in administrative expenses and the non-operating items as further discussed in other expenses below.

Summary of operating expenses:

	2017	2016
As a percentage of sales revenue:		
Selling and distribution expenses	**13.41%**	12.32%
Administrative expenses	**3.24%**	2.58%
Other expenses	**2.14%**	0.98%
Total	**18.79%**	15.88%

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses increased slightly by 1.56% from RMB9,448 million in the corresponding period last year to approximately RMB9,595 million. The selling and distribution expenses ratio was 13.41%, increased by 1.09 percentage points as compared with 12.32% for the corresponding period in 2016. The increase in selling and distribution expenses ratio was mainly due to the rental expenses as a percentage of sales revenue increased by 0.4 percentage point from 5.37% in the corresponding period last year to 5.77%, the salaries as a percentage of sales revenue increased by 0.36 percentage point from 2.96% in the corresponding period last year to 3.32%, and the delivery expenses as a percentage of sale revenue increased by 0.21 percentage point from 0.72% in the corresponding period last year to 0.93%. Overall, the Group's selling and distribution expenses ratio increased as a result of decrease in the sales revenue, however the amount of expenses still remained at a relatively stable level.

Administrative expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB2,322 million, higher than that of RMB1,980 million for the corresponding period in 2016 by 17.27%. The expenses ratio was 3.24%, increased by 0.66 percentage point as compared with 2.58% for the corresponding period in 2016, mainly due to the Group increased expenses on research and development to enhance its application on big data, improve customer experiences and the management function of the information system during the year. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses over revenue ratio at a relatively low level in the industry.

Other expenses

During the Reporting Period, other expenses of the Group mainly comprised, among others, business tax, bank charges, foreign exchange loss, impairment of goodwill and impairment of property and equipment, which increased from RMB752 million for the corresponding period in 2016 to approximately RMB1,531 million. The increase was mainly attributed by: (1) the impairment of goodwill for the Group's under-performing business amounted to approximately RMB215 million; (2) the impairment of property and equipment amounted to approximately RMB374 million; and (3) the foreign exchange loss of approximately RMB154 million mainly due to, among others, loss incurred by the interest-bearing bank loans denominated in Euro, as Euro has appreciated against Renminbi during the Reporting Period. As a result, the other expenses over revenue ratio reached approximately 2.14%, up 1.16 percentage points as compared with 0.98% for the corresponding period in 2016.

(Loss)/profit before finance (costs)/income and tax

As a result of the increase in the abovementioned expenses on research and development and the non-operating expenses, the Group recorded a loss before finance (costs)/ income and tax amounted to approximately RMB402 million, as compared with a profit of RMB161 million for the corresponding period last year.

Net finance (costs)/income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB397 million, substantially increased as compared with a net finance cost of RMB3 million in 2016, mainly due to the Group issued overseas bonds with an aggregate principal amount of US$500 million at 5.0% coupon rate and recorded the full amount of interest expenses for the period from January to December 2017 in relation to the corporate bonds with aggregate nominal value of RMB9,000 million issued in 2016 during the Reporting Period. As a result, the finance costs increased substantially from RMB235 million in the corresponding period last year to approximately RMB692 million.

(Loss)/profit before tax

As a result of the above factors, during the Reporting Period, the Group recorded a loss before tax of approximately RMB799 million, as compared with a profit before tax of RMB158 million in 2016.

Income tax expense

During the Reporting Period, the overall operating performance of the Group remained strong, the Group's income tax expense increased from RMB213 million in 2016 to approximately RMB329 million. The management considers the effective tax rate applied to the Group for the Reporting Period is reasonable.

(Loss)/profit for the year and (loss)/earnings per share attributable to owners of the parent

During the Reporting Period, the loss attributable to the owners of the parent was approximately RMB450 million as compared with a profit of RMB325 million for the corresponding period last year. As discussed above, if the non-operating items, among others, such as impairment of goodwill, impairment of property and equipment, fair value gains on equity investments, gains on derivative financial instruments, foreign exchange loss, income from compensation and interest expense on bonds payable are excluded, the profit of the Group would be approximately RMB531 million, increased by 24.36% as compared with RMB427 million in the corresponding period of last year.

During the Reporting Period, the Group's basic loss per share were RMB2.1 fen, as compared with basic earnings per share of RMB1.6 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB9,244 million, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies, and representing a decrease of 30.17% as compared with RMB13,237 million as at the end of 2016. The decrease was mainly attributable to the increase in the Group's investments during the year.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB11,255 million, representing a decrease of 3.02% as compared with RMB11,606 million as at the end of 2016. The inventory turnover period increased by 9 days from 60 days in 2016 to 69 days in 2017, and it is relatively stable as compared with 70 days in 2015.

