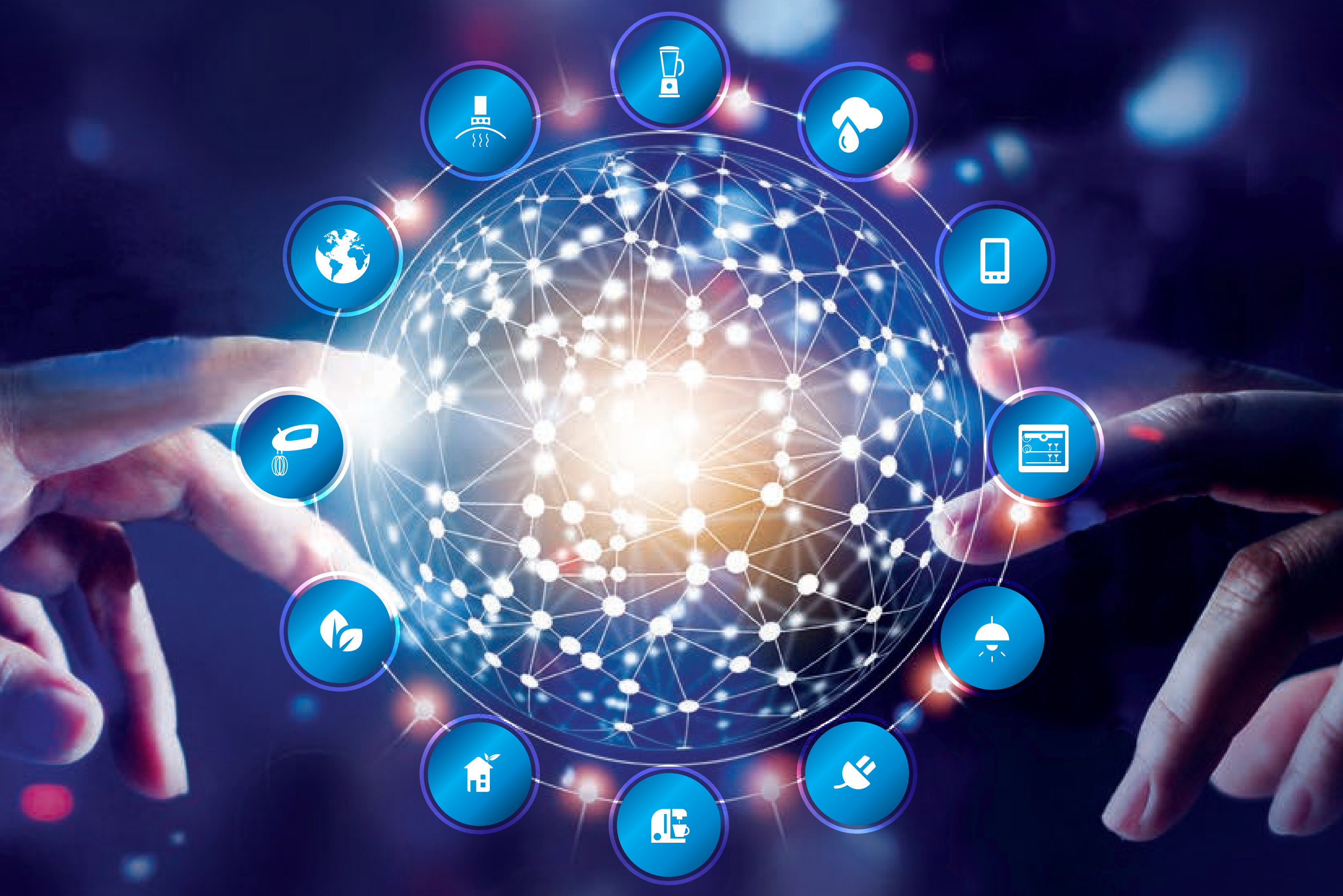
GOME 国美

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

(Incorporated in Bermuda with limited liability)

(Stock Code : 493)



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INTERIM REPORT 2019

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Financial Highlights

	First half of 2019 RMBm	First half of 2018 RMBm
Revenue	**34,333**	34,706
Consolidated gross profit#	**6,151**	6,009
Consolidated gross profit margin	**17.92%**	17.32%
Profit/(loss) before finance (costs)/income and tax	**366**	(435)
Loss attributable to owners of the parent	**(380)**	(457)
Loss per share – Basic and diluted	**(RMB1.9 fen)**	(RMB2.2 fen)

Consolidated gross profit = gross profit + other income and gains

Operational Highlights

- During the Reporting Period, the Group continued to push forward the "Home•Living" strategy and the growth of the new businesses was accelerating.
- County-level stores (self-operated stores + new retail stores) GMV increased by approximately 339% year-on-year.
- One-stop home solution – integration of kitchen cabinets with electrical appliances GMV increased by approximately 108% year-on-year.
- Shared retail – ME Shop GMV increased by approximately 123% year-on-year.
- GMV from smart products increased by approximately 62% year-on-year.
- Service GMV increased by approximately 32% year-on-year.

Overview

During the six-month period ended 30 June 2019 (the "Reporting Period"), GOME Retail Holdings Limited (the "Company", with its subsidiaries, collectively known as the "Group" or "GOME") fully implemented the "Home • Living" strategy and put great efforts in innovation and transformation. Adhering to the core concept of "Home", the Company strived to evolve into an integrated provider of "Home • Living" solutions, service solutions and supply chains from a home appliance retailer. In line with the "Home • Living" strategy, the Company interacted closely with its users through providing home appliances, home decoration, home furnishing, and home services, in an effort to raise the quality of life of the households in China.

During the Reporting Period, the Group's total gross merchandise volume ("GMV") increased by approximately 1.80% as compared with the corresponding period of last year, among which, the county-level stores (self-operated stores + new retail stores) GMV grew by approximately 339%, ME Shop GMV grew by approximately 123%, GMV from the smart products grew by approximately 62%, GMV from new businesses, such as home solution and integration of kitchen cabinets with electrical appliances grew by approximately 108% and service GMV grew by approximately 32%.

During the Reporting Period, the Group recorded sales revenue of approximately RMB34,333 million, relatively stable as compared with RMB34,706 million for the corresponding period last year. The Group's consolidated gross profit margin increased slightly by 0.60 percentage point from 17.32% in the corresponding period last year to approximately 17.92%. Operating expenses ratio decreased by 1.64 percentage points from 18.33% in the corresponding period last year to approximately 16.69%. Profit before finance (costs)/income and tax was approximately RMB366 million, as compared with a loss of RMB435 million for the corresponding period in 2018. In addition, the Group's financial costs still stood at a relatively high level of approximately RMB1,121 million as compared with RMB369 million in the corresponding period last year. Taking into account the above factors, the Group's loss attributable to owners of the parent company was approximately RMB380 million, a reduction as compared with the loss of RMB457 million in the corresponding period last year. As of 30 June 2019, the Group had sufficient capital with cash and cash equivalents of approximately RMB10,106 million.

In 2019, GOME has entered a critical stage of its strategic transformation. Leveraging on the advantages of internet technology, GOME has set up a user-base interaction and operation platform under the integration of the three terminals – the GOME APP, physical stores and ME Shop. GOME has also continued to provide users with advanced "comprehensive solutions for smart home" in order to establish the new retail pathway with GOME's iconic characteristics.

Business Environment

During the Reporting Period, the global economy showed sluggish recovery. The trend of deglobalization and the lingering trade frictions gave rise to uncertainties in the economic policies of developed countries.

For the first half of 2019, the GDP of China recorded a year-on-year increase of 6.3%. Despite the complicated and severe conditions of domestic and global economies, the general economy of China has been operating within a reasonable range and has maintained its stable growth.

In respect of the industry environment, in the first half of 2019, the domestic retail industry maintained its stable growth in general. Development highlights of the retail industry were as follows: Firstly, the overall sales in the market was stable and the economic growth was further driven by consumption. Secondly, with the co-development of urban and rural markets, the contribution of rural market increased steadily. Thirdly, the consumption growth has been supported by the rapid development of emerging industries and accelerating integration of online and offline businesses. To align with the trend of “Internet +”, traditional retail enterprises have carried out transformation while fully utilizing big data, artificial intelligent, mobile Internet and other advanced technologies to improve their business models.

