GOME RETAIL HOLDINGS LIMITED
國美零售控股有限公司 *

(formerly known as GOME Electrical Appliances Holding Limited 國美電器控股有限公司)
(Incorporated in Bermuda with limited liability)
(Stock Code : 493)

Redefine Retail

2017
INTERIM REPORT

* For identification purpose only

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NEW MARKET
NEW BUSINESS
NEW TECHNOLOGY

FINANCIAL HIGHLIGHTS AND BUSINESS SUMMARY

Financial Highlights

	First half of 2017 RMBm	First half of 2016 RMBm
Revenue	**38,073**	35,312
Gross profit	**5,684**	4,771
Consolidated gross profit margin*	**17.83%**	16.37%
Profit before finance (costs)/income and tax	**256**	28
Profit attributable to owners of the parent	**122**	124
Earnings per share		
– Basic and diluted	**RMB0.6 fen**	RMB0.6 fen

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

Business Summary

- The Company has recently changed its name from GOME Electrical Appliances Holding Limited to GOME Retail Holdings Limited, to better reflect its transformation from an electrical appliance retailer to an integrated home solution provider.

- GOME will continue to leverage on the strong support of "New Scenario, Supply Chain and After-sales Service" to upgrade its new retail strategy.

- During the reporting period, the Group reported GMV of RMB61.7 billion, representing a 22.87% increase from the corresponding period last year. Online GMV reached RMB20.5 billion, while offline GMV reached RMB41.2 billion.

Overview

GOME Electrical Appliances Holding Limited has changed its name to GOME Retail Holdings Limited (the "Company", with its subsidiaries, collectively known as the "Group" or "GOME"). The new company name will provide the Group with a more defined corporate image and identity, and better reflect the current business focus and direction of its future development.

During the six-month period ended 30 June 2017 (the "Reporting Period"), under the strategic guideline of the new retail "6 Firsts+1" project, the Group achieved growth in its existing business through the support of strong supply chains, introduction of new business under new scenarios, construction of after-sales service market with Internet of Things ("IoT") technology, facilitation of online and offline integration using Internet technology, promotion of segmented store operation with big data, and enhancement of competitiveness by optimizing its network. The new retail "6 Firsts+1" project is an integrated online and offline ecosystem of social and business connections that puts top priority in six areas, namely: customers-first, products-first, platforms-first, services-first, sharing-first, and customer experience-first. By providing premium services, the Group has elevated the level of retailing and systematically transformed from an electrical appliances retailer to an integrated home solution provider.

During the Reporting Period, the Group's online-offline total gross merchandise volume ("GMV") increased by 22.87% year-on-year, with a 54.24% growth in e-commerce. The Group recorded sales revenue of approximately RMB38,073 million, representing an increase of 7.82% as compared with RMB35,312 million for the corresponding period last year; sales from the comparable stores increased by approximately 2.34%. The Group's consolidated gross profit margin increased by 1.46 percentage points, from 16.37% in the corresponding period last year to approximately 17.83%. The operating expenses ratio rose from 16.29% in the corresponding period last year to approximately 17.15%, representing a slight increase of 0.86 percentage point over the period. As a result of stable operation, the profit before finance (costs)/income and tax increased substantially by 814.29% from RMB28 million in the corresponding period last year to approximately RMB256 million. In addition, the Group's total borrowings (bonds payable and interest-bearing bank loans) increased from RMB6,414 million as at 30 June 2016 to approximately RMB16,001 million as at 30 June 2017, and the finance costs increased accordingly. As the result, the Group's profit attributable to the owners of the parent decreased slightly by 1.61% from RMB124 million in the corresponding period last year to approximately RMB122 million.

In addition, the Group's cash and cash equivalents increased to approximately RMB14,476 million as at 30 June 2017 from RMB13,237 million recorded as at 31 December 2016.

Looking forward, the Group will capitalize on "new market, new business and new technology" to continue executing the existing strategy, bring high-quality goods and services to our customers and cultivate our own core competitiveness in this retail revolution. The Group will give back to shareholders and society with an exceptional business performance.

Industry Overview

For the first half of 2017, the global economy continued to pick up as projected in the "World Economic Outlook" issued by the International Monetary Fund (IMF). According to the "Tracking Indexes for the Global Economic Recovery" (jointly prepared by Brookings Institution and the UK *Financial Times*), the global recovery is now common and solid after nearly a decade of financial crisis. In recent months, the growth of developed-market and emerging market economies has accelerated, and in particular, the economies of the US, Europe and Japan, have operated smoothly (reference to *China Economic Times*).

Domestically, China's economy maintained overall stability, registering a steady and visible growth trend with GDP growth at 6.9%. The industrial and service sector realized growth at a relatively fast pace, and corporate profit recorded a much higher increase compared with the corresponding period last year. Consumer price trend remained stable in general, disposable income increased, employment rate improved and trade surplus continued to record a favorable balance. Overall, the stability, coordination and sustainability of China's economic development were also strengthened (released by The State Council Information Office).

During the first half of 2017, the retail sector, especially physical retail started recovering in general. The new retail concept was accepted and implemented promptly by the industry with the flourish of a variety of new retail stores, trailblazing a new trend in China. Most of the newly opened retail stores characterized style, quality, technology and visible uniqueness, arousing widespread interest and attracting young consumers.

Business Review

Development of New Retail Ecosystem

(1) New Experiential Smart Stores

During the Reporting Period, the Group continued to carry out store remodeling of new experiential smart stores in cities such as Beijing, Shanghai, Guangzhou, Jinan, Wuhan and Xi'an. A total of 40 stores have been transformed, of which 37 stores are in the first-tier market, 3 stores are in the second-tier market. Sales in first-tier market recorded an overall increase of 7.54% while sales in second-tier market increased by 8.67%.

(2) Optimizing Store Network

During the Reporting Period, the Group has established landmark stores at premium locations in central business districts in the first-tier market and established large scale entertainment and leisure experimental stores in 20,000 to 30,000 square meters to carry out diversified businesses such as home appliances, theatre, restaurants and household products. For the under-penetrated second-tier market, the Group continued its entry strategy and explored collaboration with local home appliance brands. The Group has also expanded its store network to third, fourth and fifth tier cities by launching 100 square-meter-sized mini-stores in the peripheral areas of the second-tier markets supported by its strong supply chain, management chain and logistics chain.

As at 30 June 2017, the total number of stores of the Group was 1,581.

The Nationwide Retail Network of the Group

As at 30 June 2017

Development of Store Network:

	Group
As of 31 Dec 2016	1,127
Number of stores newly opened	22
Number of stores closed	(54)
As of 30 Jun 2017	**1,095**

	Artway Group[1]
As of 31 Dec 2016	501
Number of stores newly opened	18
Number of stores closed	(33)
As of 30 Jun 2017	**486**

As of 30 Jun 2017 Enlarged Group Total	**1,581**

	Group				Artway Group	Enlarged Group
	GOME	**China Paradise**	**Dazhong**	**CellStar**	**GOME**	**Total**
Flagship stores	197	35	24	–	104	360
Standard stores	301	39	17	–	134	491
Specialized stores	378	58	2	44	248	730
Total	876	132	43	44	486	1,581
Among them:						
First-tier market	459	88	35	37	249	868
Second-tier market	417	44	8	7	237	713
Net increase/(decrease) in store number	(23)	(2)	(2)	(5)	(15)	(47)
Number of stores opened	19	1	–	2	18	40
Among them:						
First-tier market	11	1	–	2	11	25
Second-tier market	8	–	–	–	7	15
Number of cities accessed	272	60	1	6	161	424
Among them:						
First-tier cities	21	9	1	1	15	38
Other cities	251	51	–	5	146	386
Number of cities newly assessed	2	–	–	–	–	2

Note:

1. Artway Group: Artway Development Limited and its subsidiaries which has been consolidated with the Group since 1 April 2016.

List of stores:

	Group			
Region	**Flagship stores**	**Standard stores**	**Specialized stores**	**Total**
Beijing	43	28	2	73
Shanghai	26	9	13	48
Tianjin	15	10	4	29
Chengdu	17	32	18	67
Chongqing	13	18	26	57
Xi'an	17	20	61	98
Shenyang	12	11	12	35
Qingdao	12	8	16	36
Jinan	9	15	17	41
Shenzhen	18	24	29	71
Dongguan	–	11	4	15
Guangzhou	15	31	46	92
Foshan	6	10	15	31
Wuhan	7	21	31	59
Kunming	5	7	20	32
Fuzhou	6	15	20	41
Xiamen	4	10	28	42
Henan	6	21	21	48
Nanjing	3	15	16	34
Wuxi	1	3	5	9
Changzhou	2	7	1	10
Suzhou	4	6	7	17
Hefei	3	6	5	14
Xuzhou	1	4	14	19
Tangshan	3	–	1	4
Lanzhou	5	5	11	21
Wenzhou	–	1	9	10
Jiangxi	1	5	30	36
Shangdong	2	4	–	6
Total	256	357	482	1,095

	Artway Group			
Region	**Flagship stores**	**Standard stores**	**Specialized stores**	**Total**
Anshan	2	2	–	4
Dalian	6	10	11	27
Guangxi	4	7	26	37
Guizhou	2	5	9	16
Hebei	4	4	11	19
Henan	5	16	24	45
Heilongjiang	12	4	17	33
Hunan	5	8	17	30
Jilin	4	2	4	10
Jiangxi	3	5	18	26
Nantong	–	2	6	8
Inner Mongolia	4	6	9	19
Ningbo	2	6	19	27
Xiamen	1	5	3	9
Shanxi	7	11	12	30
Shanghai	22	14	3	39
Wuxi	3	3	–	6
Xi'an	1	2	2	5
Xinjiang	6	14	12	32
Changchun	–	1	9	10
Zhejiang	11	7	36	54
Total	104	134	248	486
Enlarged Group Total	360	491	730	1,581

(3) Reinforcing the Linkage Between GOME and Consumers

Brand New Social Platform – "GOME Plus"

"GOME Plus" is an application newly launched by the Group for "experiencing and reward earning". As a part of the Group's latest retail strategy, "GOME Plus" works online to integrate business resources such as GOME-on-line, Meixin, GOME House Manager and GOME International Trading; and works offline to link all the stores located nationwide, strong supply chains and logistics channels. Applying the technology of big data and cloud computing, "GOME Plus" provides users with options to experiencing offline while ordering online. It is an advanced Internet social e-commerce platform developed under the "social + commerce + benefit sharing" innovative business model.