Prepayments, deposits and other receivables

As at the end of the Reporting Period, prepayments, deposits and other receivables of the Group amounted to approximately RMB5,053 million, increased by 6.81% from RMB4,731 million as at the end of 2016.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB22,839 million, decreased by 4.43% from RMB23,898 million as at the end of 2016. Trade and bills payables turnover days were approximately 141 days, increased by 22 days from 119 days in 2016 and slightly increased by 8 days as compared with 133 days in 2015.

Capital expenditure

During the Reporting Period, the capital expenditure incurred by the Group amounted to approximately RMB1,039 million, representing a 2.16% increase as compared with RMB1,017 million in 2016. The capital expenditure during the year was mainly for opening of new stores, remodelling of stores, purchasing of an investment property and upgrading the information system by the Group.

Cash flows

During the Reporting Period, the Group's net cash flows used in operating activities amounted to approximately RMB1,156 million, as compared with net cash inflows of RMB2,685 million in 2016. The increase in cash outflows were mainly due to the increase in lease prepayments and deposits, decrease in trade and bills payables and decrease in amounts due to related companies.

Mainly due to the inclusion of purchases of property and equipment amounted to approximately RMB757 million, net proceeds used in the acquisition of 美信網絡技術有限公司 (Meixin Network Technology Company Limited, together with its subsidiaries, the "Meixin Group") amounted to approximately RMB876 million, net proceeds paid for the purchases of equity investments at fair value through profit and loss amounted to approximately RMB2,202 million and net proceeds paid for the purchases of available-for-sale investments amounted to approximately RMB1,186 million, the Group's net cash flows used in investing activities amounted to approximately RMB5,575 million, as compared with RMB1,454 million used in 2016.

The Group's net cash flows from financing activities amounted to approximately RMB2,816 million as compared with RMB4,501 million generated in 2016. The net cash inflows this year was mainly due to the issuance of overseas bonds by the Group with an aggregate nominal value of US$500 million.

Contingent liabilities and capital commitment

At the end of the Reporting Period, the Group has no material contingent liabilities, but there were capital commitments of approximately RMB157 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 estimates that less than 10% of the Group's current purchases are imported products and the transactions are mainly denominated in Renminbi.

Financial resources and gearing ratio

During the Reporting Period, the Group's working capital, capital expenditure and cash for investments were mainly funded from cash on hand, cash generated from operations, interest-bearing bank loans, loans due to related companies and bonds.

As at 31 December 2017, the total borrowings of the Group were the interest-bearing bank loans, loans due to related companies, the corporate bonds and the overseas bonds.

The current interest-bearing bank loans comprised:

(1) bank loans of US$153 million (equivalent to approximately RMB996 million) in aggregate, bearing interest at floating rates;

(2) a bank loan of JPY50 million (equivalent to approximately RMB3 million) bearing interest at a fixed rate; and

(3) a bank loan of EUR259 million (equivalent to approximately RMB2,026 million) bearing interest at floating rate;

The above interest-bearing bank loans were repayable within 1 year.

The non-current interest-bearing bank loan comprised:

A bank loan of approximately RMB97 million, bearing interest at floating rate and it was repayable beyond 5 years.

The loans due to related companies comprised:

Loans amounted to approximately RMB1,665 million in aggregate, bearing interest at fixed rate, an amount of RMB47 million was repayable within 1 year and the remaining RMB1,618 million was repayable within 5 years.

The corporate bonds comprised:

(1) corporate bonds issued in 2016 with an aggregate nominal value of RMB5,000 million issued at fixed coupon rates ranged from 4.00% to 4.50% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rates and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the third year; and

(2) corporate bonds issued in 2016 with an aggregate nominal value of RMB4,000 million issued at a fixed coupon rate of 5.67% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second and fourth year.

The overseas bonds comprised:

Bonds issued in 2017 with an aggregate principal amount of US$500 million and with 5% coupon rate due 2020.

The Group's financing activities continued to be supported by its bankers.

As at 31 December 2017, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to approximately RMB16,903 million over total equity amounting to approximately RMB17,526 million, increased from 51.68% as at 31 December 2016 to 96.45%.

Charge on group assets

As at the end of 2017, the Group's bills payable and interest-bearing bank loans were secured by the Group's time deposits amounting to approximately RMB6,572 million, certain inventories with a carrying value of approximately RMB500 million and certain buildings and investment properties of the Group with a carrying value of approximately RMB1,882 million. The Group's bills payable and interest-bearing bank loans amounted to approximately RMB17,921 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group employed a total of 40,176 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees, including directors of the Company (the "Directors"), is determined with reference to their performance and the prevailing salary levels in the market.