As for its current development, the economy of China has started to pick up its growth momentum but would require further consolidation and strengthening. Despite the great difficulties and challenges in economic growth arising from the Sino-US economic and trade frictions, the economic development of China showed huge potential and strong resilience. Effective policies, including counter-cyclical measures, tax and surcharge reduction, stabilization of investment and stabilization of financial market will continue to give positive results. The economic development is expected to maintain a positive trend in the long-run.

Business Review

Continue to Drive Towards the "Home • Living" Strategy

(1) Integration of the GOME APP, Stores and ME Shop

Through coordinating the systems of the GOME APP, physical stores and ME Shop, these three terminals have been integrated to enable sharing of customer traffic, scenarios and tools.

Empowered by the technology and data, the GOME APP acts as the master platform of the Group for data collection and distribution. By connecting with GOME's business network, such as physical stores, ME Shop, mini-programs, GOME House Manager, GOME finance and payment systems, the GOME APP will be able to carry out functions such as data collection, computation and application. Customers can use it to buy, make enquires and obtain services anytime, anywhere, while GOME employees can conduct 24-hour sales a day through the GOME APP, which greatly enhances efficiency while meeting customer needs.

ME Shop is a benefit-sharing and distribution tool, which also shares customer traffic and user information from the GOME APP. During leisure time, GOME employees can share products to their friends through marketing functions such as "Best Selections", "Group Purchase" and "Best-Selling Products" via ME Shop, which substantially strengthen the product precision marketing. During the Reporting Period, the number of ME Shop owners reached 580,000 while GMV from ME Shop grew by approximately 123% year-on-year.

(2) Establishing Large-scale Integrated Flagship Stores

Offline, over the course of implementing its "Home • Living" strategy and according to the big data analysis of the market condition, business circle characteristics and target customers' consuming behaviours of the cities where its stores are located, GOME is enhancing the diversity of in-store scenarios through self-operated + platform model, providing users with intelligence, technology and youth oriented home and personal solutions.

The Group strengthened the core competitiveness of its physical stores through providing a wide range of home and personal products and adjusting its product portfolios. The operation model of physical stores has been different from that of the online stores with the launch of various measures, including: (1) introducing professional and high-end home appliance brands, such as GE, AEG, Miele and Vaillant and promoting a wide range of middle- to high-end differentiated products with high profit margin; (2) setting up experience stores for built-in appliances; (3) creating themes such as daily kitchen routine, personal beauty care, personal smart wear and smart home; (4) introducing various solutions based on the “Home • Living” strategy to its sales platforms in order to enhance synergy effects, improve users’ experience and attract traffic. These solutions included kitchen utensils, household products and lively supermarkets. A variety of themed businesses were also launched in the physical stores, including “Supermarket”, “Entertainment”, “Children”, “Kitchen Space”, “GOME Smart”, “Cozy Home”, “IXINA Integrated Kitchen Cabinets and Electrical Appliances” and “GOME Home Decoration”, resulting in satisfactory consumer experience and higher customer traffic.

(3) Optimizing the Store Network

During the Reporting Period, the Group established innovative integrated experience stores in Beijing, Shanghai, Guangzhou, Shenzhen, Xi’an, Chongqing, Chengdu, Shenyang and other regions to demonstrate the intelligence, technology and youth oriented development of the Group. Through integrating home appliance, household products, home furnishing products and supermarket into its business model, the Group has established a new generation of city landmark stores.

During the Reporting Period, the Group cooperated with various nationwide and regional chain supermarkets and opened 205 supermarket in-store-shops. The Group has exported high-quality supply chains to the supermarkets, including bulk appliances, 3C and smart products. Combining high- and low-frequency consumption, a new growth momentum has been established. In addition, the Group has explored collaboration with nationwide and regional household decoration material chain brands to facilitate traffic sharing with each other and capture front-end users.

As income per capita grows and urbanization accelerates, third- to sixth-tier cities (including county-level cities, counties and towns) have laid a solid economic foundation for future growth and become the main focus for the development of GOME. GOME has explored these new markets by continuing to open stores in these regions and introduced franchise model to existing local stores in the county-level market and provided supports to franchise shops in respect of working capital, supply chains, management, systems and marketing, so as to quickly expand its network coverage. During the Reporting Period, the Group opened 218 county-level stores (self-operated stores + new retail stores) and the GMV growth of the county-level stores was approximately 339% year-on-year.

The Nationwide Retail Network of the Group

As at 30 June 2019

	Total	GOME	China Paradise	Dazhong	Cellstar
Flagship stores	287	236	29	21	1
Standard stores	1,219	1,065	84	22	48
Decoration materials and home furnishing in-store shops	40	38	2	–	–
County-level stores	647	607	25	14	1
Among them: New retail stores	*258*	*244*	*10*	*4*	–
Supermarket stores	207	203	4	–	–
Total	**2,400**	**2,149**	**144**	**57**	**50**
Net increase/(decrease) in store number	278	279	(1)	3	(3)
Newly-opened stores	492	465	18	6	3
Closed stores	(214)	(186)	(19)	(3)	(6)
Number of cities accessed	**776**	**713**	**82**	**8**	**6**
Among them: Tier 1-2 cities	425	391	60	1	6
Tier 3-6 cities	351	322	22	7	–
Cities newly accessed	**170**	**160**	**10**	**–**	**–**

(4) Further Promoting New Business of Cozy Home, Integrated Kitchen Cabinets and Electrical Appliances and Kitchen Space

In the first half of 2019, the Group further promoted the development of various projects, including Cozy Home, Integrated Cabinets and Electrical Appliances and Kitchen Space, in a bid to provide its customers with comprehensive home solutions.

As at 30 June 2019, the Group has opened more than 360 Cozy Home stores with their latest major solutions ranging from central air-conditioning, central water purification, centralized floor heating to centralized air ventilation systems. The Group intends to introduce additional products such as centralized dedusting, smart appliances, smart security and smart energy saving systems.

As for the IXINA Integrated Kitchen Cabinets and Electrical Appliances project, the Group established GOME Mapeng Store in Beijing and China Paradise Caobao Store in Shanghai in the first half of 2019. Standardized services for comprehensive kitchen solutions were introduced to cover the whole process, ranging from customer acquisition, in-store experience, on-site measurement, quotation, contract execution, ordering, installation and payment to after-sales services, etc. GOME will further tap into its advantages in selection of electrical appliances, pricing and logistics to boost the sales of kitchen cabinets.

Kitchen Space is a project which targets mid- to high-end customers, and has introduced more than 360 imported brands and over 20,000 SKUs, including Zwilling, WMF and Fissler, etc.

(5) Comprehensive Solutions for Smart Home

Leveraging on the advantages of supply chain and the IoT technology, GOME has integrated its research and development, smart manufacturing, cloud platform and big data in order to innovate its technologies, products and operation model. With the holistic layout of smart electrical appliances and smart home, GOME is able to provide users with advanced "comprehensive solutions for smart home". As at 30 June 2019, the IoT platform of the Group has accessed to approximately 60 brands, 70 categories and more than 100 manufacturers. The GMV growth of the smart products was approximately 62% year-on-year.

Supply Chain Platform Development

(1) Optimizing Supply Chain

The goal of supply chain optimization of the Group is to enhance the overall management of supply chain and establish a comprehensive data-driven supply chain management platform based on its strategy of standardization, digitalization, automation and intelligence and with the adoption of advanced technologies.

During the Reporting Period, the Group optimized various systems, such as electronic contract, automatic purchase, price management, automatic store inventory allocation and warehouse management, in order to facilitate the promotion and implementation of its "Home • Living" strategy.

(2) Optimizing Logistics Services

During the Reporting Period, the Group has continued to vigorously build a high-efficient supply chain system through technology empowerment. Currently, the Group has strong infrastructure and rich national warehouse network with storage area reached 3,000,000 sq. m. The Group has 2,186 warehouses with city coverage of 92% and a comprehensive delivery network covering more than 40,000 counties in China.

In addition, the Group has improved the delivery efficiency through the coordination between its centralized warehouses and store warehouses. 2-hour delivery within 3-5 km in diameter was realized to improve user experience and stickiness.