Social: "GOME Plus" has set up a social platform for consumers based on personal interest – the "Circle". Users may join relevant "Circles" according to their interests and connect with people with the same hobby for sharing, discussion and expanding their social circle. "Circle" is also able to connect products with users' demands and forming consumption scenarios based on social interaction.

Commerce: Being the Group's entrance to online and offline integration, "GOME Plus" provides users an online shopping platform with 360-degree and all-rounded experiential offline shopping scenarios. After an offline experience of their selected large-sized products, users may directly make their purchases on "GOME Plus" by scanning on the QR Code with their mobile on site without queueing.

Benefit sharing: By using "GOME Plus", users may open "GOME Shop" with just one tap on their screen to sell products from the platform. By making use of their circle of friends, no cost is needed for the promotion, development and sale at "GOME Shop". "GOME Plus" is also equipped with dual reward system: the "GOME Shop" owners can be rewarded with commission after (1) successfully distributing a product; or (2) from a sale resulting from the sharing of the product by others.

"GOME House Manager" After-Sales Service O2O Platform

As the Group's online-offline service platform connecting consumers, "GOME House Manager" developed its business towards two core initiatives in 2017: (1) addition of tools for end-consumers such as manual, warranty card, e-invoice, delivery and installation arrangement information, which are also linked to suppliers' systems to establish a platform for resolving all back-end demands; and (2) development of more ancillary business modules and public-friendly services centered around "Home" such as mobile phone top-up and household cleaning, as well as the future launch of additional services such as utility bill payment, traffic contraventions check, sales of air tickets and train tickets to achieve the aim of "fulfill all your needs with GOME House Manager app only". During the Reporting Period, the service network of GOME House Manager reached over 95% of first and second tier cities with over 5 million platform users.

Internal Sales Campaigns

During the Reporting Period, the Group continued to launch "Super Welfare Day" activities and organized three large-scale events namely "Black Friday", "8 April" and "16 June". For the "8 April" campaign, consumers can pay at the cashier or via orders made at "GOME Plus" user-end to complete the whole process of shopping and payment without waiting in queues. For "16 June" campaign, the Group has launched the "ultimate commitment" service which comprises of four service pledges including price guarantee, delay compensation, triple refund and unconditional merchandise return to strengthen consumers' confidence.

(4) Accelerating the Development of GOME-on-line

During the Reporting Period, the Group made a new breakthrough in the deployment of the home decoration business and the automobile industry chain on GOME-on-line.

Home decoration business: During the first half of 2017, GOME-on-line started to cooperate with "ikongjian", a renowned Internet home decoration company, to set up a home decoration flagship store on GOME-on-line. By providing interior decoration with sample designs plus professional service, stronger linkage and deeper loyalty are formed through creating customers' values. This cooperation is beneficial to GOME-on-line by enlarging the customer base and the expanding into new markets.

Deployment plan of the automobile industry chain: The automobile industry chain will cover overall industry chain services including vehicle sales, auto finance, second-hand vehicle, vehicle insurance, travel service, auto accessories and repair and maintenance, to provide customers a chain sale service system nationwide with "same brand, same service standard and same service pledge". Out of the planned services, vehicle sales have been launched on GOME-on-line this May. The deployment plan of the automobile market has diversified the retail product category of the Group, enhanced GOME's transformation to become an integrated home solution provider.

(5) The Development of Cross-Border E-commerce

During the first half of 2017, GOME International Trading recorded significant growth in business volume. Sales of cross-border maternal and child products increased by over 100% while sales of cross-border household products increased by approximately 300% due to the price advantage of famous brands like Dyson. The imports and sales of high-end products in the stores such as the German Oral B electric toothbrush and Rimowa suitcase also became a new factor contributing to the increased sales. In addition, the number of products on sale through the platform increased by 200% in the first half with the placing of many best-selling products that attracted more attentions.

The Group will launch a global online supermarket project in the second half of 2017. There will be domestic and international premium products for sale. The Group will leverage on its overseas sourcing advantage by directly importing a greater number of best-selling premium products and offering more benefits to consumers.

The Development of Supply Chain Platform

(1) Optimizing Logistics Services

During the Reporting Period, the Group's logistics services platform had made remarkable results in facilitating service improvement, delivery time improvement and efficiency improvement.

Service improvement: Offering consumers a carefree shopping experience with one-stop service of delivery, installation, tuning and testing for televisions. Currently, the "one-stop service of delivery and installation" has covered over 400 cities across the country. We will expand this service to other product categories subsequently in order to develop the Group's logistics services platform as a pioneer in the industry.

Delivery time improvement: Same day delivery services have been promoted in over 200 cities nationally. Services such as "delivery within 4 hours right after placing of orders" and "delivery within 2-hour designated time intervals" have been implemented for achieving a more prompt and accurate delivery time, leading the standard of the industry.

Efficiency improvement: Barcode management has been fully implemented in the warehouses to enhance in-and-out efficiency. With respect to delivery, the provision of online e-map and the introduction of mobile app providing functions such as scanning, photo-shooting, payment, order confirmation, product rating and order record checking, etc., have enhanced the efficiency of delivery and further improved user's experiences.

(2) Improving Quality of After-sales Services

During the Reporting Period, the Group's after-sales services company has put more focus on the installation and maintenance of air-conditioner by boosting its offering of top brand products and expanding service coverage area. In addition, the Group's after-sales services company continued facilitating air-conditioner cleaning and maintenance services for community customers, reaching over 7,000 communities in the first half of 2017.

(3) Strengthening Information System

During the Reporting Period, the technology research and development capabilities of the Group's information center grew rapidly. The center has actively carried out the research and development of self-owned intellectual property while supporting and maintaining the daily business operation. Moreover, the Group has set up a professional team to explore advanced technologies such as big data, artificial intelligence and VR (Virtual Reality)/AR (Augmented Reality), in order to support the construction of GOME new retail ecosystem which integrates the Internet, IoT and Internet of Service ("IoS") with the supply chain as its core competitive strength.

Project Dandelion, the Group's online-offline integration project, has relied on the physical stores as its bases, "GOME Plus" as internet social e-commerce platform and "GOMEPAY" as payment center for the integration of online and offline platforms and systems such as storage, procurement, logistics, pricing and promotion and realized the sharing and unifying of information including products, member, after-sales, services, procurement, storage and logistics, etc. This project has facilitated seamless connection of online and offline businesses and systems.

(4) Enhancing the Supply Chain Platform

During the Reporting Period, the Group promoted best-selling products, differentiated products and ancillary products as its focus to keep and enhance the competitive edge of its product mix. Through continuous promotion of differentiated products, the overall gross profit margin has been stabilized and increased. Through integrating related products as a package (such as a full set of kitchenware), the sales of packaged products has been increased as well as the price per customer transaction, thereby safeguarding a stable profit return for the Group.

Corporate Governance

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

Corporate Culture

To promote greater understanding of corporate culture at its branches, the Group's training center organized the "Portrait for GOME Employees" learning activity. By referencing to the specific working plans and team profiles, all branches were asked to describe the internal quality and external conduct of employees of GOME. Such descriptions are used as the standards and requirements of the "Trust" culture in terms of "integrity", "behaviors", "knowledge" and "ability", so that all employees are fully aware of the corporate culture and value.

Moreover, the Group firmly believes that "Trust" is not only a quality but an ability, and that innovation has become more critical than ever in this ever-changing era. In view of this, the Group's training center launched a diverse range of "GOME Orator" events throughout its branches with the main theme of "Trust and Innovation" to encourage employees to be more proactive in establishing new scenarios and connecting with customers. As they are encouraged to imagine the future of GOME, employees are more willing to share their thoughts and embrace innovative ideas.

Talent and Expertise

During the Reporting Period, the Group adopted the new retail "6 Firsts+1" strategy as the subject of staff training. Under the strategic guidance, the training center implemented the training program for key positions. The Group's branch general managers benefitted extensively from the Executive Development Programs (EDP) that were conducted in cooperation with the School of Business at Renmin University of China, which covered economic policy interpretation, market trend analysis, strategy implementation, peer-benchmark study, organizational efficiency enhancement and corporate culture building. Managers of large stores also received specific training to improve their operational skills in new scenarios and operational capabilities. Over 100 elite store managers attended the training and will lead the upgrade of overall operating capacities in all stores across the country. Thereby ensuring timely and full support, understanding and implementation of the strategy among employees.

As at 30 June 2017, the Group had a total of 39,771 employees.

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 sales revenue was approximately RMB38,073 million, up 7.82% from RMB35,312 million for the corresponding period in 2016. The weighted average sales area of the Group's stores was approximately 5,235,000 sq.m. Revenue per sq.m. was approximately RMB7,273, increased by 12.41% as compared with RMB6,470 for the corresponding period in 2016. During the Reporting Period, sales revenue from the 1,000 comparable stores was approximately RMB22,918 million, up 2.34% as compared with RMB22,393 million for the corresponding period in 2016.

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

	First half of 2017	First half of 2016
As a percentage of sales revenue:		
AV	**18.13%**	18.69%
Air-conditioner	**18.57%**	17.29%
Refrigerator and washing machine	**19.42%**	19.64%
Telecommunication	**19.30%**	18.40%
Small white appliances	**14.12%**	14.19%
IT	**7.45%**	8.52%
Digital and others	**3.01%**	3.27%
Total	**100%**	100%

Cost of sales and gross profit

Cost of sales for the Group was approximately RMB32,389 million during the Reporting Period, accounting for approximately 85.07% of the total sales revenue, as compared with 86.49% for the corresponding period in 2016. The Group's gross profit was approximately RMB5,684 million, up 19.14% as compared with RMB4,771 million for the corresponding period last year. Gross profit margin was approximately 14.93%, increased by 1.42 percentage points as compared with 13.51% for the corresponding period last year.

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

	First half of 2017	First half of 2016
AV	**15.69%**	14.01%
Air-conditioner	**16.20%**	15.30%
Refrigerator and washing machine	**16.82%**	14.81%
Telecommunication	**11.10%**	10.56%
Small white appliances	**19.24%**	17.19%
IT	**8.73%**	7.56%
Digital and others	**9.97%**	9.49%
Total	**14.93%**	13.51%

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB1,104 million, representing an increase of 9.42% as compared with RMB1,009 million for the corresponding period in 2016.

