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

(Incorporated in Bermuda with limited liability)

(Stock Code : 493)

Capabilities Create Value

Interim Report 2018

* For identification purpose only

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NEW BUSINESS
NEW MARKET
NEW TECHNOLOGY

GOME RETAIL HOLDINGS LIMITED

INTERIM REPORT 2018

FINANCIAL HIGHLIGHTS AND BUSINESS SUMMARY

Financial Highlights

	First half of 2018 RMBm	First half of 2017 RMBm
Revenue	**34,706**	38,073
Gross profit	**5,286**	5,684
Consolidated gross profit margin#	**17.32%**	17.83%
(Loss)/profit before finance (costs)/income and tax	**(435)**	256
(Loss)/profit attributable to owners of the parent	**(457)**	122
(Loss)/earnings per share		
– Basic and diluted	**(RMB2.2 fen)**	RMB0.6 fen

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

Business Summary

- In 2018, based on the "Home • Living" strategy, GOME proposed the "Triple New" initiative of "New Business, New Market, New Technology" and continued to focus on its "Social + Business + Sharing" shared retail model.

- During the Reporting Period, the total GMV of the Group grew by approximately 14.94% as compared with the corresponding period last year.

- The GMV from the marketplace of the e-commerce business grew by approximately 67.39% as compared with the corresponding period last year.

Overview

During the six-month period ended 30 June 2018 (the "Reporting Period"), GOME Retail Holdings Limited (the "Company", with its subsidiaries, collectively known as the "Group" or "GOME") continued to implement the "Home • Living" strategy, accelerated its transformation into a one-stop home solution provider, and at the same time promoted an overall integration of its online to offline businesses by using the "Social + Business + Sharing" model, in order to raise the management efficiency and enhance consumer experience.

During the Reporting Period, the Group's total gross merchandise volume ("GMV") for both online and offline operations increased by approximately 14.94% year-on-year, with approximately 67.39% growth in the GMV from the marketplace of the e-commerce business. As a result of the implementation of the strategic transformation plan, the Group recorded sales revenue of approximately RMB34,706 million, representing a decrease of 8.84% when compared with RMB38,073 million for the corresponding period last year. The Group's consolidated gross profit margin decreased slightly by 0.51 percentage point, from 17.83% for the corresponding period last year to approximately 17.32%. The operating expenses ratio rose from 17.15% during the corresponding period last year to approximately 18.39%, representing a slight increase of 1.24 percentage points over the period. In addition, the Group's total borrowings increased during the Reporting Period and the finance costs increased accordingly. Taking into account the above factors, the Group recorded a loss attributable to the owners of the parent of approximately RMB457 million, as compared to a profit of RMB122 million for the corresponding period last year.

In 2018, GOME proposed the "Triple New" initiative of "New Business, New Market, New Technology" to rapidly open county-level stores in the third- to sixth-tier cities, and introduced new businesses including "integration of kitchen cabinets and electrical appliances", "HVAC", "home furnishing/kitchen cabinet" and "kitchen interior design". Meanwhile, GOME uses its middle-end data platform to integrate its online and offline front-end businesses. The "Triple New" initiative proposed by GOME not only represents an operational shift of focus from products to users, but also demonstrates GOME's determination to attract customers with quality services.

Business Environment

During the Reporting Period, the global economy continued to recover, yet the mode of recovery was fragmented. The economy of the United States continued to recuperate, labor market was strong, and the inflation rate showed an upward trend. The economic growth of the Eurozone slightly slowed down due to the appreciation of Euro and the trade protection initiatives of the United States. Export of Japan showed a significant improvement, but the internal consumption remained weak, leading to a slow economic recovery. Most of the emerging markets saw economic growths, but on different paces.

As for the economic environment in the PRC, according to the figures from the National Bureau of Statistics, in the first half of 2018, a series of initiatives in stabilizing growth, stimulating reform, adjusting structure, benefiting people's livelihood and fending off risks continued to exert effects; and the execution of policies to support the development of the real economy such as tax deduction and reduction of corporate burden, led to a favorable environment of steady economic growth, which improved the employment rate, stabilized inflation rate and made balanced international trades. During the Reporting Period, the GDP growth was 6.8%.

In view of the industry environment, due to enriched product offerings in the market, it is increasingly challenging for retailers to gain customer traffic by introducing new products. The development of the retail industry will be more consumer oriented, with iconic products and services based on customer's needs. To gain an edge in the new retail industry, an all-rounded understanding of customers is vital. By using technologies such as big data and artificial intelligence, precision marketing and positioning can be achieved by the enterprises. As the result, their performances can also be improved.

Business Review

"Home • Living" Strategy Seeking Market Breakthrough

(1) All-rounded Experiential Stores of "Home • Living" Theme

The new sizeable experiential stores of the Group, together with their new store layout and new product displays, are themed with "Home • Living" scenarios which allow the Group to transform from a home appliances retailer to an one-stop home solution provider. During the past three years, the Group has been focusing on setting up leisure and entertainment showcases, such as e-sports, net café, kitchenware, anime and manga and virtual reality (VR) theatres in its stores. In addition, a series of new initiatives including air-purifying, water filtration, heating and centralized air-conditioning systems themed around "Home" were also introduced to the stores, providing customers with all-rounded and one-stop home solutions, and fully demonstrating the Group's competitive edge in the retail industry.

During the Reporting Period, the Group cooperated with several companies to launch home furnishing services in 106 GOME stores. The Group also introduced renowned kitchen cabinet brands, such as Oppein and Zbom to promote the "integration of kitchen cabinets and electrical appliances" and "integrated bathroom" business. In addition, specialized HVAC showcases have been established in over 100 GOME stores. All these initiatives are aimed to enhance customers' "Home • Living" experiences.

(2) Optimizing Store Network

During the Reporting Period, the Group continued to establish trendy and large-scale experiential stores at prime locations around the central business districts in the first-tier market. In the county-level market, the Group expedited the market penetration and coverage in counties, towns and villages by opening of new stores. A total of 283 county-level stores have been opened up to the first half of 2018.

As of 30 June 2018, the total number of stores of the Group was 1,867.

The Nationwide Retail Network of the Group

As at 30 June 2018

		GOME	China Paradise	Dazhong	Cellstar	Total
Flagship stores		229	28	22	1	280
Standard stores		376	30	14	1	421
Specialized stores		757	69	8	49	883
County stores		266	14	3	–	283
Total		**1,628**	**141**	**47**	**51**	**1,867**
Among them:	First-tier market	698	86	35	44	863
	Second-tier market	664	41	9	7	721
	County-level market	266	14	3	–	283
Net increase in store number		**195**	**8**	**1**	**4**	**208**
Number of store opened		**254**	**12**	**3**	**4**	**273**
Among them:	First-tier market	18	–	–	4	22
	Second-tier market	22	1	–	–	23
	County-level market	214	11	3	–	228
Number of cities assessed		488	70	4	6	535
Among them:	1st-tier cities	36	9	1	1	38
	2nd to 4th-tier cities	355	51	–	5	387
	County-level cities	97	10	3	–	110
Number of cities newly assessed		114	101	10	3	114

(3) Shared Retail

"Shared Retail" is an innovative business model developed by the Group. By utilizing the GOME APP with "Social + Business + Sharing" features, two core functions can be realized: (1) integrating online and offline businesses and become a hub which offers a wide range of products on-the-line and true product experiences off-the-line, providing users with the best shopping experiences; (2) creating a social platform which everyone can join and share the benefits, converting social traffic into sales, so that everyone can share the growth of the platform and be integrated into the business value chain, and thus forming a powerful community. In the GOME APP, the virtual sales channels such as "Meixin", "Meimei", "ME Shop" and "Shopping Mall" allow customers to enjoy cutting-edge experiences in social e-commerce and content e-commerce. Customers can also enjoy iconic services such as "purchase by scanning" and "purchase by taking photos". As the result, customers' dynamic demand in the era of technological advancement and consumption upgrade can be satisfied.

Supply Chain Platform Development

Based on the "Home • Living" strategy, the Group continued to develop a more effective supply chain platform during the first half of 2018, aiming at providing customers with high-quality electrical appliances, household products, home furnishing products and related services.

(1) Enhancing Product Selection Capability

During the Reporting Period, the Group used big data analytics to discover user needs, closely followed market trends and introduced differentiated products, virally popular products and uniquely creative products to further enrich product SKU and thus increase inventory turnover rates.

(2) Increasing User Stickiness

During the Reporting Period, the Group vigorously promoted the development of its marketplace, service rating platform and Internet of Things ("IoT") service platform. On the marketplace, the Group achieved online and offline integration in areas such as merchandise, pricing, services, memberships, marketing promotions, etc., which facilitated the ordering process for customers. On the service rating platform, the Group created a visually rich online customer service platform that enables users to provide feedbacks and share experiences on areas such as stores visits, deliveries, repair and maintenance, etc., which better satisfied the needs of customers. On the IoT platform, the Group further extended the product operations and services from stores to homes by use of technologies which increased user interactions as well as user stickiness.

(3) Optimizing Logistic Services

During the first half of 2018, the Group made great effort in establishing satellite warehouses for bulky items around its existing large scale central warehouses in cities such as Shenyang, Tianjin and Xi'an. Leveraging on its information system, the Group was able to share and manage the inventory status of several adjacent warehouses simultaneously. When a product in a warehouse is out of stock, it can be picked up from adjacent warehouses. This not only increased the service region that covered by the warehouse and logistic system, but also increased the inventory turnover rate while shortening the pick-up time for customers.