(3) Commoditization, Intelligentization and Socialization of After-sales Services

During the Reporting Period, the Group has strove to establish a full life-cycle for its products and provide intelligent after-sales services to its users, realizing a long-term and high-frequency connection with its users.

Commoditization services include cleaning, filters changing, fluorine supplement, maintenance, detection services and service packages, while socialization services include after-sales services provided to customers of various well-known brands, such as Xiaomi, Gree, Hisense and Panasonic. By providing such comprehensive services to its customers and manufacturers, the loyalty of the customers has been enhanced.

Strengthening Information Systems

During the Reporting Period, the Group aimed to support the integration of its three terminals (the GOME APP, physical stores and ME Shop) by carrying out research and development on various aspects, such as marketing, operating, data analysis and home services.

(1) Member Marketing Platform

In the first half of 2019, the Group established a standardized online and offline marketing platform with an aim to enable consistent user experience among its three terminals. The platform adopted big data technology for the graphic identification of members and products, allowing the intelligent matching of products and users as well as that of marketing campaigns and users. Through SMS, phone call, e-mail and WeChat group, etc. the platform was able to interact with users according to its pre-determined targets and schedule.

(2) ME Shop System

During the Reporting Period, the Group upgraded the precise scenario marketing and customer management of ME Shop system. Emphasis was placed on the upgrade of ME Shop owner terminals and ME Shop mini-programs to facilitate the integration of owner terminals into GOME APP. Through WeChat mini-programs and WeChat groups, ME Shop owners can develop and manage their user base, extending their operation coverage to the business circle and the community.

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 reaching consensus.

Establishment of the Corporate Culture

During the Reporting Period, following the “Home · Living” strategy, and based on the existing culture of “Trust”, the Group continued to push forward the “GOME Leadership Principles”. These initiatives gave clear guidelines on staff behavior, allowing the Company and all of its teams to improve efficiency and cohesion under consistent ideologies and goals, strong motivation, effective cooperation and innovative measures. Substantial efforts have been made to positively and effectively introduce its strategies, business development, values and philosophies as well as cases of outstanding performance in a bid to strengthen staff participation in its corporate development and enhance their sense of belongings.

Talent and Expertise

During the Reporting Period, the Group continued to promote the ideology of “think from the perspective of a customer and create value”. More efforts were made to develop the career paths for staff and select talents for new businesses in line with the strategic transformation of the Group.

The Group also placed an emphasis on the training courses under its “Twelve-hour Leadership Campaign” (領導力十二小時) which featured four main topics, namely customer experience, problem-solving, efficiency enhancement and productivity improvement. These training programs have also perfected the career ladders from entry-level staff to senior management, and incubated talents for new projects and new businesses.

In the first half of 2019, the Group received “CCFA Outstanding Corporate Universities Best Learning Project Award” (CCFA優秀企業大學最佳學習項目獎).

As at 30 June 2019, the Group had a total of 36,769 employees. There have been no material changes in the Group’s remuneration policy during the Reporting Period.

Financial Review

Certain comparative amounts have been reclassified to conform with the Reporting Period's presentation.

Revenue

During the Reporting Period, the Group continued to focus on its "Home • Living" strategy. Sales revenue of the Group was approximately RMB34,333 million, relatively stable as compared with RMB34,706 million for the corresponding period last year. During the Reporting Period, sales revenue from the 1,380 comparable stores was approximately RMB26,912 million, down 4.14% as compared with RMB28,074 million for the corresponding period in 2018. In addition, the proportion of revenue from county-level stores has increased to 5.49% of total revenue while the revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) has increased to 5.20% of total revenue.

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

	First half of 2019	First half of 2018
As a percentage of sales revenue:		
AV	**14.65%**	16.89%
Air-conditioner	**18.34%**	20.30%
Refrigerator and washing machine	**19.23%**	19.39%
Telecommunication	**19.34%**	19.51%
Small white appliances	**15.24%**	15.62%
Computer and digital	**8.00%**	8.26%
New business	**5.20%**	0.03%
Total	**100%**	100%

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales for the Group was approximately RMB29,337 million, accounting for approximately 85.45% of the total sales revenue, as compared with 84.35% for the corresponding period in 2018. The Group's gross profit was approximately RMB4,997 million, as compared with RMB5,431 million for the corresponding period last year. Gross profit margin was approximately 14.55%, decreased slightly by 1.10 percentage points as compared with 15.65% for the corresponding period last year. The gross profit margins of each product category remained relatively stable as compared with the corresponding period last year.

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

	First half of 2019	First half of 2018
AV	**15.66%**	15.90%
Air-conditioner	**15.80%**	16.69%
Refrigerator and washing machine	**17.62%**	18.13%
Telecommunication	**8.45%**	10.89%
Small white appliances	**18.49%**	21.01%
Computer and digital	**7.31%**	7.83%
New business	**18.02%**	16.66%
Total	**14.55%**	15.65%

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB1,154 million, representing an increase of 99.65% as compared with RMB578 million for the corresponding period in 2018. Mainly due to the increase in gains on financial assets at fair value through profit or loss during the Reporting Period amounted to approximately RMB528 million.

Summary of other income and gains is as follows:

	First half of 2019	First half of 2018
As a percentage of sales revenue#:		
Income from installation	**0.29%**	0.22%
Other service fee income	**0.41%**	0.53%
Commission income from providing on-line platforms	**0.09%**	0.08%
Gross rental income	**0.35%**	0.38%
Government grants	**0.31%**	0.13%
Gains on financial assets at fair value through profit or loss	**1.54%**	–
Others	**0.37%**	0.33%
Total	**3.36%**	1.67%

The Group has adopted IFRS15 since 2018. Upon adoption of IFRS15, income from suppliers with no distinct performance obligation identified was reclassified from other income to deduction of cost of sales.

Consolidated Gross Profit Margin

During the Reporting Period, as the gross profit margin remained stable while the other income and gains increased, the Group's consolidated gross profit margin increased slightly by 0.60 percentage point from 17.32% in the corresponding period of 2018 to 17.92%.

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 RMB5,731 million, decreased by 9.90% as compared with RMB6,361 million for the corresponding period last year. The operating expenses ratio was 16.69%, down by 1.64 percentage points as compared with 18.33% for the corresponding period in 2018.

The decrease in operating expenses was mainly due to, among others, the adoption of IFRS 16 by the Group in 2019. The rental expenses were adjusted and reclassified and will be further discussed in the section headed "Selling and Distribution Expenses" below.

Summary of operating expenses is as follows:

	First half of 2019	First half of 2018
As a percentage of sales revenue:		
Selling and distribution expenses	**11.73%**	13.84%
Administrative expenses	**3.38%**	3.36%
Other expenses	**1.58%**	1.13%
Total	**16.69%**	18.33%

Selling and Distribution Expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB4,026 million, reduced by 16.16% as compared with RMB4,802 million for the corresponding period last year. The selling and distribution expenses as a percentage over sales revenue was 11.73%, decreased by 2.11 percentage points as compared with 13.84% for the corresponding period in 2018.

The decrease in selling and distribution expenses was mainly due to, among others, the adoption of IFRS 16 by the Group in 2019. Upon the adoption of IFRS 16, the rental expenses will be reflected in (1) rental expenses, to represent short-term leases; (2) the depreciation charge of right-of-use assets (included within "selling and distribution expenses"); and (3) interest expense (included within "finance costs"). As the results of the abovementioned adjustments, during the Reporting Period, the rental expenses decreased substantially from RMB2,063 million in the corresponding period last year to approximately RMB332 million, and the depreciation increased substantially from RMB277 million in the corresponding period last year to approximately RMB1,587 million. The impact on finance costs is further discussed in the section headed "Net Finance (Costs)/Income" below. Details of the impact of the adoption of IFRS 16 are set out in note 3 to the financial statements.

In addition, during the Reporting Period, the Group's staff cost was approximately RMB1,129 million, representing a decrease of 6.54% as compared with RMB1,208 million in the corresponding period last year. Through low-cost traffic attracted from the ME Shop, the advertising expenses were significantly reduced by 43.44% from RMB419 million in the corresponding period last year to approximately RMB237 million.