Summary of other income and gains:

	First half of 2017	First half of 2016
As a percentage of sales revenue:		
Income from suppliers, net	**0.61%**	0.53%
Management fee from Artway Group	**–**	0.09%
Income from air-conditioner installation	**0.21%**	0.24%
Gross rental income	**0.34%**	0.47%
Government grants	**0.20%**	0.12%
Other service fee income	**0.53%**	0.55%
Other income from telecommunication service providers	**0.16%**	0.23%
Others	**0.85%**	0.63%
Total	**2.90%**	2.86%

Consolidated gross profit margin

The continuing improvement in the sales of the differentiated products and the sales of packaged household products resulting in high-margin product mix have contributed to the increase in the consolidated gross profit margin. The Group's consolidated gross profit margin was approximately 17.83%, increased by 1.46 percentage points as compared with 16.37% for the corresponding period in 2016.

Operating expenses

During the Reporting Period, the Group's total operating expenses (comprised of selling and distribution expenses, administrative expenses and other expenses) were approximately RMB6,529 million, accounting for 17.15% of total sales revenue, up slightly by 0.86 percentage point as compared with 16.29% for the corresponding period in 2016.

Summary of operating expenses:

	First half of 2017	First half of 2016
As a percentage of sales revenue:		
Selling and distribution expenses	**12.60%**	12.73%
Administrative expenses	**2.95%**	2.44%
Other expenses	**1.60%**	1.12%
Total	**17.15%**	16.29%

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB4,797 million. The percentage over sales revenue was 12.60%, decreased by 0.13 percentage point as compared with 12.73% for the corresponding period in 2016. The rental expenses as a percentage of sales revenue increased by 0.18 percentage point from 5.41% in the corresponding period last year to 5.59% and the staff costs decreased by 0.1 percentage point from 3.29% in the corresponding period last year to 3.19%. The Group's selling and distribution expenses ratio remained at a relatively stable level.

Summary of selling and distribution expenses:

	First half of 2017	First half of 2016
As a percentage of sales revenue:		
Rental	**5.59%**	5.41%
Salaries	**3.19%**	3.29%
Utility charges	**0.76%**	0.76%
Advertising expenses	**1.08%**	1.19%
Delivery expenses	**0.81%**	0.72%
Others	**1.17%**	1.36%
Total	**12.60%**	12.73%

Administrative expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,123 million. The proportion over sales revenue was 2.95%, up 0.51 percentage point as compared with 2.44% for the corresponding period in 2016, mainly due to the Group increased expenses on research and development to enhance the management function of the information system during the period. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses 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 and foreign exchange loss, which increased from RMB397 million for the corresponding period in 2016 to approximately RMB609 million. The increase was mainly attributed by the foreign exchange loss incurred by the interest-bearing bank loans denominated in Euro, as Euro has appreciated against Renminbi during the Reporting Period. The other expenses over revenue ratio was approximately 1.60%, up 0.48 percentage point as compared with 1.12% for the corresponding period in 2016.

Profit before finance (costs)/income and tax

As the results of the increase in consolidated gross profit margin and the operating expenses ratio maintaining at a reasonable level during the Reporting Period, the Group's profit before finance (costs)/income and tax increased substantially by 814.29% from RMB28 million for the corresponding period in 2016 to RMB256 million, the profit margin was 0.67% as compared to 0.08% for the corresponding period last year.

Net finance (costs)/income

During the Reporting Period, the Group's net finance costs were approximately RMB182 million, as compared with net finance income of RMB37 million in the first half of 2016, mainly due to the increase in the finance costs. During the Reporting Period, the Group issued overseas bonds with an aggregate principal amount of US$500 million at 5.0% coupon rate and recorded full amount of interest expenses for the period from January to June 2017 in relation to the corporate bonds with aggregate nominal value of RMB9,000 million issued in 2016. As a result, the finance costs increased from RMB105 million in the corresponding period last year to approximately RMB323 million.

Profit before tax

During the Reporting Period, the Group's profit before tax was approximately RMB74 million, an increase of 15.63% as compared with RMB64 million for the corresponding period in 2016. Profit margin before tax was 0.19%, as compared with 0.18% for the corresponding period in 2016.

Income tax expense

During the Reporting Period, the Group's income tax expense increased from RMB105 million for the corresponding period in 2016 to approximately RMB180 million. The management of the Company considers that the effective tax rate applied to the Group for the Reporting Period was reasonable.

Profit for the period and earnings per share attributable to owners of the parent

During the Reporting Period, the Group's profit attributable to owners of the parent slightly decreased by 1.61% from RMB124 million for the corresponding period last year to approximately RMB122 million.

During the Reporting Period, the Group's basic earnings per share was RMB0.6 fen, as compared with RMB0.6 fen for the corresponding period of last year.

Cash and cash equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB14,476 million, representing an increase of 9.36% as compared with RMB13,237 million as at the end of 2016. The increase in cash and cash equivalents was mainly due to, among others, the issue of the overseas bonds with aggregate principal amount of US$500 million and bond premium of US$625,000 (equivalent to approximately RMB3,464 million) by the Group during the Reporting Period.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB12,253 million, up 5.57% as compared with RMB11,606 million as at the end of 2016. Inventory turnover days were approximately 67 days during the Reporting Period, relatively stable as compared with 64 days in the first half of 2016.

Prepayments, deposits and other receivables

As at the end of the Reporting Period, prepayments, deposits and other receivables of the Group amounted to approximately RMB4,870 million, up 2.94% 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 RMB24,237 million, up 1.42% from RMB23,898 million as at the end of 2016. Turnover days of trade and bills payables were approximately 135 days during the reporting period, increased by 6 days as compared with 129 days for the corresponding period in 2016.

Capital expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB565 million, representing a 25.56% increase as compared with RMB450 million for the first half in 2016. The capital expenditure during the period was mainly used for opening of new stores, remodelling of stores and purchase of investment property by the Group.

Cash flows

During the Reporting Period, the Group's net cash flows used in operating activities amounted to approximately RMB900 million, as compared with net cash inflows of RMB2,126 million for the corresponding period last year. The increase in cash outflows was mainly due to the increase in inventories, increase in lease prepayments and deposits and decrease in amounts due to related companies as at the end of the Reporting Period.

Mainly due to the inclusion of net proceeds paid for 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 cash flows used in investing activities amounted to approximately RMB715 million, as compared with net cash inflows of RMB182 million in the first half of 2016.

As the result of the overseas bonds issued during the Reporting Period, net cash flows from financing activities amounted to approximately RMB2,796 million, as compared with RMB1,569 million in the first half of 2016.

Interim dividend and dividend policy

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

Currently, the Board anticipates that the dividend payout ratio will be maintained at approximately 40% of the Group's distributable profit for the relevant financial year. However, the actual payout ratio in a financial year will be determined at the Board's full discretion, after taking into account, among other considerations, the working capital requirement of the Group, business environment, availability of investment and acquisition opportunities.

Contingent liabilities and capital commitments

As at the end of the Reporting Period, the Group had no material contingent liabilities. The Group had capital commitments of approximately RMB306 million.

Foreign currencies and treasury policy

All the Group's income and a majority of its expenses were denominated in Renminbi. The Group has adopted effective measures to reduce its foreign exchange risks. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group.

The management of the Group estimates that less than 10% of the Group's current purchases are imported products, which are mainly sourced indirectly from distributors in the PRC, 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 and bonds.

As at 30 June 2017, the total borrowings of the Group were the interest-bearing bank loans, the corporate bonds and the overseas bonds.

The interest-bearing bank loans comprised (1) bank loans of US$153 million (equivalent to approximately RMB1,033 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; (3) a bank loan of EUR259 million (equivalent to approximately RMB2,003 million) bearing interest at floating rate; (4) and a bank loan of EUR41 million (equivalent to approximately RMB316 million) bearing interest at floating rate. The above interest-bearing bank loans were repayable with 1 year; (5) A bank loan of RMB9 million bearing interest at floating rate; and (6) a bank loan of EUR54 million (equivalent to approximately RMB421 million) bearing interest at floating rate. The above interest-bearing bank loans were repayable within 5 years.

The corporate bonds comprised (1) corporate bonds 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 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 issued during the Reporting Period with an aggregate principal amount of US$500 million with 5% coupon rate due 2020.

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

As at 30 June 2017, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounted to approximately RMB16,001 million over total equity amounted to approximately RMB18,835 million, increased from 51.68% as at 31 December 2016 to 84.95%.

Charge on group assets

As at 30 June 2017, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounted to approximately RMB7,449 million, certain inventories with a carrying value of approximately RMB520 million, certain owner-occupied properties and investment properties with a carrying value of approximately RMB1,910 million and certain land use rights amounted to approximately RMB1,075 million. The Group's bills payable and interest-bearing bank loans amounted to approximately RMB18,961 million in total.

Outlook and Prospects

Optimizing GOME New Retail Ecosystem on the Back of Technology

The Group will continue to enhance its New Retail Ecosystem by integrating the online and offline resources and leveraging its strong supply chain system, IoT technology, Internet technology and Big Data. The Group will capitalize on its "GOME Plus" mobile application to strengthen the integration of online and offline operations, as well as connecting its business units, customers, front end and back end and upstream and downstream of the industry chain. GOME's ecosystem will use different scenarios to provide product differentiations and ultimate experiences, in order to form a strong linkage with its customers.

Cross-industry Integration to Build a New Household Scenario

The Group will continue to strengthen the construction of its new scenarios to push same-store sales growth. In June this year, the Group announced the investment in "iKongjian", a well-known online home decoration company in China, to build different household scenarios in its stores successively and provide integrated "Home Decoration + Household + Home Appliance" services. With the grand opening of iKongjian-GOME's flagship store, customers will be provided with fresh experiences by the unique designs of the sample apartments. GOME's cross-industry collaboration with iKongjian proves the Group's new attempt to integrate industry value chain vertically and explore customer relationship circle horizontally. Moreover, it shows that the Group is gradually transforming itself into an integrated home solution provider.