During the first half of 2018, the Group continued to improve its logistic system. Apart from the existing service of "Three Deliveries Per Day", the Group has improved the delivery capacity for longer distance, such that for routes within 300km from the warehouses, the Group was able to achieve "Delivery Every Day, Stock-out in the Evening and Reaching the Destination in the Next Morning". As for delivery to end customers, the Group was able to achieve the goals of "Next-day Delivery" in urban areas and "Next-day Delivery" or "Two-day Delivery" in rural areas. The delivery efficiency has been significantly improved.

(4) Full Implementation of the Delivery Mobile APP

During the first half of 2018, mobile APPs were used by all of our delivery teams. Delivery staff can receive the instructions through their mobile APPs and execute the orders accordingly, which enhanced the flexibility and efficiency of the delivery and installation process. Customers can also check and monitor the delivery status of their goods using the vehicle tracking service on the Group's online platform or the "GOME House Manager" mobile APP. As a result, customers' experience has been improved significantly.

(5) After-Sales Service Platform – "GOME House Manager"

"GOME House Manager" provides full life cycle services for electrical appliances, including delivery and installation, repair and maintenance, cleaning, recycling, IoT and smart customer services, covering more than 300 major cities in China. During the Reporting Period, "GOME House Manager" continued the development of ancillary business modules and customer-friendly projects themed around "Home" in order to provide integrated lifestyle services.

(6) Smart Customer Service – "GOME Jiunuo"

In response to customers' needs, the Group has launched "GOME Jiunuo" and implemented the service of "9 Promises to Ensure a Pleasant Shopping Experience" since 2015, which include the Commitment to Enjoy Shopping, Commitment to Authenticity, Commitment to Fair Price, Commitment to On-time Delivery, Commitment to Fair Charging, Commitment to Repair, Commitment to Maintenance, Commitment to Return and Exchange, and Commitment to Respond to Customers' Needs. All of which are meant to provide customers with adequate after-sales guarantees.

To further satisfy customers' demands and optimize service efficiency, "GOME Jiunuo" carried out smart upgrades on the customer service system and increased the number of customer service robots. Furthermore, by collecting and analyzing the customer behavior data, the Group was able to response to the immediate needs and preferences of customers promptly, facilitating better shopping experiences.

(7) Strengthening Information System

During the Reporting Period, the information center of the Group carried out in-depth research and analysis on big data, precision marketing, new technologies and business models such as shopping guide APPs and unmanned stores. For instance, the "China Pilot Project" was a mobile APP development project specifically designed for the stores. A series of modifications on the systems were conducted, including membership, ordering, promotions and pricing, and pilot tests were carried out in 116 stores. Upon completion of this project, online and offline data can be synchronized. Customers will be able to enjoy flexibilities such as purchasing through the APP while experiencing the products in the stores, retrieving shopping records from the APP, managing customer loyalty points and returning or exchanging of goods. It will also benefit to the Group that the efficiency of ordering system and membership management system will be immensely improved, and customer data can be traced easily, which in return supports the Group's analysis on consumer behavior and precision marketing to make continuous improvements.

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

During the Reporting Period, under the guidance of "Home • Living" strategy and online and offline integration, the Group enhanced its corporate cultural system by establishing the "Shared Trust" culture on top of the "Trust" culture. Based on its strategy, GOME promoted the core values to all employees. These values include the corporate vision of "becoming a trust-worthy new retail enterprise", the corporate mission of "achieving fine living", as well as the related integrity, manner, competence and behavior, shaping the positive behavior of teams and individuals at all level.

Talent and Expertise

During the Reporting Period, the training center of the Group focused on shaping employees' core competence to achieve the business strategies and improving their professional skills.

Following the three strategic targets of online and offline integration, pilot business incubation and creation of new store showcases, the Group implemented three training programs respectively: "The China Pilot Project", "Senior Executives Succession Plan" phase 3 and the "Future Program". Such programs helped the Group to train internal talents to understand, execute and achieve business strategies. Moreover, during the Reporting Period, the training center of the Group completed the modification of training systems, standardizing workflows, upgrading of the E-learning platform and restructuring of the internal trainer team. All these efforts provided strong support to the execution of business strategies of the Group.

As at 30 June 2018, the Group had a total of 41,840 employees.

Financial Review

Revenue

During the Reporting Period, based on its "Home • Living" strategy, the Group is evolving into a one-stop home solution provider. Due to the implementation of the strategic transformation plan and the results of the various transformation measures have not yet been reflected in the financial statements, sales revenue of the Group decreased by 8.84% from RMB38,073 million for the corresponding period last year to approximately RMB34,706 million. The weighted average sales area of the Group's stores was approximately 5,174,000 sq.m. Revenue per sq.m. was approximately RMB6,708, decreased by 7.77% as compared with RMB7,273 for the corresponding period in 2017. During the Reporting Period, sales revenue from the 1,448 comparable stores was approximately RMB28,739 million, down 6.58% as compared with RMB30,764 million for the corresponding period in 2017.

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

	First half of 2018	First half of 2017
As a percentage of sales revenue:		
AV	**16.89%**	18.13%
Air-conditioner	**20.30%**	18.57%
Refrigerator and washing machine	**19.39%**	19.42%
Telecommunication	**19.51%**	19.30%
Small white appliances	**15.62%**	14.12%
IT	**5.86%**	7.45%
Digital and others	**2.43%**	3.01%
Total	**100%**	100%

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales for the Group was approximately RMB29,420 million, accounting for approximately 84.77% of the total sales revenue, as compared with 85.07% for the corresponding period in 2017. In line with the decrease in sales revenue, the Group's gross profit was approximately RMB5,286 million, down 7.0% as compared with RMB5,684 million for the corresponding period last year. Gross profit margin was approximately 15.23%, increased slightly by 0.3 percentage point as compared with 14.93% for the corresponding period last year.

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

	First half of 2018	First half of 2017
AV	**15.47%**	15.69%
Air-conditioner	**16.26%**	16.20%
Refrigerator and washing machine	**17.65%**	16.82%
Telecommunication	**10.60%**	11.10%
Small white appliances	**20.44%**	19.24%
IT	**7.63%**	8.73%
Digital and others	**7.74%**	9.97%
Total	**15.23%**	14.93%

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB724 million, representing a decrease of 34.42% as compared with RMB1,104 million for the corresponding period in 2017. Mainly due to the decrease in net income from suppliers, government grants and gains on equity investments at fair value through profit or loss during the Reporting Period.

Summary of other income and gains is as follows:

	First half of 2018	First half of 2017
As a percentage of sales revenue:		
Income from suppliers, net	**0.42%**	0.61%
Income from installation	**0.22%**	0.21%
Gross rental income	**0.38%**	0.34%
Government grants	**0.13%**	0.20%
Other service fee income	**0.53%**	0.53%
Other income from telecommunication service providers	**0.16%**	0.16%
Others	**0.24%**	0.85%
Total	**2.08%**	2.90%

Consolidated Gross Profit Margin

During the Reporting Period, the gross profit margin remained stable while the other income and gains decreased. However, the Group's consolidated gross profit margin still maintained at a relatively high level of 17.32%, decreased slightly by 0.51 percentage point as compared with 17.83% for the corresponding period in 2017.

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 RMB6,382 million, decreased by 2.25% as compared with RMB6,529 million for the corresponding period last year. The operating expenses accounted for 18.39% of total sales revenue, up by 1.24 percentage points as compared with 17.15% for the corresponding period in 2017.

Summary of operating expenses is as follows:

	First half of 2018	First half of 2017
As a percentage of sales revenue:		
Selling and distribution expenses	**13.84%**	12.60%
Administrative expenses	**3.36%**	2.95%
Other expenses	**1.19%**	1.60%
Total	**18.39%**	17.15%

Selling and Distribution Expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB4,802 million, relatively stable as compared with RMB4,797 million for the corresponding period last year. The key items such as rental expenses were approximately RMB2,063 million, decreased as compared with RMB2,130 million for the corresponding period last year; staff costs were approximately RMB1,208 million, also decreased as compared with RMB1,216 million for the corresponding period last year. However, due to the decrease in sales revenue, the selling and distribution expenses as a percentage over sales revenue was 13.84%, increased by 1.24 percentage points as compared with 12.60% for the corresponding period in 2017.

Summary of selling and distribution expenses is as follows:

	First half of 2018	First half of 2017
As a percentage of sales revenue:		
Rental	**5.94%**	5.59%
Salaries	**3.48%**	3.19%
Utility charges	**0.81%**	0.76%
Advertising expenses	**1.21%**	1.08%
Delivery expenses	**0.95%**	0.81%
Others	**1.45%**	1.17%
Total	**13.84%**	12.60%

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,167 million, increased slightly by 3.92% as compared with RMB1,123 million for the corresponding period last year. The proportion over sales revenue was 3.36%, up 0.41 percentage point as compared with 2.95% for the corresponding period in 2017, 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 decreased by 32.18% from RMB609 million for the corresponding period in 2017 to approximately RMB413 million. The decrease was mainly attributable to the substantial reduction in the foreign exchange loss incurred during the Reporting Period. The other expenses over revenue ratio was approximately 1.19%, down 0.41 percentage point as compared with 1.60% for the corresponding period in 2017.

(Loss)/Profit before Finance (Costs)/Income and Tax

As the results of the decrease in sales revenue, there had been a decrease in the amount of gross profit, while the operating expenses remained stable during the Reporting Period. The Group incurred a loss before finance (costs)/income and tax of approximately RMB435 million, as compared with a profit of RMB256 million for the corresponding period in 2017.