Summary of selling and distribution expenses is as follows:

	First half of 2019	First half of 2018
As a percentage of sales revenue:		
Rental	**0.97%**	5.94%
Salaries	**3.29%**	3.48%
Utility charges	**0.77%**	0.81%
Advertising expenses	**0.69%**	1.21%
Delivery expenses	**0.89%**	0.95%
Depreciation	**4.62%**	0.80%
Others	**0.50%**	0.65%
Total	**11.73%**	13.84%

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,161 million, decreased slightly by 0.51% as compared with RMB1,167 million for the corresponding period last year. The proportion over sales revenue was 3.38%, remained stable as compared with 3.36% for the corresponding period in 2018. 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 loss on the closed stores, which increased by 38.78% from RMB392 million for the corresponding period in 2018 to approximately RMB544 million. The increase was mainly attributable to the increase in loss on the closed stores during the optimisation of store network by the Group in the Reporting Period. The other expenses ratio was approximately 1.58%, up 0.45 percentage point as compared with 1.13% for the corresponding period in 2018.

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

As the results of the increase in consolidated gross profit margin and decrease in operating expenses ratio during the Reporting Period, the Group recorded a profit before finance (costs)/income and tax of approximately RMB366 million, as compared with a loss of RMB435 million for the corresponding period in 2018.

Net Finance (Costs)/Income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB912 million, as compared with RMB198 million in the first half of 2018. The increase in the net finance costs was mainly due to (1) an amount of approximately RMB438 million regarding the interest expense on lease liabilities was recorded in the finance costs upon the adoption of IFRS 16 during the Reporting Period; and (2) interest on discounted bills increased by approximately RMB190 million.

Loss before Tax

As a result of the above-mentioned factors, during the Reporting Period, the Group's loss before tax was approximately RMB546 million, a reduction as compared with a loss of RMB633 million for the corresponding period in 2018.

Income Tax Expense

During the Reporting Period, the Group's income tax expense decreased from RMB88 million for the corresponding period in 2018 to approximately RMB75 million. The management of the Company considers that the effective tax rate applied to the Group for the Reporting Period was reasonable.

Loss for the Period and Loss per Share Attributable to Owners of the Parent

During the Reporting Period, the Group's loss attributable to owners of the parent was approximately RMB380 million, a reduction as compared with a loss of RMB457 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was RMB1.9 fen, as compared with loss per share of RMB2.2 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 RMB10,106 million, relatively stable as compared with RMB10,143 million as at the end of 2018.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB9,310 million, up 13.25% as compared with RMB8,221 million as at the end of 2018. Inventory turnover days were approximately 54 days during the Reporting Period, decreased by 12 days as compared with 66 days in the first half of 2018.

Prepayments, Other Receivables and Other Assets

As at the end of the Reporting Period, prepayments, other receivables and other assets of the Group amounted to approximately RMB5,692 million, down 2.0% from RMB5,808 million as at the end of 2018.

Trade and Bills Payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB24,044 million, up 12.62% as compared with RMB21,350 million as at the end of 2018. Turnover days of trade and bills payables were approximately 140 days during the Reporting Period, reduced by 1 day as compared with 141 days for the corresponding period in 2018.

Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB745 million, representing a 67.79% increase as compared with RMB444 million for the first half of 2018. The capital expenditure during the period was mainly for opening of new stores, remodelling of stores, development of logistic centers and upgrading the information system of the Group.

Cash Flows

During the Reporting Period, the Group's net cash flows from operating activities amounted to approximately RMB193 million, as compared with cash flows of RMB706 million for the corresponding period last year.

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 RMB579 million, net cash flows used in investing activities amounted to approximately RMB387 million, as compared with RMB572 million for the first half of 2018.

During the Reporting Period, net cash flows from financing activities amounted to approximately RMB153 million, as compared with RMB108 million in the first half of 2018.

Interim Dividend and Dividend Policy

The Board did not recommend the payment of an interim dividend for the six-month period ended 30 June 2019 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 RMB876 million.

Foreign Currencies and Treasury Policy

All the Group's income, a majority of its expenses and cash and cash equivalents 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, other loans, loans due to related companies and bonds.

As at 30 June 2019, the total borrowings of the Group were comprised of interest-bearing bank loans, other loans, loans due to related companies, corporate bonds and overseas bonds.

The current interest-bearing bank loans and other loans comprised:

	Fixed rate RMB'000	**Floating rate** RMB'000	**Total** RMB'000
Denominated in EUR	–	2,023,050	2,023,050
Denominated in US$	–	1,676,851	1,676,851
Denominated in HK$	–	307,895	307,895
Denominated in RMB	643,473	10,613,901	11,257,374
Denominated in JPY	3,190	–	3,190
	646,663	14,621,697	15,268,360

The above borrowings were repayable within 1 year.

Financial Resources and Gearing Ratio *(continued)*

The non-current interest-bearing bank loans and other loan comprised:

	Fixed rate RMB'000	Floating rate RMB'000	Total RMB'000
Denominated in RMB			
Repayable in the second year	–	245,000	245,000
Repayable in the third to fifth years, inclusive	136,426	693,305	829,731
Repayable beyond five years	–	351,170	351,170
	136,426	1,289,475	1,425,901

The loans due to related companies comprised:

	Fixed rate RMB'000	Floating rate RMB'000	Total RMB'000
Denominated in RMB			
Repayable within three years	1,272,006	–	1,272,006
	1,272,006	–	1,272,006

The corporate bonds comprised:

(1) corporate bonds issued in 2016, renewed and resale in 2019 with an aggregate nominal value of RMB4,456 million issued at fixed coupon rate of 7.6% per annum with remaining term of 3 years;

(2) corporate bonds issued in 2018 with an aggregate nominal value of RMB600 million issued at a fixed coupon rate of 7.8% 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; and

(3) corporate bonds issued in 2019 with an aggregate nominal value of RMB500 million issued at a fixed coupon rate of 7.8% 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.

Financial Resources and Gearing Ratio *(continued)*

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 outstanding balance of the overseas bonds as at 30 June 2019 was US$496 million.

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

As at 30 June 2019, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounted to approximately RMB27,003 million over total equity amounted to approximately RMB10,531 million, increased from 205.05% as at 31 December 2018 to 256.41%. The debt ratio was 34.46% as compared with 37.42% as at 31 December 2018, which was expressed as a percentage of total borrowings over total assets amounting to approximately RMB78,363 million.

Charge on Group Assets

As at 30 June 2019, the Group's bills payables, interest-bearing bank loans and other loans were secured by the Group's time deposits amounting to approximately RMB12,248 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB3,876 million, the Group's financial assets with a carrying amount of approximately RMB1,194 million and land use right with carrying amount of approximately RMB1,132 million. The Group's bills payables and interest-bearing bank loans and other loans amounted to approximately RMB33,634 million in total.

Outlook and Prospects

Focusing on Diverse Businesses and Providing One-stop Solutions

GOME's comprehensive home solution will continue to provide a personalized and intelligent one-stop "home appliance, home decoration, home furnishing and home services" innovative experience to its customers. By way of a variety of new businesses such as Integration of Kitchen Cabinets with Electrical Appliances, Cozy Home (central air-conditioning, heating and ventilation, and fresh air system), Kitchen Space and Home Furnishing, the Group will continue to focus on precise marketing to attract the customers from all sources. In addition, the second wave of IXINA stores, GOME's self-operating integrated kitchen cabinets and electrical appliances business, in collaboration with Europe's top cabinet chain brand IXINA, will be opening in cities like Wuxi and Nanjing after Beijing and Shanghai to further expand the brand's reputation. Cozy Home, the home hardware integration solutions, will also be developing at full speed.

Penetrating into Lower-tier Markets to Empower New Retailing

GOME will accelerate its penetration into lower-tier markets. By enhancing existing business and expanding emerging business, the Group strives to enhance its competitive advantage. Through the new retail stores (franchise stores), franchisers, brands and retailers can empower each other. With advantages in brand, supply chain and logistics, GOME will further expand into third- to sixth-tier cities and meet the constantly growing demand of these markets. It is estimated that the number of newly opened county-level stores of the Group will be approximately 1,000 in 2019.

Seamless Social Communication, ME Shop Stimulating Low-cost Traffic Acquisition

Most of GOME's low-cost traffic comes from its physical stores and ME Shop. Owing to the rapid development of social communication, GOME will eventually create a concentrated and boundless consumer network. ME Shop has achieved high turnover rate of single products through marketing campaigns such as "ten thousand group purchase", "thousand group purchase" and other measures and has enhanced customer loyalty. Currently, 580,000 people have become store owners on ME Shop and it is expected to reach 900,000 in the second half of the year.