Identifying Customer Needs and Optimizing the Product Structure Based on the Supply Chain

In the new age of the Internet, whoever understands the user needs will be able to seize the opportunities. Through its Big Data analysis, the Group is able to identify user needs and stay on top of the market trend, so as to introduce differentiated products to form a high margin product structure. For example, the Group has expanded the household product mix, introduced trendy hot items and added diversified brands to products of a single kind. The strategies have been proven effective and the Group will continue to enhance such strategies.

Improve Logistics Platform to Expedite Market Penetration and to Enhance After-sales Services

The Group will mainly tap into markets of low-tier cities to expand its market share as the home appliance market has continued to boom in the third and fourth tier cities of China. The Group continues to complete and improve its self-owned logistics system to expedite the penetration into both online and offline markets and to enhance the after-sales service. The Group will widely spread the "delivery + installation" services to each business unit and shorten the delivery time and service responsive time in a significant way, implying the pursuit of "the transaction is not the end but the beginning of the after-sales service". As an important part of the Group's new retail deployment, the optimizing of "GOME House Manager" will form a standardized platform for after-sales services, raising the threshold for competing in the home appliance service sector.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of
GOME Retail Holdings Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 24 to 63 which comprises the condensed consolidated statement of financial position of GOME Retail Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
28 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
REVENUE	6	**38,072,640**	35,312,090
Cost of sales	7	**(32,388,584)**	(30,541,347)
Gross profit		**5,684,056**	4,770,743
Other income and gains	6	**1,103,757**	1,008,849
Selling and distribution expenses		**(4,797,479)**	(4,494,636)
Administrative expenses		**(1,122,699)**	(860,701)
Other expenses		**(609,115)**	(396,690)
Share of losses of associates		**(2,819)**	–
Profit before finance (costs)/income and tax		**255,701**	27,565
Finance costs	8	**(322,692)**	(105,498)
Finance income	8	**140,535**	142,180
PROFIT BEFORE TAX	7	**73,544**	64,247
Income tax expense	9	**(179,826)**	(104,905)
LOSS FOR THE PERIOD		**(106,282)**	(40,658)
Attributable to:			
Owners of the parent		**121,851**	123,859
Non-controlling interests		**(228,133)**	(164,517)
		(106,282)	(40,658)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
– Basic and diluted		**RMB0.6 fen**	RMB0.6 fen

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2017

	Note	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
LOSS FOR THE PERIOD		**(106,282)**	(40,658)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*12*	**(165,362)**	(94,771)
Exchange differences on translation of foreign operations		**317**	7,063
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(165,045)**	(87,708)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(165,045)**	(87,708)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(271,327)**	(128,366)
Attributable to:			
Owners of the parent		**(43,194)**	36,151
Non-controlling interests		**(228,133)**	(164,517)
		(271,327)	(128,366)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*11*	**6,785,502**	6,644,941
Investment properties		**885,969**	605,030
Goodwill		**14,324,966**	14,324,966
Other intangible assets		**409,408**	432,403
Investments in associates		**15,841**	17,000
Investment in a joint venture		**2,639**	–
Other investments	*12*	**831,654**	1,007,046
Lease prepayments and deposits		**2,190,301**	1,521,948
Entrusted loans		**500,000**	500,000
Deferred tax assets		**52,457**	56,251
Total non-current assets		**25,998,737**	25,109,585
CURRENT ASSETS			
Inventories	*13*	**12,253,499**	11,605,958
Trade and bills receivables	*14*	**310,375**	162,908
Prepayments, deposits and other receivables	*15*	**4,869,573**	4,731,201
Due from related companies	*16*	**62,060**	239,392
Equity investments at fair value through profit or loss	*17*	**566,171**	1,333,529
Pledged deposits	*18*	**7,448,745**	5,382,804
Cash and cash equivalents	*18*	**14,476,271**	13,236,752
Total current assets		**39,986,694**	36,692,544
CURRENT LIABILITIES			
Trade and bills payables	*19*	**24,237,168**	23,898,406
Current portion of finance lease payable	*22*	**51,061**	–
Customers' deposits, other payables and accruals		**3,853,384**	3,932,511
Interest-bearing bank loans	*20*	**3,354,457**	520,164
Due to related companies	*16*	**1,522,224**	661,427
Tax payable		**995,864**	1,051,761
Total current liabilities		**34,014,158**	30,064,269

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NET CURRENT ASSETS		**5,972,536**	6,628,275
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,971,273**	31,737,860
NON-CURRENT LIABILITIES			
Bonds payable	*21*	**12,216,410**	8,849,485
Finance lease payable	*22*	**38,606**	–
Interest-bearing bank loans	*20*	**429,983**	1,470,050
Deferred tax liabilities		**451,032**	443,098
Total non-current liabilities		**13,136,031**	10,762,633
Net assets		**18,835,242**	20,975,227
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*23*	**520,447**	527,309
Reserves		**20,272,072**	21,958,850
		20,792,519	22,486,159
Non-controlling interests		**(1,957,277)**	(1,510,932)
Total equity		**18,835,242**	20,975,227

Zhang Da Zhong
Director

Zou Xiao Chun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2017

		Attributable to owners of the parent														
	Notes	Issued capital RMB'000 Note 23	Treasury shares RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Warrant reserve RMB'000	Asset revaluation reserve# RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		527,309	(257,495)	14,183,499	657	(618,172)	163,720	117,731	117,468	356,704	1,674,765	(148,615)	6,368,588	22,486,159	(1,510,932)	20,975,227
Loss for the period		-	-	-	-	-	-	-	-	-	-	-	121,851	121,851	(228,133)	(106,282)
Other comprehensive loss for the period:																
Changes in fair value of other investments	12	-	-	-	-	-	-	-	-	(165,362)	-	-	-	(165,362)	-	(165,362)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	-	-	317	-	317	-	317
Total comprehensive loss for the period		-	-	-	-	-	-	-	-	(165,362)	-	317	121,851	(43,194)	(228,133)	(271,327)
Acquisition of subsidiaries	5	-	-	-	-	(1,227,318)	-	-	-	-	-	-	-	(1,227,318)	(218,212)	(1,445,530)
2016 final dividend paid		-	-	-	-	-	-	-	-	-	-	-	(132,194)	(132,194)	-	(132,194)
Wind-up of subsidiaries		-	-	-	-	-	-	-	-	-	(57)	-	57	-	-	-
Shares repurchased for cancellation	23	(6,862)	-	(284,072)	-	-	-	-	-	-	-	-	-	(290,934)	-	(290,934)
At 30 June 2017 (unaudited)		520,447	(257,495)*	13,899,427*	657*	(1,845,490)*	163,720*	117,731*	117,468*	191,342*	1,674,708*	(148,298)*	6,358,302*	20,792,519	(1,957,277)	18,835,242

* As at 30 June 2017, these reserve accounts comprised the consolidated reserves of RMB20,272,072,000 (31 December 2016: RMB21,958,850,000) in the interim condensed consolidated statement of financial position.

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

		Attributable to owners of the parent												
	Note	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Asset revaluation reserve# RMB'000	Other investment revaluation reserve RMB'000	Statutory reserves RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		423,268	9,548,118	657	(618,172)	163,383	117,468	336,382	1,632,156	(147,580)	6,370,269	17,825,949	(1,137,587)	16,688,362
Loss for the period		-	-	-	-	-	-	-	-	-	123,859	123,859	(164,517)	(40,658)
Other comprehensive loss for the period:														
Changes in fair value of other investments	12	-	-	-	-	-	-	(94,771)	-	-	-	(94,771)	-	(94,771)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	7,063	-	7,063	-	7,063
Total comprehensive loss for the period		-	-	-	-	-	-	(94,771)	-	7,063	123,859	36,151	(164,517)	(128,366)
Establishment of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	3,500	3,500
Issue of shares		114,572	5,018,248	-	-	-	-	-	-	-	-	5,132,820	-	5,132,820
Shares repurchased		(6,278)	(222,012)	-	-	-	-	-	-	-	-	(228,290)	-	(228,290)
At 30 June 2016 (unaudited)		531,562	14,344,354*	657*	(618,172)*	163,383*	117,468*	241,611*	1,632,156*	(140,517)*	6,494,128*	22,766,630	(1,298,604)	21,468,026

* As at 30 June 2016, these reserve accounts comprised the consolidated reserves of RMB22,235,068,000 (31 December 2015: RMB17,402,681,000) in the interim condensed consolidated statement of financial position.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June **2017** (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**73,544**	64,247
Adjustments for:			
Finance income	8	**(140,535)**	(142,180)
Finance costs	8	**322,692**	105,498
Share of losses of associates		**2,819**	–
Dividends income from listed investments	6	**(2,933)**	–
Gain on disposal of other investments	6	**(3,788)**	–
Fair value gain on derivative financial instruments	6	**–**	(109,121)
(Gain)/loss on equity investments at fair value through profit or loss	7	**(130,730)**	122,362
Loss on disposal of property and equipment	7	**3,216**	2,218
Impairment provision for property and equipment	7	**3,526**	2,342
Depreciation	7	**377,422**	371,664
Amortisation of other intangible assets	7	**22,995**	16,937
Amortisation of prepaid land lease payments	7	**16,044**	6,377
		544,272	440,344
(Increase)/decrease in inventories		**(593,684)**	1,656,957
Increase in trade and bills receivables		**(147,365)**	(13,673)
(Increase)/decrease in lease prepayments and deposits		**(684,397)**	34,396
Decrease in prepayments, deposits and other receivables		**338,011**	294,148
Decrease in amounts due from related companies		**591,344**	1,721,164
(Increase)/decrease in pledged deposits for bills payable	18	**(65,941)**	80,096
Increase/(decrease) in trade and bills payables		**338,595**	(410,356)
(Decrease)/increase in customers' deposits, other payables and accruals		**(228,777)**	80,966
Decrease in amounts due to related companies		**(908,825)**	(1,473,415)
Cash generated from operations		**(816,767)**	2,410,627
Interest received		**140,535**	144,560
Income tax paid		**(223,995)**	(429,500)
Net cash flows (used in)/from operating activities		**(900,227)**	2,125,687