Net Finance Costs

During the Reporting Period, the Group's net finance costs were approximately RMB198 million, as compared with RMB182 million in the first half of 2017. The increase in the finance costs was mainly due to the amount of interest-bearing bank loans increased from RMB3,784 million as at 30 June 2017 to approximately RMB5,321 million as at the end of the Reporting Period. As a result, the finance costs increased from RMB323 million for the corresponding period last year to approximately RMB369 million.

(Loss)/Profit before Tax

As a result of the above-mentioned factors, during the Reporting Period, the Group's loss before tax was approximately RMB633 million, as compared with a profit of RMB74 million for the corresponding period in 2017.

Income Tax Expense

During the Reporting Period, the Group's income tax expense decreased from RMB180 million for the corresponding period in 2017 to approximately RMB88 million, as a result of the decrease in profit. The management of the Company considers that the effective tax rate applied to the Group for the Reporting Period was reasonable.

(Loss)/Profit for the Period and (Loss)/Earnings per Share Attributable to Owners of the Parent

During the Reporting Period, the Group's loss attributable to owners of the parent was approximately RMB457 million, as compared with a profit of RMB122 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was RMB2.2 fen, as compared with earnings per share of RMB0.6 fen for the corresponding period last year.

Cash and Cash Equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB9,512 million, representing an increase of 2.90% as compared with RMB9,244 million as at the end of 2017.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB10,120 million, down 10.08% as compared with RMB11,255 million as at the end of 2017. Inventory turnover days were approximately 66 days during the Reporting Period, relatively stable as compared with 67 days in the first half of 2017.

Prepayments, Deposits and Other Receivables

As at the end of the Reporting Period, prepayments, deposits and other receivables of the Group amounted to approximately RMB4,945 million, down 2.14% from RMB5,053 million as at the end of 2017.

Trade and Bills Payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB22,998 million, relatively stable as compared with RMB22,839 million as at the end of 2017. Turnover days of trade and bills payables were approximately 141 days during the Reporting Period, increased by 6 days as compared with 135 days for the corresponding period in 2017.

Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB444 million, representing a 21.42% decrease as compared with RMB565 million for the first half of 2017. The capital expenditure during the period was mainly used for the development of logistic centers, opening of new stores and remodelling of stores of the Group.

Cash Flows

During the Reporting Period, the Group's net cash flows from operating activities amounted to approximately RMB706 million, as compared with cash used of RMB900 million for the corresponding period last year. The increase in cash flows was mainly due to the decrease in inventories and decrease in prepayments, deposits and other receivables as at the end of the Reporting Period.

Mainly due to the inclusion of proceeds paid for the purchase of property and equipment with regard to the development of logistic centers, opening of new stores and remodelling of stores amounted to approximately RMB444 million, net cash flows used in investing activities amounted to approximately RMB572 million, as compared with RMB715 million for the first half of 2017.

During the Reporting Period, net cash flows from financing activities amounted to approximately RMB108 million, as compared with RMB2,796 million, as a result of issuance of overseas bonds in the first half of 2017.

Interim Dividend and Dividend Policy

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2018 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 RMB380 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, loans due to related companies and bonds.

As at 30 June 2018, the total borrowings of the Group were the interest-bearing bank loans, loans due to related companies, the corporate bonds and the overseas bonds.

The current interest-bearing bank loans comprised:

(1) bank loans of approximately RMB490 million in aggregate, bearing interest at floating and fixed rates;

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

(3) a bank loan of approximately EUR259 million (equivalent to approximately RMB1,995 million) bearing interest at floating rate; and

(4) a bank loan of approximately US$244 million (equivalent to approximately RMB1,614 million), bearing interest at floating rate.

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

The non-current interest-bearing bank loan comprised:

(1) a bank loan of approximately RMB158 million, bearing interest at floating rate and it was repayable beyond 5 years;

(2) a bank loan of approximately RMB1,000 million, bearing interest at a fixed rate and it was repayable within 2 years; and

(3) a bank loan of approximately RMB61 million, bearing interest at floating rate and it was repayable beyond 5 years.

The loans due to related companies comprised:

Loans amounted to approximately RMB1,672 million in aggregate, bearing interest at fixed rates and repayable within 3 years.

The corporate bonds comprised:

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

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

The overseas bonds comprised:

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

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

As at 30 June 2018, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounted to approximately RMB19,168 million over total equity amounted to approximately RMB16,382 million, increased from 96.45% as at 31 December 2017 to 117.01%.

Charge on Group Assets

As at 30 June 2018, the Group's bills payable and interest-bearing bank loans were secured by certain of the Group's time deposits amounted to approximately RMB8,263 million, certain land use rights with a carrying value of approximately RMB1,122 million, certain owner-occupied properties and investment properties with a carrying value of approximately RMB1,648 million. The Group's bills payable and interest-bearing bank loans amounted to approximately RMB20,605 million in total.

Outlook and Prospects

During the Reporting Period, GOME continued to refine its "Home • Living" strategy to drive its "Triple New" strategic initiatives of "New Business, New Markets, New Technology". Such strategic initiatives made significant progress during the Reporting Period and established GOME to become a one-stop home solution provider. In the third- to sixth-tier cities, the Group will continue to open county-level stores at a quicker pace and will use its middle-end data platform to merge online and offline in the front-end aspects of its businesses. GOME's "Triple New" initiatives is not only a change in the strategical focus but a reason for consumers to continue to choose GOME.

The "Home • Living" Strategy Provides New Growth Opportunities

For the development of the "New Business", GOME is combining its electrical appliances, home decoration, household systems and supermarkets to create sizable experiential stores. The Group is also optimizing its platform to include the Xiaomei Net Café, VR Cinemas and GOME e-sports, while expanding its business coverage to the "integration of kitchen cabinets and electrical appliances", "HVAC", "home furnishing/kitchen cabinet" and "kitchen interior design".

Store Network Penetration Driving Business in New Markets

Apart from the continuous development of sizable experiential stores in the first- and second-tier cities, the Group is also accelerating its opening of county-level stores in third- to sixth-tier cities in order to capture business opportunities in these new markets. Other significant developments include the "ME Shop," a new business initiative, which allows users to participate in the growth of the Group through the "Social + Business + Sharing" model. The model allows social media interaction to become a point of sales, which brings in a multiplier effect, making it a strong growth factor for GOME.

New Technology Stimulates Online Retail System Evolution

By using big data analytics to discover user needs, GOME keeps up with market trends and launches differentiated products, virally popular products and uniquely creative products to meet even the most niche demands and enrich its product SKU both online and offline and thus increasing inventory turnover. Artificial intelligence, big data, and cloud computing or "New Technology" paves the way for the creation of a visually rich online customer service platform that let users provide feedback at the user-end. Through the "ME Shop" platform, users can select and share products while receiving discounts, reflecting the successful union of social media and retail.

Being the First Choice of Customers through GOME Services

As a "Home • Living" service provider, GOME continues to optimize and refine its own logistics system to further improve its service capabilities. In addition to speeding up the construction of owned warehouses to expand its logistic network coverage, the Group has been promoting the core logistic ability of "Installation with Delivery" in full-scale, evolving itself to become a "Home • Living" solution provider, going beyond the home appliance retailer. Retail service is not just after-sales service but a full range of services covering pre-sales, sales, and after-sales. Through reinvigorating the customer service experience, GOME will prove itself worthy of the customer's loyalty and trust.

Ernst & Young
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To the shareholders of
GOME Retail Holdings Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 22 to 70 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 2018 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 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 of the Company 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 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2018

	Notes	For the six-month period ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	6	**34,706,115**	38,072,640
Cost of sales	7	**(29,420,251)**	(32,388,584)
Gross profit		**5,285,864**	5,684,056
Other income and gains	6	**723,589**	1,103,757
Selling and distribution expenses		**(4,801,991)**	(4,797,479)
Administrative expenses		**(1,166,841)**	(1,122,699)
Other expenses		**(413,391)**	(609,115)
Share of losses of associates		**(62,498)**	(2,819)
(Loss)/profit before finance (costs)/income and tax		**(435,268)**	255,701
Finance costs	8	**(369,342)**	(322,692)
Finance income	8	**171,438**	140,535
(LOSS)/PROFIT BEFORE TAX	7	**(633,172)**	73,544
Income tax expense	9	**(87,795)**	(179,826)
LOSS FOR THE PERIOD		**(720,967)**	(106,282)
Attributable to:			
Owners of the parent		**(457,253)**	121,851
Non-controlling interests		**(263,714)**	(228,133)
		(720,967)	(106,282)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
– Basic and diluted		**(RMB2.2 fen)**	RMB0.6 fen