Self-developed R&D + Open Source: "Dual Lanes" Optimising the 5G Intelligent Ecosystem

The 5G era is on the horizon, allowing IoT to embrace a new opportunity. With its own products and smart open platform, GOME will continue to build an enormous GOME smart product matrix to provide comprehensive smart home solutions for its customers. Moreover, GOME has started the strategic collaborations with Huawei to accelerate the construction of smart application scenarios in its offline stores and has started to cooperate with telecommunication operators to build 5G smart showrooms.

Intelligence System Empowering the Full Life-cycle of Home Appliances

GOME will continue to focus on the life-cycle of smart home, provide technology-enabled services to develop and expand the after-sale services of household appliances based on the consumer behavior. Through the specific services such as sending reminder for maintenance and trade-in program, GOME actively interacts with users at high frequency in order to boost repurchase.

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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 24 to 65 which comprises the condensed consolidated statement of financial position of GOME Retail Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 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 other 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
27 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June **2019** **(Unaudited)** **RMB'000**	 2018 (Unaudited) RMB'000
REVENUE	*6*	**34,333,291**	34,706,115
Cost of sales	*7*	**(29,336,702)**	(29,275,122)
Gross profit		**4,996,589**	5,430,993
Other income and gains	*6*	**1,154,396**	578,460
Selling and distribution expenses		**(4,025,944)**	(4,801,991)
Administrative expenses		**(1,161,228)**	(1,166,841)
Impairment losses on financial assets		**(8,557)**	(21,393)
Other expenses		**(544,275)**	(391,998)
Share of losses of associates		**(45,396)**	(62,498)
Profit/(loss) before finance (costs)/income and tax		**365,585**	(435,268)
Finance costs	*8*	**(1,121,272)**	(369,342)
Finance income	*8*	**209,284**	171,438
LOSS BEFORE TAX	*7*	**(546,403)**	(633,172)
Income tax expense	*9*	**(74,598)**	(87,795)
LOSS FOR THE PERIOD		**(621,001)**	(720,967)
Attributable to:			
Owners of the parent		**(380,489)**	(457,253)
Non-controlling interests		**(240,512)**	(263,714)
		(621,001)	(720,967)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
– Basic and diluted		**(RMB1.9 fen)**	(RMB2.2 fen)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2019

	For the six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
LOSS FOR THE PERIOD	**(621,001)**	(720,967)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**730**	(1,990)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**730**	(1,990)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets through other comprehensive income	**66,436**	(150,254)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**66,436**	(150,254)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**67,166**	(152,244)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(553,835)**	(873,211)
Attributable to:		
Owners of the parent	**(313,323)**	(609,497)
Non-controlling interests	**(240,512)**	(263,714)
	(553,835)	(873,211)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*12*	**6,724,011**	6,541,780
Property under development		**339,976**	–
Investment properties		**2,048,747**	907,044
Right-of-use assets		**13,671,162**	–
Goodwill		**11,987,128**	11,924,919
Other intangible assets		**368,866**	342,632
Investment in a joint venture		**3,781**	3,781
Investments in associates		**236,483**	281,879
Financial assets designated at fair value through other comprehensive income		**815,721**	550,285
Financial assets at fair value through profit or loss		**870,953**	851,668
Other non-current assets		**222,253**	2,061,231
Deferred tax assets		**12,507**	68,045
Total non-current assets		**37,301,588**	23,533,264
CURRENT ASSETS			
Inventories	*13*	**9,310,329**	8,221,237
Trade receivables	*14*	**1,692,357**	145,404
Prepayments, other receivables and other assets		**5,691,861**	5,807,707
Entrusted loan		**500,000**	500,000
Due from related companies	*15*	**146,006**	148,712
Financial assets at fair value through profit or loss		**1,194,480**	1,462,624
Pledged deposits	*16*	**12,420,325**	10,779,504
Cash and cash equivalents	*16*	**10,105,707**	10,143,339
Total current assets		**41,061,065**	37,208,527

	Notes	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*18*	**24,044,267**	21,350,182
Other payables and accruals		**3,127,177**	3,264,999
Contract liabilities		**519,871**	690,645
Interest-bearing bank loans and other borrowings	*17*	**21,334,272**	14,136,912
Due to related companies	*15*	**179,580**	108,407
Tax payable		**970,735**	1,053,301
Total current liabilities		**50,175,902**	40,604,446
NET CURRENT LIABILITIES		**(9,114,837)**	(3,395,919)
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,186,751**	20,137,345
NON-CURRENT LIABILITIES			
Due to related companies	*15*	**1,272,006**	1,672,006
Deferred tax liabilities		**485,140**	450,023
Interest-bearing bank loans and other borrowings	*17*	**15,899,102**	6,931,552
Total non-current liabilities		**17,656,248**	9,053,581
Net assets		**10,530,503**	11,083,764
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**518,322**	518,322
Reserves		**13,245,793**	13,559,325
		13,764,115	14,077,647
Non-controlling interests		**(3,233,612)**	(2,993,883)
Total equity		**10,530,503**	11,083,764

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019

	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	Asset 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 1 January 2019 (audited)	518,322	(1,086,657)	13,829,135	657	(1,845,490)	117,468	(186,640)	1,733,408	(147,841)	1,145,285	14,077,647	(2,993,883)	11,083,764
Loss for the period	-	-	-	-	-	-	-	-	-	(380,489)	(380,489)	(240,512)	(621,001)
Other comprehensive income/(loss) for the period:													
Changes in fair value of financial assets designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	66,436	-	-	-	66,436	-	66,436
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	730	-	730	-	730
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	66,436	-	730	(380,489)	(313,323)	(240,512)	(553,835)
Transfer to statutory reserve	-	-	-	-	-	-	-	1,345	-	(1,345)	-	-	-
Wind-up of a subsidiary	-	-	-	-	-	-	-	(44)	-	44	-	-	-
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,875	1,875
Capital withdraw by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,092)	(1,092)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(209)	(209)	-	(209)
At 30 June 2019 (unaudited)	518,322	(1,086,657)*	13,829,135*	657*	(1,845,490)*	117,468*	(120,204)*	1,734,709*	(147,111)*	763,286*	13,764,115	(3,233,612)	10,530,503

	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	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 1 January 2018 (audited)	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	-	-	-	-	-	-	-	-	(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	-	(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

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

* As at 30 June 2019, these reserve accounts comprised the consolidated reserves of RMB13,245,793,000 (31 December 2018: RMB13,559,325,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(546,403)**	(633,172)
Adjustments for:			
Finance income	*8*	**(209,284)**	(171,438)
Finance costs	*8*	**1,121,272**	369,342
Share of losses of associates		**45,396**	62,498
Dividend income from financial assets at fair value through profit or loss	*6*	**–**	(5,168)
Net (gains)/losses on financial assets at fair value through profit or loss	*7*	**(528,253)**	13,587
Gain on lease modifications	*6*	**(45,674)**	–
Losses on disposal of property and equipment	*7*	**8,621**	9,095
Impairment losses on financial assets	*7*	**8,557**	21,393
Impairment losses/(reversal of impairment losses) on property and equipment	*7*	**21,964**	(15,348)
Depreciation of property, plant and equipment	*7*	**404,137**	397,974
Depreciation of right-of-use asset	*7*	**1,454,443**	–
Amortisation of other intangible assets	*7*	**33,766**	22,945
Amortisation of prepaid land lease payments	*7*	**–**	17,339
		1,768,542	89,047
(Increase)/decrease in inventories		**(1,115,888)**	1,135,818
Increase in trade receivables		**(1,547,400)**	(40,387)
Increase in pledged deposits for bills payable	*16*	**(1,307,048)**	(231,289)
Increase in trade and bills payable		**2,694,085**	156,729
Changes in other working capitals		**(285,059)**	(341,561)
Cash generated from operations		**207,232**	768,357
Interest received		**124,756**	128,579
Income tax paid		**(138,835)**	(190,646)
Net cash flows from operating activities		**193,153**	706,290