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Net cash flows (used in)/from operating activities		**(900,227)**	2,125,687
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends income from listed investments		**2,933**	–
Purchases of property and equipment		**(284,144)**	(366,976)
Purchase of an investment property		**(280,939)**	–
Purchases of equity investments at fair value through profit or loss		**(268,047)**	(122,421)
Net cash used in acquisition of Meixin Group	5	**(875,545)**	–
Net proceeds from acquisition of Artway Group		**–**	696,008
Prepaid investment		**(216,000)**	–
Additions to other intangible assets		**–**	(46,043)
Prepaid land lease payments		**–**	(36,631)
Investment in a joint venture		**(2,639)**	–
Investment in an associate		**(1,660)**	–
Proceeds from disposal of other investments		**13,818**	–
Proceeds from disposal of equity investments at fair value through profit or loss		**1,162,336**	–
Proceeds from disposal of property and equipment		**34,959**	57,697
Net cash flows (used in)/from investing activities		**(714,928)**	181,634
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(290,934)**	(228,290)
Capital injection from a non-controlling shareholder		**–**	3,500
Proceeds from issuance of bonds	21	**3,423,045**	4,894,768
Proceeds from new bank loans		**1,893,065**	1,200,668
Increase in pledged deposits for bank loans	18	**(2,000,000)**	–
Proceeds from the loan due to GOME Ruidong	27	**540,814**	–
Deposits for bonds payable	15	**(169,348)**	–
Repayment of bank loans		**(225,971)**	(4,274,844)
Dividends paid		**(132,194)**	–
Payment for finance lease payable		**(14,420)**	–
Interest paid		**(227,904)**	(27,090)
Net cash flows from financing activities		**2,796,153**	1,568,712
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,180,998**	3,876,033
Cash and cash equivalents at 1 January		**13,236,752**	7,437,717
Effect of foreign exchange rate changes, net		**58,521**	12,351
CASH AND CASH EQUIVALENTS AT 30 JUNE	18	**14,476,271**	11,326,101
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**9,451,914**	10,667,955
Non-pledged time deposits with original maturity of less than three months when acquired		**5,024,357**	658,146
		14,476,271	11,326,101

1. CORPORATE INFORMATION

GOME Retail Holdings Limited (the "Company" and 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 Company and its subsidiaries (the "Group") are the operations and management of networks of electrical appliances, consumer electronic products retail stores and electronic products on-line sales in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The unaudited interim financial information for the six-month period ended 30 June 2017 (the "Interim Financial Information") has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2016.

3. CHANGES IN THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2016, except for the adoption of new amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied the following new amendments for the first time in 2017. However, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of the amendments are described below:

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to IAS 12 Income Taxes: *Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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

Annual Improvements Cycle: 2014-2016
Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, 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 (or included in a disposal group that is classified) as held for sale.

These amendments do not have any impact on the Group as there has been no such entity's interest that is classified as held for sale during the period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of networks of electrical appliances, consumer electronic products retail stores and electronic products on-line sales in the PRC. The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment.

Management monitors the results of the Group's operating segment for the purpose of making decisions about 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 or loss on equity investments at fair value through profit or loss, dividends income from listed investments, fair value gain on derivative financial instruments, share of losses of associates, and corporate and other unallocated expenses are excluded from such 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, and other unallocated assets, as these assets are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

	For the six-month period ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenue		
Sales to external customers	**38,072,640**	35,312,090
Segment results	**352,937**	90,575
Reconciliation		
Bank interest income	**140,535**	142,180
Unallocated income	**2,243**	381
Finance costs	**(322,692)**	(105,498)
Gain/(loss) on equity investments at fair value through profit or loss	**130,730**	(122,362)
Dividends income from listed investments	**2,933**	–
Fair value gain on derivative financial instruments	**–**	109,121
Share of losses of associates	**(2,819)**	–
Corporate and other unallocated expenses	**(230,323)**	(50,150)
Profit before tax	**73,544**	64,247

	30 June	31 December
	2017	2016
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Segment assets	**42,591,653**	40,785,747
Reconciliation		
Corporate and other unallocated assets	**23,393,778**	21,016,382
Total assets	**65,985,431**	61,802,129
Segment liabilities	**29,702,443**	28,492,344
Reconciliation		
Corporate and other unallocated liabilities	**17,447,746**	12,334,558
Total liabilities	**47,150,189**	40,826,902

4. OPERATING SEGMENT INFORMATION *(continued)*

	For the six-month period ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other segment information		
Depreciation and amortisation	**416,461**	394,978
Capital expenditure*	**565,083**	449,650

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

5. BUSINESS COMBINATION

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) and its subsidiaries (the "Meixin Group"), an unlisted group principally engaged in the 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 who is also the controlling shareholder of the Group. Therefore, the Group accounted for this transaction 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.

5. BUSINESS COMBINATION *(continued)*

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 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 interim condensed consolidated statement of profit or loss.

Management of the Company considered not to restate the financial statements for the periods prior to date of the business combination under common control. Since 31 March 2017, Meixin Group contributed revenue of RMB22 million and a loss of RMB19 million for the period ended 30 June 2017.

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	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**38,072,640**	35,312,090
Other income			
Income from suppliers, net		**233,460**	186,627
Management fee from Artway Group	*(i)*	**–**	31,656
Income from air-conditioner installation		**80,329**	84,549
Gross rental income		**130,537**	165,289
Government grants	*(ii)*	**77,674**	40,727
Other service fee income		**203,083**	193,820
Other income from telecommunication service providers		**59,909**	79,501
Commission income from services provided on online platform		**44,467**	54,418
Income from disposal of other investments	*12*	**3,788**	–
Others		**136,847**	63,141
		970,094	899,728
Gains			
Fair value gain on derivative financial instruments		**–**	109,121
Gain on equity investments at fair value through profit or loss		**130,730**	–
Dividends income from listed investments		**2,933**	–
		133,663	109,121
		1,103,757	1,008,849

Notes:

(i) 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 in recognition of the Group's contributions to the local economy. There was no unfulfilled condition or contingency attaching to these government grants.

7. PROFIT BEFORE TAX

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

	Note	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Cost of inventories sold		**32,388,584**	30,541,347
Depreciation		**377,422**	371,664
Amortisation of other intangible assets*		**22,995**	16,937
Amortisation of prepaid land lease payments		**16,044**	6,377
Loss on disposal of property and equipment		**3,216**	2,218
(Gain)/loss on equity investments at fair value through profit or loss	6	**(130,730)**	122,362
Fair value gain on derivative financial instruments	6	**–**	(109,121)
Minimum lease payments under operating leases in respect of land and buildings		**2,285,836**	2,033,981
Gross rental income	6	**(130,537)**	(165,289)
Foreign exchange differences, net		**186,141**	3,354
Impairment provision for property and equipment		**3,526**	2,342
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**1,337,142**	1,210,728
Pension scheme contributions**		**323,172**	284,958
Social welfare and other costs		**48,670**	31,557
		1,708,984	1,527,243

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

** At 30 June 2017, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2016: Nil).

8. FINANCE (COSTS)/INCOME

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

	Notes	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Finance costs:			
Interest expense on bank loans		**(19,404)**	(25,186)
Interest expense on bonds payable		**(276,618)**	(80,312)
Interest expense on a borrowing from a related party	*16, 27(a)(v)*	**(24,950)**	–
Interest expense on finance lease payable	*22*	**(1,720)**	–
		(322,692)	(105,498)
Finance income:			
Bank interest income		**140,535**	142,180

9. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current income tax – PRC	**168,098**	190,132
Deferred income tax	**11,728**	(85,227)
Total tax charge for the period	**179,826**	104,905

9. INCOME TAX EXPENSE *(continued)*

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on enacted tax rates.

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

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (six-month period ended 30 June 2016: 25%) on their respective taxable income. During the current period, 48 entities (six-month period ended 30 June 2016: 47 entities) of the Group obtained approvals from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates.

The Group realised tax benefits during the period through applying the preferential corporate income tax rates. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

No provision for Hong Kong profits tax has been made for the six-month periods ended 30 June 2017 and 2016, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 21,569,756,000 in issue during the period (six-month period ended 30 June 2016: 19,727,921,000).

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings 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 earnings per share amounts presented for the six-month periods ended 30 June 2017 and 2016 as the impact of the warrants and share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

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

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

	For the six-month period ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**121,851**	123,859

	Number of shares for the six-month period ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**21,569,756**	19,727,921

11. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2017, the Group acquired property and equipment at a total cost of RMB284.1 million (six-month period ended 30 June 2016: RMB367.0 million). In addition, the property and equipment acquired at carrying value from business combination (note 5) on 31 March 2017 was RMB275.5 million including an aircraft under finance lease with carrying amount of RMB232.4 million. Property and equipment with a net carrying amount of RMB38.2 million (six-month period ended 30 June 2016: RMB59.9 million) were disposed of during the six-month period ended 30 June 2017.

Certain of the buildings of the Group in the PRC were pledged as security for bills payable (note 19) and interest-bearing bank loans (note 20) of the Group as at 30 June 2017. The aggregate carrying value of the pledged buildings of the Group as at 30 June 2017 amounted to RMB1,428,402,000 (31 December 2016: RMB1,948,829,000).

12. OTHER INVESTMENTS

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Equity investments in Mainland China, at fair value			
Investment in Gome Telecom	*(i)*	**589,015**	685,385
Investment in MTC	*(ii)*	**231,738**	300,730
Equity investment, at cost	*(iii)*	**10,901**	20,931
		831,654	1,007,046

Notes:

(i) The balance as at 30 June 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 30 June 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 statement of profit or loss.

Of the seven directors of Gome Telecom, two were nominated by the Group as at 30 June 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 30 June 2017, the fair value of this investment was based on the quoted market price, which was RMB14.73 (31 December 2016: RMB17.14) per share.

During the six-month period ended 30 June 2017, the loss in respect of this investment recognised in other comprehensive income amounted to RMB96,370,000 (six-month period ended 30 June 2016: loss of RMB94,771,000).

During the six-month period ended 30 June 2017, Gome Telecom sold products to the Group amounted to RMB91,489,000 and leased properties to the Group with rental expense of RMB14,628,000 (six-month period ended 30 June 2016: Nil), respectively.

12. OTHER INVESTMENTS *(continued)*

Notes: (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 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 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 30 June 2017, the Group held 75,484,535 shares, which represented 1.67% of the issued shares of MTC.

As at 30 June 2017, the fair value of this investment was based on the quoted market price, which was RMB3.07 (31 December 2016: RMB9.96) per share.

During the six-month period ended 30 June 2017, the loss in respect of this investment recognised in other comprehensive income amounted to RMB68,992,000 (six-month period ended 30 June 2016: Nil).