	Note	For the six-month period ended 30 June 2018	2017
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
LOSS FOR THE PERIOD		**(720,967)**	(106,282)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments		**–**	(165,362)
Exchange differences on translation of foreign operations		**(1,990)**	317
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(1,990)**	(165,045)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets through other comprehensive income	*12*	**(150,254)**	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(150,254)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(152,244)**	(165,045)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(873,211)**	(271,327)
Attributable to:			
Owners of the parent		**(609,497)**	(43,194)
Non-controlling interests		**(263,714)**	(228,133)
		(873,211)	(271,327)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*11*	**6,550,774**	6,398,106
Investment properties		**903,936**	901,285
Goodwill		**14,110,000**	14,110,000
Other intangible assets		**365,577**	388,522
Investments in associates		**142,245**	201,684
Investment in a joint venture		**3,781**	3,781
Other investments		**–**	1,956,320
Financial assets at fair value	*12*	**2,066,162**	–
Lease prepayments and deposits		**2,081,159**	2,142,728
Entrusted loans		**500,000**	500,000
Deferred tax assets		**140,600**	48,789
Total non-current assets		**26,864,234**	26,651,215
CURRENT ASSETS			
Inventories	*13*	**10,119,629**	11,255,447
Right of return assets		**82,834**	–
Trade and bills receivables	*14*	**205,403**	186,370
Prepayments, deposits and other receivables	*15*	**4,945,221**	5,053,080
Due from related companies	*16*	**281,035**	349,953
Financial assets at fair value	*12*	**3,436,858**	–
Equity investments at fair value through profit or loss		**–**	3,748,709
Pledged deposits	*17*	**8,428,701**	6,735,401
Cash and cash equivalents	*17*	**9,511,577**	9,243,844
Total current assets		**37,011,258**	36,572,804
CURRENT LIABILITIES			
Trade and bills payables	*18*	**22,997,892**	22,838,893
Current portion of finance lease payable		**39,027**	51,994
Contract liabilities		**561,177**	–
Refund liabilities		**97,965**	–
Customers' deposits, other payables and accruals		**3,042,916**	4,296,710
Interest-bearing bank loans	*19*	**4,102,478**	3,025,262
Due to related companies	*16*	**66,623**	121,820
Tax payable		**1,080,097**	1,059,600
Current portion of bonds payable	*20*	**8,888,130**	3,949,387
Total current liabilities		**40,876,305**	35,343,666

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(3,865,047)**	1,229,138
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,999,187**	27,880,353
NON-CURRENT LIABILITIES			
Bonds payable	*20*	**3,287,024**	8,165,796
Due to related companies	*16*	**1,672,006**	1,617,682
Deferred tax liabilities		**439,819**	460,765
Interest-bearing bank loans	*19*	**1,218,199**	96,938
Finance lease payable		**–**	12,946
Total non-current liabilities		**6,617,048**	10,354,127
Net assets		**16,382,139**	17,526,226
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*21*	**518,322**	518,322
Reserves		**18,514,430**	19,394,803
		19,032,752	19,913,125
Non-controlling interests		**(2,650,613)**	(2,386,899)
Total equity		**16,382,139**	17,526,226

Zhang Da Zhong
Director

Zou Xiao Chun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2018

		Attributable to owners of the parent														
	Notes	Issued capital RMB'000 Note 21	Treasury shares RMB'000 Note 22	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Warrant reserve RMB'000	Asset revaluation reserve# RMB'000	Other investment revaluation reserve RMB'000	Financial asset 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 31 December 2017		518,322	(405,287)	13,829,135	657	(1,845,490)	117,731	117,468	116,674	-	1,712,352	(161,069)	5,912,632	19,913,125	(2,386,899)	17,526,226
Effect on initial adoption of IFRS 9	3	-	-	-	-	-	-	-	(116,674)	116,674	-	-	22,873	22,873	-	22,873
Balance at 1 January 2018		518,322	(405,287)	13,829,135	657	(1,845,490)	117,731	117,468	-	116,674	1,712,352	(161,069)	5,935,505	19,935,998	(2,386,899)	17,549,099
Loss for the period		-	-	-	-	-	-	-	-	-	-	-	(457,253)	(457,253)	(263,714)	(720,967)
Other comprehensive loss for the period:																
Changes in fair value of financial assets	12	-	-	-	-	-	-	-	-	(150,254)	-	-	-	(150,254)	-	(150,254)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	-	-	(1,990)	-	(1,990)	-	(1,990)
Total comprehensive loss for the period		-	-	-	-	-	-	-	-	(150,254)	-	(1,990)	(457,253)	(609,497)	(263,714)	(873,211)
Shares repurchased for share-based payment	22	-	(293,749)	-	-	-	-	-	-	-	-	-	-	(293,749)	-	(293,749)
Expiry of warrants		-	-	-	-	-	(117,731)	-	-	-	-	-	117,731	-	-	-
At 30 June 2018 (unaudited)		518,322	(699,036)*	13,829,135*	657*	(1,845,490)*	-	117,468*	-	(33,580)*	1,712,352*	(163,059)*	5,595,983*	19,032,752	(2,650,613)	16,382,139

* As at 30 June 2018, these reserve accounts comprised the consolidated reserves of RMB18,514,430,000 (31 December 2017: RMB19,394,803,000) 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														
	Issued capital RMB'000	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	-	-	-	-	-	-	-	-	(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	-	-	-	-	(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	(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2018

	Notes	For the six-month period ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(633,172)**	73,544
Adjustments for:			
Finance income	*8*	**(171,438)**	(140,535)
Finance costs	*8*	**369,342**	322,692
Share of losses of associates		**62,498**	2,819
Dividend income from quoted equity shares	*6*	**(5,168)**	(2,933)
Gain on disposal of financial assets at fair value	*6*	**(761)**	–
Gain on disposal of other investments	*6*	**–**	(3,788)
Losses on financial assets at fair value through profit or loss	*7*	**14,348**	–
Gain on equity investments at fair value through profit or loss	*6*	**–**	(130,730)
Losses on disposal of property and equipment	*7*	**9,095**	3,216
Impairment provision for trade and bills receivables	*14*	**21,393**	–
Impairment provision for property and equipment	*7*	**(15,348)**	3,526
Depreciation	*7*	**397,974**	377,422
Amortisation of other intangible assets	*7*	**22,945**	22,995
Amortisation of prepaid land lease payments	*7*	**17,339**	16,044
		89,047	544,272
Decrease/(increase) in inventories		**1,135,818**	(593,684)
Increase in right of return assets		**(82,834)**	–
Increase in trade and bills receivables		**(40,387)**	(147,365)
Decrease/(increase) in lease prepayments and deposits		**106,132**	(684,397)
Decrease in prepayments, deposits and other receivables		**249,820**	338,011
Decrease in amounts due from related companies		**120,230**	591,344
Increase in pledged deposits for bills payable	*17*	**(231,289)**	(65,941)
Increase in trade and bills payables		**156,729**	338,595
Increase in contract liabilities		**561,177**	–
Increase in refund liabilities		**97,965**	–
Decrease in customers' deposits, other payables and accruals		**(1,336,637)**	(228,777)
Decrease in amounts due to related companies		**(57,414)**	(908,825)
Cash generated from/(used in) operations		**768,357**	(816,767)
Interest received		**128,579**	140,535
Income tax paid		**(190,646)**	(223,995)
Net cash flows from/(used in) operating activities		**706,290**	(900,227)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2018

	Notes	For the six-month period ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Net cash flows from/(used in) operating activities		**706,290**	(900,227)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from listed investments		**5,168**	2,933
Purchases of property and equipment		**(443,552)**	(284,144)
Purchase of an investment property		**–**	(280,939)
Purchases of quoted equity shares		**(7,353,318)**	(268,047)
Purchases of unquoted investments		**(105,700)**	–
Net cash used in acquisition of Meixin Group		**–**	(875,545)
Net cash used in acquisition of Tianjin GOME Warehouse	*5*	**(89,522)**	–
Prepaid investment		**–**	(216,000)
Investment in a joint venture		**–**	(2,639)
Investment in an associate		**(3,059)**	(1,660)
Loan to GOME Telecom Equipment Co., Ltd		**(100,000)**	–
Loan to GOME Telecom (Zhejiang) Co., Ltd		**(49,000)**	–
Proceeds from disposal of quoted equity shares		**7,518,988**	1,162,336
Proceeds from disposal of unquoted investments		**11,662**	13,818
Proceeds from disposal of property and equipment		**36,393**	34,959
Net cash flows used in investing activities		**(571,940)**	(714,928)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**(293,749)**	(290,934)
Proceeds from issuance of bonds		**–**	3,423,045
Decrease in pledged deposits for bank loans		**107,431**	–
Proceeds from new bank loans		**3,285,849**	1,893,065
Increase in pledged deposits for bank loans	*17*	**(1,569,779)**	(2,000,000)
Proceeds from the loan due to a related company		**54,324**	540,814
Deposits for bonds payable	*17*	**–**	(169,348)
Repayment of bank loans		**(1,072,867)**	(225,971)
Dividends paid		**–**	(132,194)
Payment for finance lease payable		**(27,113)**	(14,420)
Interest paid		**(375,943)**	(227,904)
Net cash flows from financing activities		**108,153**	2,796,153
NET INCREASE IN CASH AND CASH EQUIVALENTS		**242,503**	1,180,998
Cash and cash equivalents at 1 January		**9,243,844**	13,236,752
Effect of foreign exchange rate changes, net		**25,230**	58,521
CASH AND CASH EQUIVALENTS AT 30 JUNE	*17*	**9,511,577**	14,476,271
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*17*	**7,909,080**	9,451,914
Non-pledged time deposits with original maturity of less than three months when acquired		**1,602,497**	5,024,357
		9,511,577	14,476,271

1. CORPORATE INFORMATION

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

The principal activities of the Company and its subsidiaries (the "Group") are the operations and management of networks of retail stores of electrical appliances and consumer electronic products and on-line sales of electronic products 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 2018 (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 2017.

Despite that the Group had net current liabilities of RMB3,865,047,000, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, taking into account the positive cash flows from operating activities of the Group and the following:

(a) the existing banking facilities available to the Group as at the date of approval of these financial statements and on the assumption that such facilities will continue to be available from the Group's principal bankers; and

(b) realisation of certain investments or properties.