	Notes	For the six-month period ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net cash flows from operating activities		**193,153**	706,290
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from financial assets at fair value through profit of loss	*6*	**–**	5,168
Purchases of property and equipment, investment properties and land use rights		**(744,595)**	(443,552)
Net cash flows from changes in financial assets		**582,449**	68,573
Net cash used in acquisition of Tianjin GOME Warehouse		**–**	(89,522)
Net cash used in acquisition of GOME Holdings Group Guangzhou Co., Ltd.	*5*	**(299,772)**	–
Loan to GOME Telecom Equipment Co., Ltd.		**–**	(100,000)
Loan to GOME Telecom (Zhejiang) Co., Ltd.		**–**	(49,000)
Proceeds from disposal of land use rights		**34,269**	–
Proceeds from disposal of property and equipment		**40,676**	36,393
Net cash flows used in investing activities		**(386,973)**	(571,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		**–**	(293,749)
Proceeds from pledged deposits for bank loans and other loans		**15,604**	107,431
Net cash flows from changes in interest-bearing bank loans and other borrowings		**1,454,050**	2,185,869
(Repayments)/proceeds from the loan due to a related company		**(400,000)**	54,324
Payment for pledged deposits for bank loans and other loans		**(349,028)**	(1,569,779)
Dividends paid		**(209)**	–
Interest paid		**(568,293)**	(375,943)
Contribution from a non-controlling shareholder of a subsidiary		**1,875**	–
Capital withdraw by a non-controlling shareholder of a subsidiary		**(1,092)**	–
Net cash flows from financing activities		**152,907**	108,153
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(40,913)**	242,503
Cash and cash equivalents at 1 January		**10,143,339**	9,243,844
Effect of foreign exchange rate changes, net		**3,281**	25,230
CASH AND CASH EQUIVALENTS AT 30 JUNE	*16*	**10,105,707**	9,511,577
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*16*	**6,149,091**	7,909,080
Non-pledged time deposits with original maturity of less than three months when acquired		**3,956,616**	1,602,497
		10,105,707	9,511,577

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 "Stock Exchange"). The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The principal activities of the Company and its subsidiaries (the "Group") are the operation 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 condensed consolidated financial information for the six-month period ended 30 June 2019 (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 have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB9,114,837,000 as at the end of the reporting period. In preparing this Interim Financial Information, the directors have given careful consideration to the current and anticipated future liquidity of the Group.

Taking into account, inter alia, (i) the expected net cash inflows generated from the Group's operations for the next twelve months; and (ii) the unutilised banking facilities at the end of the reporting period, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the directors consider that the preparation of this Interim Financial Information on a going concern basis is appropriate.

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 annual audited consolidated financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's Interim Financial Information. The nature and impact of the new and revised IFRSs are described below:

a) IFRS 16 replaces IAS 17 *Leases*, IFRIC – 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC – 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC – 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts mainly for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets for most leases were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognized previously under finance lease of RMB172,431,000 that were reclassified from property and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition *(continued)*

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) **RMB'000** **(Unaudited)**
Assets	
Increase in right-of-use assets	15,038,415
Decrease in equipment	(172,431)
Decrease in prepayments, other receivables and other assets	(938,373)
Decrease in prepaid land lease payments	(1,372,400)
Increase in total assets	12,555,211
Liabilities	
Increase in interest-bearing bank loans and other borrowings	12,612,921
Decrease in other payables and accruals	(57,710)
Increase in total liabilities	12,555,211

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition *(continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	17,155,023
Weighted average incremental borrowing rate as at 1 January 2019	7.22%
Discounted operating lease commitments as at 1 January 2019	12,844,769
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(217,254)
Lease liabilities as at 1 January 2019	12,627,515

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Summary of new accounting policies *(continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of their leases, to lease properties for additional years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. They consider all relevant factors that create an economic incentive for them to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank loans and other borrowings"), and the movements during the period are as follow:

	Right-of-use assets RMB'000 (Unaudited)	Lease liabilities RMB'000 (Unaudited)
As at 1 January 2019	15,038,415	12,627,515
Additions	817,640	782,374
Depreciation charge	(1,454,443)	–
Modification	(558,019)	(603,693)
Interest expense	–	438,032
Lease payment	–	(1,741,975)
Transfer	(172,431)	–
As at 30 June 2019	13,671,162	11,502,253

The Group recognised rental expenses from short-term leases of RMB305,244,000, variable lease payments not based on index or rate of RMB21,621,000 and rental income from subleasing right-of-use assets of RMB97,088,000 for the six-month period ended 30 June 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) IFRIC - 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's Interim Financial Information.

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.

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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that finance income, impairment losses on financial assets, dividend income from financial assets at fair value through profit or loss, unallocated income, finance costs, net gains/(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 investment in a joint venture, investments in associates, financial assets designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, deferred tax assets, entrusted loan, pledged deposits and cash and cash equivalents, as these assets are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

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

	For the six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Segment revenue		
Sales to external customers	**34,333,291**	34,706,115
Segment results	**(483,586)**	(301,875)
Reconciliation		
Finance income	**209,284**	171,438
Impairment losses on financial assets	**(8,557)**	(21,393)
Dividend income from financial assets at fair value through profit or loss	**–**	5,168
Unallocated income	**170,779**	1,153
Finance costs	**(1,121,272)**	(369,342)
Net gains/(losses) on financial assets at fair value through profit or loss	**528,253**	(13,587)
Share of losses of associates	**(45,396)**	(62,498)
Corporate and other unallocated expenses	**204,092**	(42,236)
Loss before tax	**(546,403)**	(633,172)

4. OPERATING SEGMENT INFORMATION *(continued)*

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Segment assets	**52,202,696**	36,100,666
Reconciliation		
Corporate and other unallocated assets	**26,159,957**	24,641,125
Total assets	**78,362,653**	60,741,791
Segment liabilities	**29,142,901**	27,086,239
Reconciliation		
Corporate and other unallocated liabilities	**38,689,249**	22,571,788
Total liabilities	**67,832,150**	49,658,027

5. BUSINESS COMBINATION

On 13 September 2018, the Group entered into an agreement with 鵬潤控股有限公司 ("Pengrun Holdings Co., Ltd.") pursuant to which the Group has conditionally agreed to acquire all the equity interests in 國美控股集團廣州有限公司 ("GOME Holdings Group Guangzhou Co., Ltd." or the "Target Company", a company registered in the PRC with limited liability). The Target Company and its wholly-owned subsidiary, own a property development project in Guangzhou, the PRC. On 25 January 2019, the transaction was completed.

5. BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of the Target Company as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property and equipment	428
Identifiable intangible assets*	–
Investment property	1,066,213
Property under development	456,948
Prepayments, other receivables and other assets	263,046
Cash and cash equivalents	1,920
Trade and bills payables	(2)
Other payables and accruals	(475,052)
Interest-bearing bank loans	(700,000)
Deferred tax liabilities	(72,326)
Total identifiable net assets at fair value	541,175
Goodwill on acquisition**	62,209
	603,384
Satisfied by	
Cash	301,692
Prepayments, other receivables and other assets	301,692
	603,384

* The fair value of the acquired identifiable intangible assets is provisional and pending to the final valuation results performed by independent professionally qualified valuers.

** The goodwill is provisional and subject to final valuation results of identifiable intangible assets and other identifiable assets and liabilities.

5. BUSINESS COMBINATION *(continued)*

The fair value of the other receivables as at the date of acquisition amounted to RMB263,046,000. The gross contractual amounts of other receivables were RMB263,046,000.

The Group incurred transaction costs of RMB450,000 for this acquisition. These transaction costs have been expensed and are included in the interim condensed consolidated statement of profit or loss.

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

	RMB'000
Cash consideration	(301,692)
Cash and cash balances acquired	1,920
Net outflow of cash and cash equivalents	(299,772)

Since the acquisition, the Target Company didn't generate any revenue and incurred a loss of RMB1,261,000 to the Group's consolidated loss for the six-month period ended 30 June 2019.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the six-month period ended 30 June 2019 would have been RMB34,333,291,000 and RMB621,001,000, respectively.