(iii) During the period, the Group disposed of this equity investment with carrying amount of RMB10,030,000 and a gain of RMB3,788,000 was recognised in profit or loss. As at 30 June 2017, this unlisted equity investment with a carrying amount of RMB10,901,000 (31 December 2016: RMB20,931,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that their fair value cannot be measured reliably.

13. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Merchandise for resale	**11,858,123**	11,368,631
Consumables	**395,376**	237,327
	12,253,499	11,605,958

As at 30 June 2017, inventories amounted to RMB520 million (31 December 2016: RMB567 million) were pledged as security for the Group's bills payable (note 19).

14. TRADE AND BILLS RECEIVABLES

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. The credit term offered to customers is generally one month. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Management considers that there is no significant concentration of credit risk.

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date of the trade and bills receivables, is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**265,126**	126,513
3 to 6 months	**28,484**	28,284
6 months to 1 year	**16,765**	8,111
	310,375	162,908

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Prepayments	**1,114,704**	995,894
Advances to suppliers	**1,888,267**	2,478,959
Deposits for bonds payable*	**169,348**	–
Other deposits and receivables	**1,665,165**	1,224,259
Current portion of prepaid land lease payments	**32,089**	32,089
	4,869,573	4,731,201

* It represented the deposits of US$25,000,000 for the interest of outstanding overseas bonds (note 21) for two interest payment periods.

16. DUE FROM/DUE TO RELATED COMPANIES

DUE FROM RELATED COMPANIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Other receivables from related companies***	**62,060**	239,392

DUE TO RELATED COMPANIES

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Payables to the GOME Holding*	*27(a)(v)*	**1,196,578**	2
Payables to the GOME Xinda**		**137,418**	131,852
Payables to related companies***		**188,228**	529,573
		1,522,224	661,427

* 國美控股集團有限公司 ("GOME Holding Group Company Limited" or "GOME Holding") are owned by Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company. On 30 June 2017, amount of RMB998,014,000 beared annual interest at 5%.

** 國美信達保理有限公司 ("GOME Xinda Commercial Factoring Co., Ltd." or "GOME Xinda") is a subsidiary of 國美金融科技有限公司 ("Gome Finance Technology Co., Ltd.", 00628.HK), which is a company listed in The Stock Exchange of Hong Kong Limited and owned by Ms. Du Juan, who is the spouse of Mr. Wong.

The suppliers of the Group contracted with GOME Xinda for factoring business and transferred the right of receivables to GOME Xinda. The amount of RMB137 million due to a related party recorded on the consolidated statement of financial position arose from this arrangement. This balance was interest-free, unsecured and normally settled on terms of one to six months.

*** These balances were interest-free, unsecured and had no fixed terms of repayment.

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Listed equity investments, at market value	**566,171**	1,333,529

These equity investments were classified as financial assets designated upon initial recognition as at fair value through profit or loss by management and measured at market value. As at the date of approval of the Interim Financial Information, the market value of these equity investments was RMB556 million.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and bank balances	**9,451,914**	12,603,870
Time deposits	**12,473,102**	6,015,686
	21,925,016	18,619,556
Less: Pledged time deposits for bills payable	**(4,745,145)**	(4,679,204)
Pledged time deposits for interest-bearing bank loans	**(2,703,600)**	(703,600)
	(7,448,745)	(5,382,804)
Cash and cash equivalents	**14,476,271**	13,236,752

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB16,774,161,000 (31 December 2016: RMB17,669,381,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances of the Group earn interest at floating rates which vary from daily bank deposit rates. Short term deposits of the Group are made for varying periods of between one day to one year, and earn interest at the respective short term deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE AND BILLS PAYABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade payables	**9,060,941**	8,529,553
Bills payable	**15,176,227**	15,368,853
	24,237,168	23,898,406

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 3 months	**14,017,616**	15,185,137
3 to 6 months	**9,129,598**	7,569,643
Over 6 months	**1,089,954**	1,143,626
	24,237,168	23,898,406

The Group's bills payable above are secured by:

(i) the pledge of certain of the Group's time deposits (note 18);

(ii) the pledge of certain of the Group's inventories (note 13);

(iii) the pledge of certain of the Group's buildings (note 11); and

(iv) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB481,397,000 (31 December 2016: RMB481,397,000).

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

20. INTEREST-BEARING BANK LOANS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Current:		
Bank loans – secured	**3,354,457**	520,164
Non-current:		
Bank loans – secured	**429,983**	1,470,050
	3,784,440	1,990,214

The current bank loans as at 30 June 2017 comprised:

(i) bank loans of US$152,500,000 (equivalent to RMB1,032,998,000) bearing interest at 3-month LIBOR plus 0.75% to 0.9%, which were secured by the Group's buildings (note 11) and investment properties.

(ii) a bank loan of JPY50,000,000 (equivalent to RMB3,024,000) bearing fixed annual interest at 0.53%; and

(iii) a bank loan of EUR258,937,000 (equivalent to RMB2,002,522,000) bearing interest at 1 year EURIBOR plus 0.7% and a bank loan of EUR40,849,000 (equivalent to RMB315,913,000) bearing interest at 3-month EURIBOR plus 0.7%, which were the current loans secured by the pledged deposits (note 18).

The non-current bank loans as at 30 June 2017 comprised:

(i) a bank loan of RMB8,677,000 bearing interest at a 5-year benchmark interest rate of the People's Bank of China, which will be matured within 5 years. The unused bank facilities of RMB1,191,323,000, together with this loan were secured by the Group's land use rights amount to RMB1,075,365,000; and

(ii) a bank loan of EUR54,477,000 (equivalent to RMB421,306,000) bearing interest at 3-month EURIBOR plus 0.9%, which will be matured within 2 years, which was secured by the pledged deposits (note 18).

The carrying amounts of the bank loans approximate to their fair values.

21. 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 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 a par value 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 transaction cost of RMB60,000,000 was RMB3,940,000,000. The interest is 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 set of bonds form a single series which is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The net proceeds after deducting 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 RMB276,618,000, which was included in finance costs of the interim condensed consolidated statement of profit or loss.

21. BONDS PAYABLE *(continued)*

The movement of bonds payable during the period is as below:

	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 period	276,618
Interest paid during the period	(208,500)
Exchange differences	(72,727)
	12,460,079
Less: interest to be paid within one year	(243,669)
Included under non-current liabilities as at 30 June 2017	12,216,410

22. FINANCE LEASE PAYABLE

The Group has a commitment under a finance lease agreement in respect of an aircraft, which recognised as property and equipment. This lease has a term of 5 years expiring in 2019. The Group has made an assessment on the classification of the leased aircraft pursuant to IAS 17 and classified this lease arrangement as a finance lease. It met one or more of the criteria as set out in IAS 17 (i.e. the lease transfers ownership of the asset to the lessee by the end of the lease term; the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becoming exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset).

22. FINANCE LEASE PAYABLE *(continued)*

As at 30 June 2017, the total minimum future payments under the finance lease and its present value is as follows:

	30 June 2017	
	Minimum lease payments (Unaudited) RMB'000	Present value of the minimum lease payments (Unaudited) RMB'000
Amounts payable:		
Within one year	**55,871**	**51,061**
In the second year	**39,925**	**38,606**
Total minimum finance lease payments	**95,796**	**89,667**
Future finance charges	**(6,129)**	
Total net finance lease payables	**89,667**	
Portion classified as current liabilities	**(51,061)**	
Non-current portion	**38,606**	

23. ISSUED CAPITAL

Shares	**30 June 2017 (Unaudited) HK$'000**	31 December 2016 (Audited) HK$'000
Issued and fully paid:		
21,657,627,422 (31 December 2016: 21,967,465,422) ordinary shares of HK$0.025 each	**541,441**	549,187

23. ISSUED CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows:

Shares	Note	Number of shares '000	HK$'000	Equivalent to RMB'000
At 1 January 2017		**21,967,465**	**549,187**	**527,309**
Shares repurchased	*(i)*	**(309,838)**	**(7,746)**	**(6,862)**
At 30 June 2017		**21,657,627**	**541,441**	**520,447**

(i) The Company repurchased 309,838,000 of its shares on the Stock Exchange for a total consideration of RMB290,934,000. The purchased shares were cancelled during the period and this cancellation resulted in the decrease of the issued capital of RMB6,862,000 and share premium of RMB284,072,000.

24. SHARE OPTION SCHEME

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

	Six-month period ended 30 June 2017		Six-month period ended 30 June 2016	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.90**	**79,545**	1.90	91,077
Lapsed during the period	**1.90**	**(2,659)**	1.90	(6,253)
At 30 June (unaudited)	**1.90**	**76,886**	1.90	84,824

24. SHARE OPTION SCHEME *(continued)*

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

30 June 2017 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
76,886	**1.90**	**On or before 15 November 2017**

30 June 2016 Number of options '000	Exercise price* HK$ per share	Exercise period
84,824	1.90	On or before 15 November 2016

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

The Group recognised no share option expense during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: Nil). There were no share options exercised during the six-month period ended 30 June 2017.

At the end of the reporting period, the Company had 76,886,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 76,886,000 additional ordinary shares of the Company and additional share capital of HK$1,922,000 (equivalent to approximately RMB1,668,000) and share premium of HK$144,161,000 (equivalent to approximately RMB125,117,000) (before issuance costs).

As of the date of approval of the Interim Financial Information, the Company has 76,886,000 share options outstanding under the share option scheme, which represented approximately 0.36% of the Company's shares in issue as at that date.

25. DIVIDENDS

The 2016 final dividend was paid on 19 June 2017.

Pursuant to the board of directors' resolution dated 28 August 2017, the board does not recommend the payment of an interim dividend so as to preserve capital for funding needs of the Group.

26. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(a) Operating lease arrangements

As lessee

The Group leases certain of its properties under operating lease arrangements. These leases have an average life of 1 to 16 years and there are no restrictions placed upon the Group by entering into these lease agreements.