In addition, the Group will consider equity and/or debt financing when necessary.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

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 2017, except for the adoption of new and revised standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* without restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations were applied for the first time in 2018, but did not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption.

The Group is in the business of operations and management of networks of retail stores of electrical appliances and consumer electronic products and on-line sales of electronic products. The products are sold on their own in separately identified contracts with customers.

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

IFRS 15 *Revenue from Contracts with Customers* *(continued)*

Sale of goods

The Group's contracts with customers for the sale of products generally include one performance obligation. The Group has concluded that revenue from the sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the new classification and measurement are summarized as below.

(i) *Variable consideration*

Some contracts for the sale of products provide customers with a right of return. Prior to the adoption of IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

(a) Rights of return

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using an approach similar to the expected value method under IFRS 15. Prior to the adoption of IFRS 15, the amount of revenue related to the expected returns was deferred and recognised in the statement of financial position within customers' deposits, other payables and accruals with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included within inventories.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of IFRS 15, the Group reclassified the provision for the right of return from customers' deposits, other payables and accruals to refund liabilities and the related return asset from inventories to right of return assets.

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

IFRS 15 *Revenue from Contracts with Customers* (continued)

Sale of goods *(continued)*

(i) Variable consideration (continued)

(b) Loyalty points programme

The Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points obtained. Prior to the adoption of IFRS 15, the loyalty programme offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the loyalty points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The deferred revenue related to this loyalty points programme was reclassified to contract liabilities.

Rendering of services

The Group provides installation and maintenance services. These services are sold either separately or bundled together with the sale of electrical appliances to a customer. The installation services can be obtained from other providers and do not significantly customize or modify the products.

Under IFRS 15, the Group concluded that revenue from installation and maintenance services will continue to be recognised at a point in time, when the services have been rendered. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. Revenue from the sale of products will continue to be recognised at a point in time upon delivery of electrical appliances.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* is effective for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 without adjusting the comparative information.

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

IFRS 9 Financial Instruments *(continued)*

The effect of the changes made to the interim condensed consolidated statement of financial position as at 1 January 2018 for the adoption of IFRS 9 was as follows:

At 1 January 2018	Other investments	Equity investment at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance – IAS 39	1,956,320	3,748,709	–	–	5,705,029
Reclassification of other investments to financial assets at fair value through profit or loss	(1,210,235)	–	1,210,235	–	–
Reclassification of other investments to financial assets at fair value through other comprehensive income	(746,085)	–	–	746,085	–
Reclassification of equity investments at fair value through profit or loss to financial assets at fair value through profit or loss	–	(3,748,709)	3,748,709	–	–
Adoption of IFRS 9	–	–	33,464	–	33,464
Opening balance – IFRS 9	–	–	4,992,408	746,085	5,738,493

The effect resulting from this reclassification on the Group's retained earnings as at 1 January 2018 amounted to RMB22,873,000 after deducting the income tax impact of RMB10,591,000.

Classification and measurement

Except for certain receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

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

IFRS 9 Financial Instruments *(continued)*

Classification and measurement *(continued)*

The new classification and measurement of the Group's debt financial assets are as follows:

(i) Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and bills receivables, entrusted loan, prepayments, deposits and other receivables and amounts due from related companies.

Other financial assets are classified and subsequently measured as follows:

(i) Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified certain quoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, these quoted equity instruments were classified as available-for-sale (AFS) financial assets. Upon transition, the AFS investment revaluation reserve relating to these quoted equity instruments, which had been previously recognised under other investment revaluation reserve, was reclassified to the financial asset revaluation reserve.

(ii) Financial assets at FVPL comprise unquoted equity instruments and certain quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then was applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

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

IFRS 9 Financial Instruments *(continued)*

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and bills receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation did not have any impact on the Group's condensed consolidated financial statements.

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

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments did not have any impact on the Group's condensed consolidated financial statements.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transactions with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transactions. Therefore, these amendments did not have any impact on the Group's condensed consolidated financial statements.

Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

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

Amendments to IAS 28 *Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments did not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purposes. These amendments did not have any impact on the Group's condensed consolidated financial statements.

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 retail stores of electrical appliances and consumer electronic products and on-line sales of electronic products in the PRC. The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment.

4. OPERATING SEGMENT INFORMATION *(continued)*

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 finance income, gains on equity investments at fair value through profit or loss, dividend income from listed investments, unallocated income, finance costs, losses on financial assets at fair value through profit or loss, 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, financial assets at fair value, 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.

	For the six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenue		
Sales to external customers	**34,706,115**	38,072,640
Segment results	**(301,875)**	352,937
Reconciliation		
Finance income	**171,438**	140,535
Gains on equity investments at fair value through profit or loss	**–**	130,730
Dividend income from listed investments	**5,168**	2,933
Unallocated income	**1,153**	2,243
Finance costs	**(369,342)**	(322,692)
Losses on financial assets at fair value through profit or loss	**(14,348)**	–
Share of losses of associates	**(62,498)**	(2,819)
Corporate and other unallocated expenses	**(62,868)**	(230,323)
(Loss)/profit before tax	**(633,172)**	73,544

4. OPERATING SEGMENT INFORMATION *(continued)*

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Segment assets	**40,145,568**	41,285,491
Reconciliation		
Corporate and other unallocated assets	**23,729,924**	21,938,528
Total assets	**63,875,492**	63,224,019
Segment liabilities	**28,477,606**	28,940,045
Reconciliation		
Corporate and other unallocated liabilities	**19,015,747**	16,757,748
Total liabilities	**47,493,353**	45,697,793

	For the six-month period ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Other segment information		
Depreciation and amortisation	**438,258**	416,461
Capital expenditure*	**443,552**	565,083

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

5. BUSINESS COMBINATION

On 3 April 2018, the Group acquired 100% of the equity interests of 天津國美倉儲有限公司 (Tianjin GOME Warehouse Co. Ltd., or "Tianjin GOME Warehouse"), an unlisted company principally engaged in the business of warehouse leasing, at a cash consideration of RMB90 million.

Tianjin GOME Warehouse was ultimately controlled by Ms. Huang Xiu Hong, a close family member of Mr. Wong Kwong Yu ("Mr. Wong"), who is the controlling shareholder of the Group. Therefore, the Group accounted for this transaction as business combination by applying the acquisition method.

5. BUSINESS COMBINATION *(continued)*

The carrying amounts of the assets and liabilities of Tianjin GOME Warehouse as at the date of acquisition were:

	Carrying amounts recognised on acquisition RMB'000
Current assets	153
Buildings	94,601
Land use rights	63,290
Total liabilities	(68,434)
Total identifiable net assets at carrying amount	89,610
Satisfied by:	
Cash	89,610

An analysis of the cash flows in respect of the acquisition of Tianjin GOME Warehouse is as follows:

	RMB'000
Cash consideration	(89,610)
Cash and cash equivalents acquired	88
Net outflow of cash and cash equivalents	(89,522)

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:

	Note	**For the six-month period ended 30 June**	
		2018	2017
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**34,706,115**	38,072,640
Other income			
Income from suppliers, net		**145,129**	233,460
Income from installation		**77,436**	80,329
Other service fee income		**185,080**	203,083
Other income from telecommunication service providers		**53,852**	59,909
Commission income from providing on-line platforms		**26,643**	44,467
Gross rental income		**132,615**	130,537
Government grants	*(i)*	**45,748**	77,674
Income from bank deposits and financial products		**7,734**	42,948
Dividend income from listed investments		**5,168**	2,933
Others		**43,423**	93,899
		722,828	969,239
Gains			
Gains on equity investments at fair value through profit or loss		**–**	130,730
Gains on disposal of other investments		**–**	3,788
Gains on disposal of financial assets at fair value		**761**	–
		761	134,518
		723,589	1,103,757

Note:

(i) 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. (LOSS)/PROFIT BEFORE TAX

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

	Notes	For the six-month period ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Cost of inventories sold		**29,420,251**	32,388,584
Depreciation		**397,974**	377,422
Amortisation of other intangible assets*		**22,945**	22,995
Amortisation of prepaid land lease payments		**17,339**	16,044
Losses on disposal of property and equipment		**9,095**	3,216
Losses on financial assets at fair value through profit or loss		**14,348**	–
Gains on equity investments at fair value through profit or loss	6	**–**	(130,730)
Minimum lease payments under operating leases		**2,212,838**	2,285,836
Gross rental income	6	**(132,615)**	(130,537)
Foreign exchange differences, net		**33,337**	186,141
Impairment provision for trade and bills receivables**		**21,393**	–
(Reversal of)/impairment provision for property and equipment**		**(15,348)**	3,526
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**1,350,076**	1,337,142
Pension scheme contributions***		**322,076**	323,172
Social welfare and other costs		**46,976**	48,670
Share award expense****		**(3,631)**	–
		1,715,497	1,708,984

7. (LOSS)/PROFIT BEFORE TAX *(continued)*

Notes:

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

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

*** At 30 June 2018, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2017: nil).

**** During the year 2017, the Group granted share appreciation rights ("SARs") under the share award scheme to employees, executives and officers as part of their remuneration package, whereby the employees, executives and officers will become entitled to a future cash payment, based on the increase in the Company's share price from the exercisable price. The cost of SARs is measured initially at fair value at the grant date using the binomial tree model, taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognised in the statement of profit or loss.