6. REVENUE, OTHER INCOME AND GAINS

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

	Note	For the six-month period ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Revenue			
Sale of electrical appliances and consumer electronic products		**34,333,291**	34,706,115
Other income			
Income from installation		**97,894**	77,436
Other service fee income		**139,898**	185,080
Compensation and penalty income		**6,570**	6,212
Other income from telecommunication service providers		**50,540**	53,852
Commission income from providing on-line platforms		**31,490**	26,643
Gross rental income		**119,209**	132,615
Government grants	*(i)*	**106,007**	45,748
Income from bank deposits and financial products		**7,041**	7,734
Dividend income from financial assets at fair value through profit or loss		**–**	5,168
Gain on lease modifications		**45,674**	–
Others		**21,820**	37,211
		626,143	577,699
Fair value gains:			
Financial assets at fair value through profit or loss		**528,253**	761
		1,154,396	578,460

Note:

(i) Various local government grants were received to reward the Group's contributions to the local economy. There was no unfulfilled condition or contingency attaching to these government grants.

7. LOSS BEFORE TAX

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

	Note	For the six-month period ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Cost of inventories sold		**29,336,702**	29,275,122
Depreciation of right-of-use assets		**1,454,443**	–
Depreciation of property and equipment		**404,137**	397,974
Amortisation of other intangible assets		**33,766**	22,945
Amortisation of prepaid land lease payments		**–**	17,339
Losses on disposal of property and equipment*		**8,621**	9,095
Net (gains)/losses on financial assets at fair value through profit or loss		**(528,253)**	13,587
Gross rental income	*6*	**(119,209)**	(132,615)
Foreign exchange differences, net*		**7,708**	33,337
Impairment losses on financial assets		**8,557**	21,393
Impairment losses/(reversal of impairment losses) on property and equipment*		**21,964**	(15,348)

Note:

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

8. FINANCE (COSTS)/INCOME

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

	Note	For the six-month period ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Finance costs:			
Interest expense on lease liabilities		**(438,032)**	(1,200)
Interest expense on bonds payable		**(385,387)**	(316,089)
Interest expense on borrowings from related parties	*20(a)(iii)*	**(35,228)**	(40,227)
Interest on discounted bills		**(189,558)**	–
Interest expense on bank loans and other borrowings		**(151,767)**	(54,455)
Total interest expense on financial liabilities not at fair value through profit or loss		**(1,199,972)**	(411,971)
Less: Interest capitalised		**78,700**	42,629
		(1,121,272)	(369,342)
Finance income:			
Bank interest income		**209,284**	171,438

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six-month period ended 30 June 2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

An analysis of the provision for tax is as follows:

	For the six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – PRC		
Charge for the period	**56,269**	211,143
Deferred income tax	**18,329**	(123,348)
Total tax charge for the period	**74,598**	87,795

10. DIVIDENDS

Pursuant to the board of directors' resolution dated 27 August 2019, the board did not recommend the payment of an interim dividend for the six-month period ended 30 June 2019.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB380,489,000 (six-month period ended 30 June 2018: RMB457,253,000), and the weighted average number of ordinary shares of 20,066,084,000 (six-month period ended 30 June 2018: 21,012,608,000) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six-month period ended 30 June 2019 and 2018 in respect of the dilution as the impact of the Company's warrants and share appreciation rights outstanding had no dilutive effect on the basic loss per share amount presented.

12. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2019, the Group acquired property and equipment at a total cost of RMB731,343,000 (six-month period ended 30 June 2018: RMB486,181,000), excluding property and equipment acquired through a business combination disclosed in note 5 to the Interim Financial Information. Property and equipment with a net carrying amount of RMB49,297,000 (six-month period ended 30 June 2018: RMB45,488,000) were disposed of by the Group during the six-month period ended 30 June 2019, resulting in a net loss on disposal of RMB8,621,000 (six-month period ended 30 June 2018: RMB9,095,000).

Certain of the buildings of the Group in the Mainland China were pledged as security for bills payable (note 18) and interest-bearing bank loans (note 17) of the Group as at 30 June 2019. The aggregate carrying value of the pledged properties of the Group as at 30 June 2019 amounted to RMB2,130,295,000 (31 December 2018: RMB1,517,549,000).

13. INVENTORIES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Merchandise for resale	**8,941,228**	7,959,684
Consumables	**369,101**	261,553
	9,310,329	8,221,237

14. TRADE RECEIVABLES

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Outstanding balances, aged:		
Within 3 months	**945,214**	134,571
3 to 6 months	**744,388**	10,069
6 months to 1 year	**2,755**	764
	1,692,357	145,404

15. DUE FROM/DUE TO RELATED COMPANIES

DUE FROM RELATED COMPANIES

	Note	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Due from other related companies	*(i)*	**146,006**	148,712

DUE TO RELATED COMPANIES

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Current liabilities			
Interest payables to GOME Holding & GOME Financial*	*20(a)(iii)*	**113,163**	78,676
Payables to other related companies	*(i)*	**66,417**	29,731
		179,580	108,407
Non-current liabilities			
Loan from GOME Holding*	*20(a)(iii)*	**1,196,225**	1,596,225
Loan from GOME Financial*	*20(a)(iii)*	**75,781**	75,781
Non-current portion		**1,272,006**	1,672,006

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

* 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 Kwong Yu ("Mr. Wong") who is the controlling shareholder of the Group.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Cash and bank balances	**6,149,091**	6,264,223
Time deposits	**16,376,941**	14,658,620
	22,526,032	20,922,843
Less: Pledged time deposits for bills payable	**(6,352,477)**	(5,045,429)
Pledged time deposits for interest-bearing bank loans	**(5,895,991)**	(5,562,567)
Interest reserve on bonds payable	**(171,857)**	(171,508)
	(12,420,325)	(10,779,504)
Cash and cash equivalents	**10,105,707**	10,143,339

17. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		30 June 2019			31 December 2018		
	Notes	**Effective interest rate (%)**	**Maturity**	**RMB'000 (Unaudited)**	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current							
Bank loans – secured	*(i)*	**0.25-8.35**	**2019-2020**	**14,915,483**	1.00-6.12	2019	11,077,696
Bank loans – unsecured		**0.53**	**2019**	**3,190**	0.53-5.95	2019	423,051
Other loans – secured	*(i)*	**6.09-9.00**	**2019-2020**	**349,687**	9.23	2019	306,671
Bonds payable – unsecured	*(iii)*	**4.59-5.26**	**2020**	**3,389,142**	4.46-4.79	2019	2,316,631
Current portion of lease liabilities		**3.72-11.01**	**2020**	**2,676,770**	4.99	2019	12,863
				21,334,272			14,136,912
Non-current							
Bank loans – secured	*(ii)*	**4.90-8.00**	**2026-2032**	**1,289,475**	4.90-5.05	2028-2032	321,592
Other loan – secured	*(i)*	**6.09**	**2024**	**136,426**	–	–	–
Bonds payable – unsecured	*(iv)*	**4.79-7.87**	**2022-2025**	**5,647,718**	7.93	2024	6,609,960
Lease liabilities – unsecured		**3.72-11.01**	**2021-2033**	**8,825,483**	–	–	–
				15,899,102			6,931,552
Analysed into:							
Bank loans repayable:							
Within one year				**14,918,673**			11,500,747
In the second year				**245,000**			17,500
In the third to fifth years, inclusive				**693,305**			92,754
Beyond five years				**351,170**			211,338
				16,208,148			11,822,339

17. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(continued)*

(i) Certain of the Group's bank loans and other loans are secured by:

(a) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB690,803,000 (31 December 2018: RMB579,195,000);

(b) the pledge of certain of the Group's equipment with a carrying amount at the end of the reporting period of approximately RMB155,188,000 (31 December 2018: nil);

(c) the pledge of certain of the Group's time deposits amounting to RMB5,895,991,000 (31 December 2018: RMB5,562,567,000).

(d) the pledge of certain of the Group's financial assets at fair value through profit or loss with a carrying amount of RMB1,194,480,000 (31 December 2018: RMB812,103,000); and

(e) In addition, the Group's certain subsidiaries has guaranteed certain of the Group's bank loans up to RMB1,716,468,000 (31 December 2018: RMB653,000,000) as at the end of the reporting period.

(ii) Certain of the Group's non-current bank loans as at 30 June 2019 were secured by the Group's land use right, property under development and investment property with an aggregate carrying amount of RMB2,444,759,000.