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**3,650,233**	3,880,930
In the second to fifth years, inclusive	**9,526,722**	10,325,263
After five years	**4,075,448**	4,144,895
	17,252,403	18,351,088

26. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS *(continued)*

(a) Operating lease arrangements *(continued)*

As lessor

The Group has leased its investment properties and entered into commercial property sub-leases on its leased properties under operating lease arrangements. These non-cancellable leases have remaining terms ranging from 1 to 13 years. The majority of the Group's leases include a clause to enable an upward revision of the rental charge on a regular basis according to prevailing market conditions. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at the end of the reporting period, the Group had the following future minimum rentals receivable under non-cancellable operating leases:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**253,228**	264,821
In the second to fifth years, inclusive	**525,200**	594,820
After five years	**132,757**	165,037
	911,185	1,024,678

(b) Commitments

In addition to the operating lease commitments above, the Group had the following capital commitments:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Property and equipment	**165,648**	137,147
Capital contributions payable to an investment	**140,000**	–
	305,648	137,147

27. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances which are disclosed elsewhere in the Interim Financial Information, the Group had the following significant transactions with related parties during the period.

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

		For the six-month period ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Sales to GEAR*	*(i)*	**–**	1,535,650
Purchases from GEAR*	*(i)*	**–**	426,128
Provision of management services to GEAR*	*(ii), 6*	**–**	31,656
Rental expenses and other expenses to GOME Property and Beijing GOME**	*(iii)*	**84,160**	68,431
Rental expenses and other expenses to Beijing Xinhengji**	*(iii)*	**13,798**	–
Logistics service fee to Anxun Logistics (defined in (iv) below)	*(iv)*	**291,815**	243,044
Construction expenses to GOME Property		**7,075**	8,595
Warehouse service and rental income from Anxun Logistics		**15,595**	–
Interest expenses to GOME Holding	*(v)*	**24,950**	–

* 國美電器零售有限公司 ("GOME Electrical Appliance Retail Co., Ltd." or "GEAR") is a wholly-owned subsidiary of Artway Group.

** 國美地產控股有限公司 ("GOME Property Co., Ltd." or "GOME Property") and 北京國美電器有限公司 ("Beijing GOME Electrical Appliance Co., Ltd." or "Beijing GOME") and their respective subsidiaries are owned by Mr. Wong. 北京新恒基房地產集團有限公司 ("Beijing Xinhengji Property Co., Ltd." or "Beijing Xinhengji") and its respective subsidiaries is owned by a close member of the family of Mr. Wong.

In 2007, Beijing Xinhengji assigned part ownership of the building to GOME Property and also authorised GOME Property to manage and operate the assigned building area, including receiving and collecting the rentals for this building area. Completion of registration of the ownership assignment with the relevant PRC authorities is still pending.

27. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

(i) The sales and purchase transactions and the joint purchase transactions entered into between the Group and GEAR in respect of the electrical appliances and consumer electronic products were conducted based on the actual purchase costs from the Group's third party suppliers. The related party transactions represented the transactions between both parties before 31 March 2016 as GEAR became a subsidiary of the Company. The related transactions have been eliminated within the Group since 1 April 2016.

The original master purchase and master supply agreements expired on 31 December 2015. The transitional agreements were entered into on 30 December 2015 as transitional arrangements for the Group to continue its existing operations pending approval by the independent Shareholders of the Company, among other things, the acquisition of Artway Group. The acquisition was then approved by the independent Shareholders of the Company on 22 January 2016. As the transitional agreements would expire on 29 February 2016, on 25 January 2016, the Group entered into: (1) the master merchandise purchase agreement for the supply of general merchandise (including electrical appliances and consumer electronic products) by 北京國美銳動電子商務有限公司 ("Beijing GOME Ruidong e-Commerce Co., Ltd." or "GOME Ruidong"), which is beneficially owned by Mr. Wong, and GEAR to the Company's subsidiaries (including 國美電器有限公司 ("GOME Appliance Company Limited" or "GOME Appliance") and 國美在線電子商務有限公司 ("GOME-on-line e-Commerce Co., Ltd" or "GOME-on-line")) for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the year ended 31 December 2016 and the two years ending 31 December 2017 and 2018 not exceeding RMB6 billion, RMB7 billion and RMB8 billion, respectively, and (2) the master merchandise supply agreement for the supply of general merchandise (including electrical appliances and consumer electronic products) by GOME Appliance to GOME Ruidong, GEAR and GOME-on-line for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the year ended 31 December 2016 and the two years ending 31 December 2017 and 2018 not exceeding RMB6 billion, RMB7 billion and RMB8 billion (including the transactions between GOME Appliance and GOME-on-line, which is defined as connected person under the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")), respectively. Sales and purchases represented the transactions between the Group and GEAR for the period from 1 January 2016 to 31 March 2016.

The transactions constitute continuing connected transactions under the Listing Rules.

(ii) The Group provides management services to GEAR in respect of the retailing of electrical appliances and consumer electronic products. The agreement was terminated after the acquisition of Artway Group.

The transactions constitute continuing connected transactions under the Listing Rules.

27. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

(iii) On 20 December 2016, the Group renewed the lease agreements with GOME Property with respect to the continuous use of certain properties for the period from 1 January 2017 to 31 December 2022. In the first quarter of 2017, the Group prepaid all of the rental fee amounted to RMB913,361,000. During the six-month period ended 30 June 2017, the rental expenses incurred by the Group payable to GOME Property amounted to RMB76,112,000 (six-month period ended 30 June 2016: RMB59,692,000).

GEAR entered into a lease agreement with GOME Property with respect to the use of certain properties for the period from 15 March 2015 to 14 March 2017. The lease agreement was terminated on 20 December 2016. During the six-month period ended 30 June 2017, no rental expenses incurred by GEAR payable to GOME Property (six-month period ended 30 June 2016: RMB855,000).

On 20 December 2016, the Group renewed the lease agreement with Beijing GOME with respect to continuous use of a property. During the six-month period ended 30 June 2017, the rental expenses incurred by the Group payable to Beijing GOME amounted to RMB8,048,000 (six-month period ended 30 June 2016: RMB7,884,000).

On 11 September 2016, GOME-on-line entered into a lease agreement with Beijing Xinhengji with respect to the use of certain properties. During the six-month period ended 30 June 2017, the rental expenses incurred by the Group payable to Beijing Xinhengji amounted to RMB5,432,000 (six-month period ended 30 June 2016: Nil).

Meixin Group have entered into several lease agreements with Beijing Xinhengji with respect to the use of certain properties. Since the acquisition on 31 March 2017, rental expenses incurred by the Group payable to Beijing Xinhengji amounted to RMB8,366,000.

The above rental expenses were recognised in the interim condensed consolidated statement of profit or loss.

The transactions constitute continuing connected transactions under the Listing Rules.

(iv) On 30 December 2015, the Group entered into logistics services agreement pursuant to which GOME Ruidong and 安迅物流有限公司 ("Anxun Logistics Co., Ltd." or "Anxun Logistics"), which are beneficially owned by Mr. Wong, will provide the logistics services to GOME Appliance and GOME-on-line for a period of three years from 1 January 2016 to 31 December 2018, subject to the annual caps of the transaction amounts (excluding value added tax) for the year ended 31 December 2016 and the two years ending 31 December 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively. During the six-month period ended 30 June 2017, the logistics service fee incurred by the Group payable to Anxun Logistics amounted to RMB291,815,000 (six-month period ended 30 June 2016: RMB243,044,000).

The transactions constitute continuing connected transactions under the Listing Rules.

27. RELATED PARTY TRANSACTIONS *(continued)*

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

(v) On 1 January 2017, GOME-on-line, a subsidiary of the Group, entered into a loan agreement (the "Loan Agreement") with GOME Holding. Pursuant to the Loan Agreement, GOME Holding agrees to provide financial support to GOME-on-line with a cap amounted to RMB1.5 billion and bears annual interest of 5%. During the six-month period ended 30 June 2017, GOME Ruidong, a subsidiary of GOME Holding, lent cash of RMB540,814,000 to GOME-on-line. Meanwhile, through three-party agreements among GOME-on-line, GOME Ruidong and GOME Holding, GOME Ruidong transferred its right of receivables due from GOME-on-line to GOME Holding. The accumulative amount of transferred receivables was RMB998,014,000 and deemed as loans due from GOME-on-line, which was within the cap of Loan Agreement. During the six-month period ended 30 June 2017, interest expense incurred by the Group payable to GOME Holding amounted to RMB24,950,000 was recognised in the interim condensed statement of profit or loss.

The transactions constitute continuing connected transactions under the Listing Rules but are exempted from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

(b) Commitments with related companies

On 20 December 2016, GOME Appliance entered into a lease agreement with Beijing GOME for the continuing use of a property commencing from 1 January 2017 to 31 December 2017. As at 30 June 2017, the Group had rental commitments with Beijing GOME amounted to RMB8,049,000 (31 December 2016: RMB16,097,000).

On 11 September 2016, GOME-on-line entered into a lease agreement with Beijing Xinhengji for the properties in Pengrun Building from 11 September 2016 to 10 November 2018. As at 30 June 2017, the Group had rental commitments with Beijing Xinhengji amounted to RMB14,818,000.

Meixin Group entered into several lease agreements with Beijing Xinhengji with respect to the use of certain properties before the business combination. As at 30 June 2017, the Group had rental commitments with Beijing Xinhengji amounted to RMB23,437,000.

27. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management of the Group:

	For the six-month period ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**1,202**	1,179
Other emoluments:		
Salaries, allowances and other expenses	**7,134**	6,371
Pension scheme contributions	**173**	166
	8,509	7,716

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**566,171**	1,333,529	**566,171**	1,333,529
Other investments	**820,753**	986,115	**820,753**	986,115
	1,386,924	2,319,644	**1,386,924**	2,319,644

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

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customers' deposits, other payables and accruals, amounts due from/to related companies and short-term interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair value of bonds payable and long-term interest-bearing bank loans is estimated by discounting the expected future cash flows using equivalent market interest rates. As the nominal interest rates approximate to the market interest rates, the fair value of bonds payable and long-term interest bearing bank loans approximate to their carrying amounts.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	**566,171**	**–**	**–**	**566,171**
Other investments:				
Equity investments	**820,753**	**–**	**–**	**820,753**
	1,386,924	**–**	**–**	**1,386,924**

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

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	1,333,529	–	–	1,333,529
Other investments:				
Equity investments	986,115	–	–	986,115
	2,319,644	–	–	2,319,644

During the six-month period ended 30 June 2017, there were no transfers into or out of Level 1 and Level 2, and no transfers into or out of Level 3.

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 and 31 December 2016.