8. FINANCE (COSTS)/INCOME

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

		For the six-month period ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Finance costs:			
Interest expense on bank loans		**(54,455)**	(19,404)
Interest expense on bonds payable		**(316,089)**	(276,618)
Interest expense on borrowings from related parties	*25(a)(iii) and (iv)*	**(40,227)**	(24,950)
Interest expense on finance lease payable		**(1,200)**	(1,720)
Total interest expense on financial liabilities not at fair value through profit or loss		**(411,971)**	(322,692)
Less: Interest capitalised		**42,629**	–
		(369,342)	(322,692)
Finance income:			
Bank interest income		**171,438**	140,535

9. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax - PRC	**211,143**	168,098
Deferred income tax	**(123,348)**	11,728
Total tax charge for the period	**87,795**	179,826

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 operated. 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 2017: 25%) on their respective taxable income. During the current period, 62 entities (six-month period ended 30 June 2017: 48 entities) of the Group obtained approvals from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

The Group realised tax benefits during the 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 2018 and 2017, as the Group had no assessable profits arising in Hong Kong for each of the periods.

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

The calculation of basic (loss)/earnings per share is based on the profit or loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 21,012,608,000 in issue during the period (six-month period ended 30 June 2017: 21,569,756,000).

The calculation of diluted (loss)/earnings per share is based on the profit or loss for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted loss per share is the weighted average number of ordinary shares in issue during the period, as used in the basic (loss)/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 loss per share amount presented for the six-month period ended 30 June 2018 as the warrants were forfeited on 31 March 2018 and had no dilutive effect on the basic earnings per share amount presented.

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

	For the six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic and diluted (loss)/earnings per share calculations	**(457,253)**	121,851

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

	Number of shares for the six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculations	**21,012,608**	21,569,756

11. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2018, the Group acquired property and equipment at a total cost of RMB486.2 million (six-month period ended 30 June 2017: RMB284.1 million). In addition, the property and equipment acquired at fair value from business combination (note 5) on 3 April 2018 amounted to RMB94.6 million. Property and equipment with a net carrying amount of RMB45.5 million (six-month period ended 30 June 2017: RMB38.2 million) were disposed of during the six-month period ended 30 June 2018, resulting in a net loss on disposal of RMB9.1 million (six-month period ended 30 June 2017: RMB3.2 million).

Certain of the buildings of the Group in the PRC were pledged as security for bills payable (note 18) and interest-bearing bank loans (note 19) of the Group as at 30 June 2018. The aggregate carrying value of the pledged properties of the Group as at 30 June 2018 amounted to RMB1,146,212,000 (31 December 2017: RMB1,399,953,000).

12. FINANCIAL ASSETS AT FAIR VALUE

	Notes	30 June 2018 (Unaudited) RMB'000
Financial assets at fair value through profit or loss		
Quoted equity shares		3,436,858
Total current		3,436,858
Financial assets at fair value through other comprehensive income		
Quoted equity shares:		
Investment in Gome Telecom	*(i)*	462,655
Investment in MTC	*(ii)*	187,201
Financial assets at fair value through profit or loss		
Unquoted investments	*(iii)*	1,416,306
Total non-current		2,066,162
Total		5,503,020

Notes:

(i) During the first half of year 2018, the Group purchased 5,061,695 shares of 國美通訊設備股份有限公司 ("Gome Telecom Equipment Co., Ltd." or "Gome Telecom"), with a cash consideration of RMB54,025,000. The balance as at 30 June 2018 represented the fair value of the Group's investments in 45,049,095 shares, representing approximately 17.84% of the outstanding issued shares of Gome Telecom. Gome Telecom is a company established in the PRC and listed on the Shanghai Stock Exchange. Upon adoption of IFRS 9, the Group reclassified the investment from other investments to financial assets at fair value with gains or losses recognised as a separate component of equity.

Of the seven directors of Gome Telecom, two were nominated by the Group as at 30 June 2018 (31 December 2017: 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 2018, the fair value of this investment was based on the quoted market price, which was RMB10.27 (31 December 2017: RMB11.90) per share. During the six-month period ended 30 June 2018, the loss in respect of this investment recognised in other comprehensive income amounted to RMB67,221,000 (six-month period ended 30 June 2017: loss of RMB96,370,000).

12. FINANCIAL ASSETS AT FAIR VALUE *(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. Upon adoption of IFRS 9, the Group reclassified the investment from other investments to financial assets at fair value with gains or losses recognised as a separate component of equity.

On 8 June 2017, MTC declared and paid a cash dividend of RMB0.25 for every 10 shares and a stock dividend of 15 shares for every 10 shares held by the shareholders. As at 30 June 2018, the Group held 75,484,535 shares, which represented 1.67% of the issued shares of MTC.

As at 30 June 2018, the fair value of this investment was based on the quoted market price, which was RMB2.48 (31 December 2017: RMB3.58) per share.

During the six-month period ended 30 June 2018, the loss in respect of this investment was recognised in other comprehensive income amounted to RMB83,033,000 (six-month period ended 30 June 2017: RMB68,992,000).

(iii) As at 30 June 2018, unquoted investments with a carrying amount of RMB1,416,306,000 were stated at fair value through profit or loss.

Fair Values

Set out below is a comparison of the carrying amounts and fair values of financial assets at fair value as at 30 June 2018:

	30 June 2018	
	Carrying amount RMB'000	**Fair value RMB'000**
Unquoted investments	**1,416,306**	**1,416,306**
Quoted equity shares	**4,086,714**	**4,086,714**
Total	**5,503,020**	**5,503,020**

12. FINANCIAL ASSETS AT FAIR VALUE *(continued)*

Fair Values *(continued)*

The following table provides the fair value measurement hierarchy of the Group's financial assets at fair value as at 30 June 2018:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2018:				
Financial assets measured at fair value:				
Unquoted investments				
Investment entities	900,597	–	–	900,597
iKongjian	353,416	–	–	353,416
MAX Communication	126,634	–	–	126,634
Others	35,659	–	–	35,659
Quoted equity shares				
Gome Telecom	462,655	462,655	–	–
MTC	187,201	187,201	–	–
Stock	3,436,858	3,436,858	–	–
Total	5,503,020	4,086,714	–	1,416,306

12. FINANCIAL ASSETS AT FAIR VALUE *(continued)*

Fair Values *(continued)*

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	Investment entities	iKongjian	MAX Communication	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	843,334	356,000	–	10,901	1,210,235
Accumulated adjustment in retained earnings	(12,846)	5,505	–	40,805	33,464
Remeasurement recognised in profit or loss	14,409	(8,089)	76,634	(5,146)	77,808
Purchases	55,700	–	50,000	–	105,700
Sales	–	–	–	(10,901)	(10,901)
As at 30 June 2018	**900,597**	**353,416**	**126,634**	**35,659**	**1,416,306**

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six-month period ended 30 June 2018. The fair value increase on financial instruments categorised within Level 3 of RMB77,808,000 was recorded in the statement of profit or loss.

Fair Value Hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

12. FINANCIAL ASSETS AT FAIR VALUE *(continued)*

Valuation Processes

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Group uses its valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period.

The Group's fair value methodology and the governance over its models include a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the investment department. Once submitted, fair value estimates are also reviewed by the Chief Financial officer (CFO).

The CFO validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

The CFO also reviews the model calibration on at least an annual basis or when significant events in the relevant markets occur. The CFO is responsible for ensuring that the final reported fair value figures are in compliance with IFRSs and proposes adjustments when needed. When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the CFO is also responsible for:

- Verifying and reviewing the approved list of providers
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

Valuation techniques and specific considerations for Level 3 inputs are further explained below.

12. FINANCIAL ASSETS AT FAIR VALUE *(continued)*

Valuation Methods and Assumptions

The fair value of the financial assets is the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The following methods and assumptions were used to estimate the fair values:

- Fair value of quoted equity shares is derived from quoted market prices in active markets (Level 1).
- Fair value of the unquoted investments in investment entities has been estimated using a Prior Transaction Method by taking reference to the latest transaction price (Level 3).
- Fair value of the other unquoted investments measured at fair value through profit or loss has been estimated using market approach and enterprise value allocation model. The valuation requires management to make certain assumptions about the model inputs, including credit risk, volatility and lack of marketability discount ("LOMD"). The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted investments (Level 3).

Description of significant unobservable inputs to valuation

As at 30 June 2018:

	Valuation technique	**Significant unobservable inputs**	**Weighted average**	**Sensitivity of the input to fair value**
Investment entities	Prior transaction method	The latest transaction price	Not applicable	Not applicable
iKongjian	Enterprise value allocation model	LOMD	27.58%	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB4 million
MAX Communication	Enterprise value allocation model	LOMD	39.91%	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB3 million
Others	Market approach	LOMD	24.15%	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB0.6 million

13. INVENTORIES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Merchandise for resale	**9,919,004**	11,022,120
Consumables	**200,625**	233,327
	10,119,629	11,255,447

As at 30 June 2018, no inventory (31 December 2017: RMB500 million) was pledged as security for the Group's bills payable (note 18).

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. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. As at 30 June 2018, impairment losses amounted to RMB21,393,000 for long lifetime trade receivables is recognized according to forward-looking factors.