OUTLOOK AND PROSPECTS

In the 30 years since it was established, GOME has utilized its retail channels to gain an advantage over its peers. Today, GOME's physical stores are expanding into the fourth- and fifth-tier cities. At the same time, GOME is exploring the development of various virtual stores and related businesses to cover both online and offline channels, to share GOME's supply chain and services, membership, merchandise and trading data, to build up GOME's advantage in channels of shared retail. Regarding the evolution of consumption, GOME plans to merge internet technology into its retail platform. Using the integrated "Home · Living" stores as the model, the Group will continue to experiment new kinds of stores, such as community stores and high-tech unmanned stores, featuring internet intelligent technology including self-service cashier and cloud inventory with millions of SKU, to realize online and offline empowerment, dynamic layout and to further expand the market.

Consumption Evolvement: expansion of "Home · Living", "Digital Stores" and "Networks"

In 2017, GOME built up a series of showcases around the "Home · Living" theme in stores and the growth of the home decoration business was a highlight. The home decoration business will be introduced to another 100 stores in 2018, which is expected to contribute significantly to the Group's revenue.

With the consumption upgrade in China, GOME will proactively adjust its presence nationwide. In the first- and second-tier cities, GOME will focus on the integrated experience in its stores, while continuing to explore the development of new kinds of stores such as smart community stores and unmanned stores equipped with cutting-edge technology.

In the fourth- and fifth-tier cities, GOME will take advantage of opportunities to extend its network of county stores, to form customer-oriented stores that combine sales, logistics and services, emphasizing the full cycle of pre-sales instructions and after-sales logistics. In the next three years, GOME plans to open 3,000 county stores, to fully cover the top 100 counties and other areas in China.

Internet Retail: GOME's Next Stop

Internet technology is vital in satisfying customer demands. GOME has the capability in the supply chain to cleverly select quality products, and will continue to enlarge the proportion of customized products in the future, to keep a higher level of consolidated gross margin in the industry.

Regarding data operation, GOME believes that the middle-end is the foundation to merge online and offline data. Therefore, the Group will use the internet to further merge data of membership, merchandise and transactions. Moreover, online virtual stores, namely, the application of GOME's new model of shared retail, which is a sharing platform based on the open supply chain and themed with social communication, received positive feedbacks. The launch of partner projects has also shown the benefits of sharing and increased traffic.

As for service, internet technology largely improved service and stimulated an increase in sales. Looking forward, GOME will continue to invest in internet technology, merge the offline experiences with online resources, open digital stores in all tiers of the market, further release the market potential and strive to be the model to follow in internet retail.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2017, the Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made due and careful enquiry, the Company confirms that all Directors have complied with the Model Code during the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. LEE Kong Wai, Conway and LIU Hong Yu (being the independent non-executive directors of the Company) and YU Sing Wong (being the non-executive director of the Company). The Audit Committee assists the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2017 and the draft auditors' report thereon and submitted its reports to the Board.

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

During the year ended 31 December 2017, the Company repurchased an aggregate of 409,838,000 shares of the Company (the "Shares") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are as follows:

Month/Year	**Number of Shares (HK$0.025 each in the share capital of the Company) repurchased**	**Highest price per Share** *HK$*	**Lowest price per Share** *HK$*	**Aggregate consideration (excluding expenses)** *HK$*
March 2017	91,000,000	1.05	1.02	94,590,940
April 2017	218,838,000	1.09	1.04	233,834,940
September 2017	100,000,000	0.85	0.81	82,452,000
	409,838,000			410,877,880

The Shares repurchased during the year ended 31 December 2017 were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value thereof.

During the year ended 31 December 2017, the Company issued overseas bonds with an aggregate principal amount of US$500,000,000 at fixed coupon rate of 5.0% due 10 March 2020. The overseas bonds are listed on the Singapore Exchange Securities Trading Limited.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2017.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend so as to preserve capital for funding needs of the Group.

DIVIDEND POLICY

Currently, the Board anticipates that the dividend payout ratio of the Company will be maintained at approximately 40% of the Group's distributable profit generated during 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 working capital requirement of the Group, business environment and availability of investment opportunities.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement will be published on the websites of the Stock Exchange and the Company (www.gome.com.hk). The 2017 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

APPRECIATION

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

By Order of the Board
GOME Retail Holdings Limited
Zhang Da Zhong
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board of the Company comprises Mr. Zou Xiao Chun as executive director; Mr. Zhang Da Zhong, Ms. Huang Xiu Hong and Mr. Yu Sing Wong as non-executive directors; and Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao as independent non-executive directors.

* *For identification purpose only*