29. EVENTS AFTER THE REPORTING PERIOD

(i) On 18 May 2017, the Group entered into an agreement with shareholders of 空間智慧裝飾裝修(北京)有限公司 (Kongjianzhihui Decoration (Beijing) Co., Ltd or "iKongjian"), pursuant to which the Group committed to acquire 10% of the equity interest of iKongjian with cash consideration of RMB140 million and exclusively subscribe 8.1% of newly issued capital with cash consideration of RMB216 million. As at 14 August 2017, this transaction was completed and the Group held 18.1% of the equity interest in iKongjian.

(ii) On 17 August 2017, Gome Telecom and GOME Appliance entered into an agreement to establish a limited liability company with registered capital of RMB200 million. As of the date of issuance of this Interim Financial Information, the Group has not yet fulfilled its required capital injection of RMB98 million, which represents 49% of the equity interest of this limited liability company.

30. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 28 August 2017.

DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2017, the interests and short positions of the directors (the "Director(s)") of GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited, the "Company") and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Director/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % of shareholding
Huang Xiu Hong *(Note 1)*	–	–	164,802,270	–	164,802,270	0.76
Wang Jun Zhou	10,187,000 *(Note 2)*	–	–	–	10,187,000	0.05

Note:

1. Ms. Huang Xiu Hong is the sister of Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company. Please refer to the paragraph headed "Interests and short positions of substantial shareholders" for the interests of Mr. Wong in the Company.

2. The relevant interests represented 10,187,000 shares of the Company (the "Share(s)") issuable upon exercise of the options (the "Option(s)") granted to the Chief Executive pursuant to the share option scheme adopted by the Company on 15 April 2005 (the "Share Option Scheme") as was particularly described in the section headed "Share Option Scheme" below. These Options were held by the Chief Executive beneficially.

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

Save as disclosed above, as at 30 June 2017, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' benefits from rights to acquire shares or debentures

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

At no time during the period was the Company, any of its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Note: The Share Option Scheme has expired on 14 April 2015, accordingly save for the 76,886,000 options (representing approximately 0.36% of the issued share capital of the Company as at 28 August 2017) that have been granted before the expiry date but not yet exercised, there is no more Share available for issue under the Share Option Scheme.

Options granted under the Share Option Scheme remain valid until 15 November 2017 in accordance with the terms of the Share Option Scheme and the terms of their grant.

(c) Particulars of the directors' service contracts

As at 30 June 2017, none of the Directors had entered or was proposing to enter into a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

(d) Directors' interests in competing business

During the six-month period ended 30 June 2017 (the "Reporting Period"), no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

On 31 March 2016, the Company completed the acquisition of Artway Development Limited ("Artway", together with its subsidiaries, the "Artway Group"). The Artway Group was previously ultimately owned by Mr. Wong and operates an electrical appliances and consumer electronics products retail network under the trademark of "GOME Electrical Appliances", and related operation, (formerly referred to as the "Non-listed GOME Group"), mainly in cities other than the designated cities of the PRC in which the Group already had operations. Upon completion of the acquisition, the operations of Non-listed GOME Group has been combined with the operations of the Group. Accordingly, the Board considers that there is no longer any competition between the Group and Mr. Wong and his associates in the retail business of electrical appliances and consumer electronics products under the "GOME" brand name.

During the Reporting Period and upon completion of the acquisition of the Artway Group, Mr. Wong and his associates remained interested in 40% of 國美在線電子商務有限公司 ("GOME-on-line e-Commerce., Ltd" or "GOME-on-line"), a 60% non-wholly owned subsidiary of the Group. Since May 2012, the Group has operated GOME-on-line with no geographical restrictions.

(e) Material supplements to directors' profile

Mr. Lee Kong Wai, Conway has been an independent non-executive director of Guotai Junan Securities Co., Limited, which is listed on the Stock Exchange and the Shanghai Stock Exchange, since 11 April 2017.

SHARE OPTION SCHEME

The Share Option Scheme has expired on 14 April 2015. As at 30 June 2017, Options to subscribe for an aggregate of 76,886,000 Shares granted before the expiry date pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

			Number of Options					
Name of grantee	**Date of grant**	**Exercise price per Share**	**As at 1 January 2017**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**As at 30 June 2017** *(Note 1)*	**Price of Shares for Options exercised during the period** *(Note 5)*
		HK$						HK$
Chief Executive								
Wang Jun Zhou	7 July 2009	1.90	10,187,000	–	–	–	10,187,000	–
Other employees	7 July 2009	1.90	69,358,000	–	–	(2,659,000) *(Note 4)*	66,699,000	–
Total			79,545,000	–	–	(2,659,000)	76,886,000	

Notes:

1. On 5 December 2011, a resolution was passed by the shareholders of the Company to amend the terms of the Options granted and the terms of the Share Option Scheme. On 31 August 2012, 23 June 2015 and 11 November 2016 resolutions were passed by the Board to further amend the terms of the Options granted. As at 30 June 2017, the revised terms would have the following effects:

    a. 76,886,000 vested Options will become lapsed and ceased to have any further effect after 15 November 2017.

    b. In addition to the changing of the exercise periods of the Options, performance targets were added as a new condition for the exercise of the unvested Options. Such performance targets are to be determined based on the weighted average of revenue and profits generated, new stores opened, special projects and other administrative work undertaken by the grantee, the compliance of the relevant internal and external law and regulations by the grantee and by reference to his/her seniority and job functions within the Group. Any grantee whose performance is assessed to be short of the performance target will have his/her number of unvested Options for vesting in the forthcoming exercise period adjusted downward and cancelled in proportion to the shortfall of his performance assessment to the performance target when such Options are vested.

2. The fair value of Options granted on 7 July 2009 under the Share Option Scheme, determined by using the Binomial Model value model, was approximately RMB296.45 million. The significant inputs into the model were the exercise price of HK$1.90 per share, expected volatility and historical volatility of 63%, expected dividend yield rate of 1.2% and annual risk-free interest rate is 2.565%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

3. As at 30 June 2017, all the Options granted have been vested.

4. 2,659,000 Options were lapsed during the six-month period ended 30 June 2017.

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

RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme on 3 October 2016 (the "Share Award Scheme"). The purposes and objectives of the Share Award Scheme are to:

1. recognise and motivate the contributions by certain participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;

2. attract suitable personnel for further development of the Group; and

3. provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and certain employees.

As at 30 June 2017, a sum of approximately HK$297,213,000 (excluding transaction costs) has been used to acquire 288,153,000 shares of the Company from the market by the independent trustee. No shares have been granted to the participants of the Group under the Share Award Scheme up to the date of this report.

Details of the Share Award Scheme are set out in the announcement of the Company dated 3 October 2016.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as is known to any Director or the Chief Executive, as at 30 June 2017, other than the Director or the Chief Executive as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO:

(a) Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Wong *(Note 1)*	Interest in controlled corporation	10,835,703,338	50.03
Ms. Du Juan *(Note 2)*	Interest in controlled corporation	10,835,703,338	50.03
Ever Ocean Investments Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.40
GOME Holdings Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.40
Power Charm Holdings Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.40
GOME Home Appliances (H.K.) Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.40
GOME Management Limited *(Note 3)*	Beneficial owner	5,500,000,000	25.40
Shinning Crown Holdings Inc. *(Note 4)*	Beneficial owner	4,454,979,938	20.57

Notes:

1. Of these 10,835,703,338 Shares, 5,500,000,000 Shares were held by GOME Management Limited, 4,454,979,938 Shares were held by Shinning Crown Holdings Inc. and 634,016,736 Shares were held by Shine Group Limited (all the above companies are 100% beneficially owned by Mr. Wong), and 240,955,927 Shares were held by Smart Captain Holdings Limited and 5,750,737 Shares were held by Wan Sheng Yuan Asset Management Company Limited (both companies are 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong). Excluded from the above table are 2,500,000,000 warrants hold by GOME Management Limited which are convertible into 2,500,000,000 Shares at the initial exercise price of HK$2.15 per Share.

2. Ms. Du Juan is the spouse of Mr. Wong. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.

3. All these companies are 100% beneficially owned by Mr. Wong. The Shares held by these companies refer to the same parcel of Shares and excluding the 2,500,000,000 warrants held by GOME Management Limited which are convertible into 2,500,000,000 Shares at the initial exercise price of HK$2.15 per Share prior to the second anniversary of 31 March 2016.

4. Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong.

(b) Interests and short positions of other persons in the shares and underlying shares of the Company

Save as disclosed above, so far as is known to any Director or Chief Executive, as at 30 June 2017, no other person (other than the Director or the Chief Executive of the Company), had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

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

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

During the six-month period ended 30 June 2017, the Company repurchased an aggregate of 309,838,000 Shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of shares (HK$0.025 each in the share capital of the Company) repurchased	Highest price per share	Lowest price per share	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
March 2017	91,000,000	1.05	1.02	94,590,940
April 2017	218,838,000	1.09	1.04	233,834,940
	309,838,000			328,425,880

The Shares repurchased during the six-month period ended 30 June 2017 were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value thereof.

During the six-month period ended 30 June 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 of the Company's listed securities during the six-month period ended 30 June 2017.

CHANGES TO THE BOARD

Mr. Ng Wai Hung has retired as an independent non-executive Director with effect from 26 May 2017.

Save as disclosed above, there were no change to the Board during the six-month period ended 30 June 2017.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2017, the Company was in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon specific enquiries made by the Company, all Directors have confirmed their compliance with the Model Code during the period under review.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

There were no information required for disclosure by the Company under Rules 13.20 of the Listing Rules during the six-month period ended 30 June 2017.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Audit Committee of the Company has reviewed the interim report of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2017 as reviewed by Ernst & Young, the external auditors.

CORPORATE INFORMATION

Directors

Executive Director
ZOU Xiao Chun

Non-executive Directors
ZHANG Da Zhong *(Chairman)*
HUANG Xiu Hong
YU Sing Wong

Independent Non-executive Directors
LEE Kong Wai, Conway
LIU Hong Yu
WANG Gao

Company Secretary

SZETO King Pui, Albert

Authorised Representatives

ZOU Xiao Chun
SZETO King Pui, Albert

Principal Bankers

China Construction Bank
CITIC Bank
Industrial Bank
China Merchants Bank
Bank of Shanghai

Auditors

Ernst & Young
Certified Public Accountants

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office

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

Principal Share Registrar in Bermuda

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

Branch Share Registrar in Hong Kong

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