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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**193,366**	140,556
3 to 6 months	**12,037**	45,358
Over 6 months	**21,393**	456
	226,796	186,370
Provision for impairment	**(21,393)**	–
	205,403	186,370

14. TRADE AND BILLS RECEIVABLES *(continued)*

Movements in the provision for impairment losses are as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At the beginning of the period/year	**–**	–
Provision for impairment losses	**21,393**	–
At the end of the period/year	**21,393**	–

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Prepayments	**1,611,846**	1,205,845
Advances to suppliers	**1,641,617**	1,935,982
Other deposits and receivables	**1,656,679**	1,877,562
Current portion of prepaid land lease payments	**35,079**	33,691
	4,945,221	5,053,080

16. DUE FROM/DUE TO RELATED COMPANIES

DUE FROM RELATED COMPANIES

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Due from an associate	*(i)*	**100,911**	49,000
Due from other related companies	*(ii)*	**180,124**	300,953
		281,035	349,953

16. DUE FROM/DUE TO RELATED COMPANIES *(continued)*

DUE TO RELATED COMPANIES

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Current liabilities			
Payables to GOME Xinda*		**975**	38,168
Current portion of non-current items		**49,680**	47,463
Payables to other related companies	*(ii)*	**15,968**	36,189
		66,623	121,820
Non-current liabilities			
Payables to GOME Holding**	*25(a)(iii)*	**1,641,670**	1,586,997
Payables to GOME Financial**	*25(a)(iv)*	**80,016**	78,148
		1,721,686	1,665,145
Current portion		**(49,680)**	(47,463)
Non-current portion		**1,672,006**	1,617,682

* 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." or "Gome Finance Technology" , 00628.HK), which is a company listed on 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 RMB975,000 is due to GOME Xinda.

** 國美控股集團有限公司 ("GOME Holding Group Company Limited" or "GOME Holding") and 國美金控投資有限公司 ("GOME Financial Holding Investment Co., Ltd." or "GOME Financial") are owned by Mr. Wong.

(i) On 29 November 2017, 國美電器有限公司 ("GOME Appliance Company Limited" or "GOME Appliance") entered into a loan agreement with 國美通訊（浙江）有限公司 ("Gome Telecom (Zhejiang) Co., Ltd.", or "Gome Telecom Zhejiang"). As at 30 June 2018, the principal amount was RMB98 million, bearing annual interest at 5% for a period of one year.

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

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Cash and bank balances	**7,909,080**	8,297,026
Time deposits	**10,031,198**	7,682,219
	17,940,278	15,979,245
Less: Pledged time deposits for bills payable	**(4,698,588)**	(4,467,299)
Pledged time deposits for interest-bearing bank loans	**(3,564,729)**	(2,104,320)
Interest reserve on bonds payable	**(165,384)**	(163,782)
	(8,428,701)	(6,735,401)
Cash and cash equivalents	**9,511,577**	9,243,844

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB16,391,796,000 (31 December 2017: RMB14,443,092,000). 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.

18. TRADE AND BILLS PAYABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trade payables	**7,713,821**	8,040,453
Bills payable	**15,284,071**	14,798,440
	22,997,892	22,838,893

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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 3 months	**12,727,146**	12,208,312
3 to 6 months	**8,667,851**	8,939,643
Over 6 months	**1,602,895**	1,690,938
	22,997,892	22,838,893

The Group's bills payable above are secured by:

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

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

(iii) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB502,013,000 (31 December 2017: RMB482,072,000).

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

19. INTEREST-BEARING BANK LOANS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current:		
Bank loans – secured	**4,102,478**	3,025,262
Non-current:		
Bank loans – secured	**1,218,199**	96,938
	5,320,677	3,122,200
Analysed into:		
Bank loans		
Within one year or on demand	**4,102,478**	3,025,262
In the second year	**1,000,000**	–
Beyond five years	**218,199**	96,938
	5,320,677	3,122,200

The current bank loans as at 30 June 2018 comprised the following:

(i) bank loans of RMB390,000,000 bearing interest at 4.62% to 5.67%, which were guaranteed by GOME Appliance. A bank loan of RMB100,000,000 bearing interest at 5%, which was guaranteed by GOME Appliance and Yongle (China) Electronics Retail Company Limited.

(ii) a bank loan of JPY50,000,000 (equivalent to RMB2,996,000) bearing fixed annual interest at 0.53%;

(iii) a bank loan of EUR258,937,000 (equivalent to RMB1,995,334,000), bearing interest at 1 year EURIBOR plus 1% and a bank loan of US$244,000,000 (equivalent to RMB1,614,148,000), bearing interest at 3-month LIBOR plus 1.2%, which were secured by the pledged deposits (note 17).

19. INTEREST-BEARING BANK LOANS *(continued)*

The non-current bank loans as at 30 June 2018 comprised the following:

(i) a bank loan of RMB157,619,000 from Agricultural Bank of China bearing interest at a 5-year benchmark interest rate of the People's Bank of China, which was secured by the pledge of Group's land use rights amounted to RMB1,057,000,000.

(ii) On 1 April 2018 the Group, as inferior beneficiary (次級委託人), and China Merchants Bank ("CMB"), as superior beneficiary (優先委託人), initiated two trust schemes which are operated by China Resources SZITIC Trust Co., Ltd. ("CRST") with an investment period of two years. CMB contributed RMB1 billion in the trusts. Pursuant to the trust agreement and supplemental agreement, the Group is obligated to repay the amount contributed by CMB and pay interest with an annual yield of 6.3%.

(iii) a bank loan of RMB60,580,000 from Industrial and Commercial Bank of China bearing interest at a 5-year benchmark interest rate of the People's Bank of China floating 3%, which was secured by the operation cash flow, as well as the pledge of the Group's land use rights and construction in progress with carry amount of RMB65,000,000 and RMB143,257,000, respectively.

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

20. 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 costs of RMB105,232,000 were RMB4,894,768,000. The interest is 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.

20. BONDS PAYABLE *(continued)*

On 10 March 2017 and 23 June 2017, the Group issued overseas bonds in aggregate principal amounts of US$400 million (equivalent to RMB2,777,143,000) and US$100 million with bonds premium of US$625,000 (equivalent to RMB686,735,000), respectively. These two sets of bonds form a single series which is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The net proceeds after deducting transaction costs of RMB40,833,000 were RMB3,423,045,000. The interest is 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 calculated based on the effective interest rate was RMB316,089,000, of which RMB277,198,000 was included in finance costs of the interim condensed consolidated statement of profit or loss and RMB38,891,000 was capitalised in construction in progress of the condensed consolidated statement of financial position.

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

	RMB'000
Carrying amount as at 1 January 2018	12,115,183
Interest reclassified to current portion in previous year	243,327
Interest during the period	316,089
Interest paid during the period	(290,156)
Exchange differences	44,039
	12,428,482
Less: Interest to be paid within one year	(253,328)
Current portion included in current liabilities	(8,888,130)
Included under non-current liabilities as at 30 June 2018	3,287,024

21. ISSUED CAPITAL

Shares	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Issued and fully paid:		
21,557,627,422 (31 December 2017: 21,557,627,422) ordinary shares of HK$0.025 each	**538,941**	538,941

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

Shares	Number of shares '000	HK$'000	Equivalent to RMB'000
At 1 January and 30 June 2018	**21,557,627**	**538,941**	**518,322**

22. TREASURY SHARES

	Number of shares '000	HK$'000	Equivalent to RMB'000
At 1 January 2018	**488,153**	**473,179**	**405,287**
Repurchase	**443,728**	**356,037**	**293,749**
At 30 June 2018	**931,881**	**829,216**	**699,036**

During the period, the Group repurchased 443,728,000 shares from the open market with a cash consideration of HK$356,037,000 (equivalent to RMB293,749,000) for the share award scheme.

23. DIVIDENDS

Pursuant to the board of directors' resolution dated 28 August 2018, the board did not recommend the payment of an interim dividend so as to preserve capital for funding needs of the Group.

24. 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 18 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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	**3,717,994**	3,428,141
In the second to fifth years, inclusive	**9,302,694**	8,594,502
After five years	**3,499,416**	3,329,044
	16,520,104	15,351,687

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 9 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 the Group has the right to periodically adjust the rent according to the then prevailing market conditions.

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

(a) Operating Lease Arrangements *(continued)*

***As lessor** (continued)*

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	**164,321**	203,892
In the second to fifth years, inclusive	**305,904**	445,948
After five years	**84,468**	117,748
	554,693	767,588

(b) Capital Commitments

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
Property and equipment	**380,299**	156,565

25. RELATED PARTY TRANSACTIONS

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

(a) The Group Had the Following Ongoing Transactions with Related Parties during the Period:

	Notes	For the six-month period ended 30 June **2018** **(Unaudited)** **RMB'000**	 2017 (Unaudited) RMB'000
Rental expenses and other expenses to GOME Property and Beijing GOME*	*(i)*	**80,153**	84,160
Rental expenses and other expenses to Beijing Xinhengji*	*(i)*	**22,867**	13,798
Logistics service fee to GOME Ruidong and Anxun Logistics	*(ii)*	**296,045**	291,815
Warehouse service income from related companies	*(ii)*	**32,283**	15,595
Warehouse service expenses to related companies	*(ii)*	**25,977**	–
Interest expenses to GOME Holding	*(iii)*	**38,359**	24,950
Interest expenses to GOME Financial	*(iv)*	**1,868**	–
Purchases from Beijing Lianmei**	*(v)*	**19,861**	–
Construction expenses to GOME Property*	*(vi)*	**7,075**	7,075

* 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 are owned by a close member of the family of Mr. Wong.

In 2007, Beijing Xinhengji assigned part of the 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.

** 北京聯美智科商業有限公司 ("Beijing Lianmei Zhike Business Co., Ltd." or "Beijing Lianmei") is a subsidiary of Gome Telecom (Zhejiang) Co., Ltd., which is an associate of the Group.

25. RELATED PARTY TRANSACTIONS *(continued)*

(a) The Group Had the Following Ongoing Transactions with Related Parties during the Period: *(continued)*

Notes:

(i) On 20 December 2016, the Group renewed the lease agreement 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 fees amounted to RMB913,361,000. During the six-month period ended 30 June 2018, the rental expenses incurred by the Group to GOME Property amounted to RMB72,488,000 (six-month period ended 30 June 2017: RMB76,112,000).

On 20 December 2017, the Group renewed the lease agreement with Beijing GOME with respect to the continuous use of certain properties. During the six-month period ended 30 June 2018, the rental expenses incurred by the Group to Beijing GOME amounted to RMB7,665,000 (six-month period ended 30 June 2017: RMB8,048,000).

The Group entered into several lease agreements with Beijing Xinhengji with respect to the use of certain properties. During the six-month period ended 30 June 2018, the rental expenses incurred by the Group to Beijing Xinhengji amounted to RMB22,867,000 (six-month period ended 30 June 2017: RMB13,798,000).

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.

(ii) On 30 December 2015, the Group entered into (1) logistics services agreement pursuant to which 北京國美鋭動電子商務有限公司 ("Beijing GOME Ruidong e-Commerce Co., Ltd." or "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 and his associate, will provide the logistics services to the Group 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 years ended 31 December 2016 and 2017 and the year ending 31 December 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively, (2) the warehouse service agreement pursuant to which the Group will provide the warehouse service to Anxun Logistics and other related companies 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 years ended 31 December 2016 and 2017 and the year ending 31 December 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively, and (3) the warehouse service agreement pursuant to which Anxun Logistics and its related companies will provide the warehouse service to the Group 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 years ended 31 December 2016 and 2017 and the year ending 31 December 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively. During the period ended 30 June 2018, the logistics service fee and warehouse service expenses incurred by the Group to Anxun Logistics amounted to RMB296,045,000 and RMB25,977,000, respectively (six-month period ended 30 June 2017: RMB291,815,000 and nil), and the warehouse service income from Anxun Logistics amounted to RMB32,283,000 (six-month period ended 30 June 2017: RMB15,595,000).

The transactions constitute continuing connected transactions under the Listing Rules.

25. RELATED PARTY TRANSACTIONS *(continued)*

(a) The Group Had the Following Ongoing Transactions with Related Parties during the Period: *(continued)*

Notes: (continued)

(iii) On 1 January 2017, 國美在線電子商務有限公司 ("GOME-on-line e-Commerce Co., Ltd." or "GOME-on-line"), a subsidiary of the Group, entered into a loan agreement (the "Loan Agreement One") with GOME Holding. Pursuant to the Loan Agreement One, GOME Holding agrees to provide financial support to GOME-on-line with a cap amounted to RMB1.5 billion and bears annual interest at 5% for a three-year period. During the year ended 31 December 2017, GOME Ruidong, a subsidiary of GOME Holding, lent cash of RMB857,358,000 to GOME-on-line. Meanwhile, through several 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 loans was RMB1,314,558,000, which was within the cap of the Loan Agreement One. During the six-month period ended 30 June 2018, GOME Holding lent cash of RMB54,324,000 to GOME-on-line and interest expense incurred by GOME-on-line to GOME Holding amounted to RMB32,753,000 (six-month period ended 30 June 2017: RMB24,950,000) was recognised in the statement of profit or loss.

On 19 December 2016, 美信網絡技術有限公司 ("Meixin Network Technology Company Limited" or "Meixin") entered into a loan agreement (the "Loan Agreement Two") with GOME Holding. Pursuant to the Loan Agreement Two, GOME Holding agrees to provide financial support to Meixin with a cap amounted to RMB600 million and bears annual interest at 5% for a three-year period. During the period ended 30 June 2018, interest expense incurred by Meixin to GOME Holding amounted to RMB5,606,000 (six-month period ended 30 June 2017: nil) was recognised in the 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.

(iv) On 1 January 2017, Meixin entered into a loan agreement (the "Loan Agreement Three") with GOME Financial. Pursuant to the Loan Agreement Three, GOME Financial agrees to provide financial support to Meixin with a cap amounted to RMB200 million and bears annual interest at 5% for a three-year period. During the period ended 30 June 2018, interest expense incurred by Meixin to GOME Financial amounted to RMB1,868,000 (six-month period ended 30 June 2017: nil) was recognised in the statement of profit or loss.

The transaction constitutes a continuing connected transaction under the Listing Rules but is exempted from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(v) During the year ended 30 June 2018, the Group purchased commodities from Beijing Lianmei amounted to RMB19,861,000 (six-month period ended 30 June 2017: nil).

The transaction does not constitute a continuing connected transaction under the Listing Rules.

(vi) This transaction constitutes continuing connected transaction under the Listing Rules but is 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.

25. RELATED PARTY TRANSACTIONS *(continued)*

(b) Commitments with Related Companies

On 20 December 2017, GOME Appliance entered into a lease agreement with Beijing GOME for the continuous use of a property commencing from 1 January 2018 to 31 December 2018. As the result, the Group had rental commitments with Beijing GOME amounted to RMB8,048,000 (31 December 2017: RMB16,097,000).

On 1 October 2016, GOME-on-line entered into a lease agreement with Beijing Xinhengji for the properties in Pengrun Building and have a term expiring on 9 December 2018. Meixin entered into a lease agreement with Beijing Xinhengji with respect to the use of certain properties before the business combination which has a term expiring on 19 December 2018. On 30 November 2017, Meixin renewed another lease agreement with Beijing Xinhengji which has a term expiring on 24 September 2019. As at 30 June 2018, the Group had rental commitments with Beijing Xinhengji amounted to RMB44,807,000 (31 December 2017: RMB66,145,000).

(c) Compensation of Key Management of the Group:

	For the six-month period ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**977**	1,202
Other emoluments:		
Share award expense	**(323)**	–
Salaries, allowances and other expenses	**5,454**	7,134
Pension scheme contributions	**165**	173
	6,273	8,509

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and pledged deposits, held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Debt instruments at amortised cost:		
Trade and bills receivables	**205,403**	186,370
Financial assets included in prepayments, deposits and other receivables	**1,656,679**	1,877,562
Due from related companies	**281,035**	349,953
Entrusted loan	**500,000**	500,000
Financial assets at fair value	**5,503,020**	–
Other investments	**–**	1,956,320
Equity investments at fair value through profit or loss	**–**	3,748,709
Total	**8,146,137**	8,618,914
Total current	**5,579,975**	6,162,594
Total non-current	**2,566,162**	2,456,320

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Set out below is an overview of financial liabilities held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Financial liabilities at amortised cost:		
Bonds payable	**12,175,154**	12,115,183
Finance lease payable	**39,027**	64,940
Interest-bearing bank loans	**5,320,677**	3,122,200
Trade and bills payables	**22,997,892**	22,838,893
Financial liabilities included in customers' deposits, other payables and accruals	**2,441,753**	2,468,807
Due to related companies	**1,738,629**	1,739,502
Total	**44,713,132**	42,349,525
Total current	**38,535,903**	32,456,163
Total non-current	**6,177,229**	9,893,362

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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, short-term 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 values of entrusted loan, finance lease payable, long-term interest-bearing bank loans, long-term amounts due to related companies and bonds payable are 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 values of entrusted loan, finance lease payable, long-term interest-bearing bank loans, long-term amounts due to related companies and bonds payable approximate to their carrying amounts. The assessment of the fair value of financial assets at fair value is included in note 12 to the Interim Financial Information.

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

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 Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

28. EVENTS AFTER THE REPORTING PERIOD

(i) On 24 July 2018, the Group proposed to subscribe 49% of the newly issued capital of Gome Telecom Zhejiang with a consideration of RMB294 million.

(ii) On 16 August 2018, the Group proposed to acquire no more than 100,616,584 issued outstanding shares, which represents a 13.36% equity interest of Beijing Centergate Technologies (Holding) Co., Ltd from the open market at an offering price of RMB6.20 per share.

(iii) During August 2018, the Group purchased 5,430,370 shares of Gome Telecom with cash consideration of RMB54 million.

29. 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 2018.

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 2018, the interests and short positions of the directors (the "Director(s)") of GOME Retail Holdings 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

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.

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

Save as disclosed above, as at 30 June 2018, 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 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.

(c) Particulars of the directors' service contracts

As at 30 June 2018, 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 2018 (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

During the Reporting Period, there were no material supplements to the directors' profile.

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 2018, a sum of approximately HK$826,496,000 (excluding transaction costs) has been used to acquire 931,881,000 shares of the Company (the "Share(s)") from the market by the independent trustee. Up to the date of this report, 243,887,000 Shares have been granted to the participants of the Group under the Share Award Scheme.

Details of the Share Award Scheme are set out in the announcement of the Company dated 3 October 2016 and 6 October 2017.

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 2018, 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	50.26
Ms. Du Juan *(Note 2)*	Interest in controlled corporation	10,835,703,338	50.26
Ever Ocean Investments Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.51
GOME Holdings Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.51
Power Charm Holdings Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.51
GOME Home Appliances (H.K.) Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.51
GOME Management Limited *(Note 3)*	Beneficial owner	5,500,000,000	25.51
Shinning Crown Holdings Inc. *(Note 4)*	Beneficial owner	4,454,979,938	20.67

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).

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.

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 2018, 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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2018.

CHANGES TO THE BOARD

There were no change to the Board during the six-month period ended 30 June 2018.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2018, 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 2018.

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 2018 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