(iii) Overseas corporate bonds with an aggregate principal amount of USD496,000,000 and a carrying amount of RMB3,389,142,000, which bear interest at 5.0% per annum and will be redeemed at their principal amount on 10 March 2020.

(iv) Domestic corporate bonds with an aggregate principal amount of RMB5,555,604,000 and a carrying amount of RMB5,647,718,000, which bear interests at rates of 7.6% to 7.8% per annum.

18. TRADE AND BILLS PAYABLES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade payables	**7,104,637**	5,955,199
Bills payable	**16,939,630**	15,394,983
	24,044,267	21,350,182

18. TRADE AND BILLS PAYABLES *(continued)*

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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 3 months	**10,215,675**	11,114,288
3 to 6 months	**10,372,584**	8,575,334
Over 6 months	**3,456,008**	1,660,560
	24,044,267	21,350,182

The Group's bills payables above are secured by:

(i) the pledge of certain of the Group's time deposits of RMB6,352,477,000 (31 December 2018: RMB5,045,429,000) (note 16);

(ii) the pledge of certain of the Group's buildings which had an aggregate carrying value at the end of the reporting period of approximately RMB1,439,492,000 (31 December 2018: RMB938,354,000) (note 12); and

(iii) the pledge of certain of the Group's investment properties with an aggregate fair value of RMB277,033,000 (31 December 2018: RMB276,068,000).

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

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contracted, but not provided for:		
Property and equipment	**876,212**	737,856
Investments in subsidiaries	**–**	301,691
	876,212	1,039,547

20. 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 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Rental expenses and other expenses to GOME Property*	*(i)*	**74,368**	72,488
Rental expenses and other expenses to Beijing Xinhengji*	*(i)*	**12,948**	22,867
Logistic service fee to related companies	*(ii)*	**290,805**	296,045
Warehouse service income from related companies	*(ii)*	**38,662**	32,283
Warehouse service expenses to related companies	*(ii)*	**24,956**	25,977
Construction expenses to GOME Property*		**7,075**	7,075
Interest expenses to GOME Holding	*(iii)*	**33,360**	38,359
Interest expenses to GOME Financial	*(iii)*	**1,868**	1,868
Purchases from Beijing Lianmei**	*(iv)*	**14,167**	19,861
Other services income from GOME Holding	*(v)*	**16,879**	–
Purchase from Meiyunbao***	*(vi)*	**12,322**	–

20. RELATED PARTY TRANSACTIONS *(continued)*

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

* 國美地產控股有限公司 ("GOME Property Co., Ltd." or "GOME Property") and its 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 family member 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 國美通訊（浙江）有限公司 ("Gome Telecom (Zhejiang) Co., Ltd."), which is an associate of the Group.

*** 美雲保（北京）科技服務有限公司 ("Meiyunbao Beijing Tech Service Co., Ltd" or "Meiyunbao") is one of the companies of the group (other than the Group) controlled by Mr. Wong (the "Parent Group").

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 2019, the rental expenses incurred by the Group to GOME Property amounted to RMB74,368,000 (six-month period ended 30 June 2018: RMB72,488,000).

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 2019, the rental expenses incurred by the Group to Beijing Xinhengji amounted to RMB12,948,000 (six-month period ended 30 June 2018: RMB22,867,000).

20. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

(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, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively, (2) the warehousing 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, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively, and (3) the warehousing service agreement pursuant to which Anxun Logistics and its related companies will provide the warehousing 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, 2017 and 2018 not exceeding RMB900 million, RMB900 million and RMB900 million, respectively.

On 12 November 2018, the Group entered into (1) logistics services agreement pursuant to which 國美控股集團有限公司 ("GOME Holding Group Company Limited" or "GOME Holding"), which is beneficially owned by Mr. Wong and his associate, will provide the logistics services to the Group (including 美信網絡技術有限公司 ("Meixin Network Technology Company Limited" or "Meixin")) for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB700 million each year, (2) the warehouse service agreement pursuant to which the Group will provide the warehouse services to Meixin and other related companies for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) for the years ending 31 December 2019, 2020 and 2021 not exceeding RMB100 million, RMB200 million and RMB300 million, respectively, and (3) the warehouse service agreement pursuant to which GOME Holding will provide the warehouse service to the Group (including Meixin) for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB700 million each year. During the six-month period ended 30 June 2019, the logistics service fee and warehouse service expenses incurred by the Group to GOME Holding amounted to RMB290,805,000 and RMB24,956,000, respectively (six-month period ended 30 June 2018: RMB296,045,000 and RMB25,977,000), and the warehouse service income from Anxun Logistics amounted to RMB38,662,000 (six-month period ended 30 June 2018: RMB32,283,000).

20. 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. As at 31 December 2018, the accumulative amount of loans was RMB1,368,882,000. During the six-month period ended 30 June 2019, GOME-on-line repaid cash amounted to RMB400,000,000 and interest expense incurred by GOME-on-line to GOME Holding amounted to RMB27,754,000 (six-month period ended 30 June 2018: RMB32,753,000).

On 19 December 2016, 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 amounting to RMB600 million and bears annual interest at 5% for a three-year period. During the year ended 31 December 2017, GOME Holding lent cash of RMB227,343,000 to Meixin and related interest expense incurred by Meixin payable to GOME Holding in the six-month period ended 30 June 2019 amounted to RMB5,606,000 (six-month period ended 30 June 2018: RMB5,606,000).

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 2019, the accumulative amount of loans was RMB75,781,000 and the interest expense incurred by Meixin to GOME Financial amounted to RMB1,868,000 (six-month period ended 30 June 2018: RMB1,868,000).

(iv) During the six-month period ended 30 June 2019, the Group purchased commodities from Beijing Lianmei amounting to RMB14,167,000 (six-month period ended 30 June 2018: RMB19,861,000).

(v) During the six-month period ended 30 June 2019, a subsidiary of Meixin provided service to GOME Holding amounted to RMB16,879,000. There is no such transaction during the six-month period ended 30 June in 2018.

20. RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

(vi) The sales and purchase transactions and the joint purchase transactions entered into between the Group and the Parent Group in respect of general merchandise were conducted based on the actual purchase costs from the Group's third-party suppliers. On 12 November 2018, the Group entered into: (1) the master merchandise purchase agreement for the supply of general merchandise (including but not limited to electrical appliances and consumer electronic products) by the Meixin Network or its affiliates to the Group for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB5 billion, RMB8 billion and RMB10 billion, respectively, and (2) the master merchandise supply agreement for the supply of general merchandise (including but not limited to electrical appliances and consumer electronic products) by the Group to Meixin Network for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB10 billion, RMB15 billion and RMB20 billion, respectively. During six-month period ended 30 June 2019, the Group purchased general merchandise from Meiyunbao amounted to RMB12,322,000 (2018: Nil).

All the above related party transactions were determined by mutual agreements between the involved parties after taking into account prevailing market prices.

(b) Compensation of key management of the Group:

	For the six-month period ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**1,036**	977
Other emoluments:		
Share award expense	**–**	(323)
Salaries, allowances and other expenses	**9,524**	5,454
Pension scheme contributions	**161**	165
	10,721	6,273

(c) Other Transactions with related parties

During the period, the Group acquire all the equity interests in GOME Holdings Group Guangzhou Co., Ltd. from Pengrun Holdings Co., Ltd., Pengrun Holdings Co., Ltd. is a company which is majority owned by Ms. Huang Xiu Hong, a non-executive Director. Further details of the transaction are included in note 5 Business Combination.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair values of financial assets at fair value as at 30 June 2019 and 31 December 2018:

	Carrying amounts		**Fair values**	
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Financial assets designated at fair value through other comprehensive income:				
Quoted investments	**616,721**	550,285	**616,721**	550,285
Unquoted investments	**199,000**	–	**199,000**	–
	815,721	550,285	**815,721**	550,285
Financial assets at fair value through profit or loss:				
Unquoted investments	**870,953**	851,668	**870,953**	851,668
Quoted equity shares	**1,194,480**	1,462,624	**1,194,480**	1,462,624
	2,065,433	2,314,292	**2,065,433**	2,314,292
Total	**2,881,154**	2,864,577	**2,881,154**	2,864,577

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, entrusted loan, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and amounts due from/to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of 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 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.

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

Fair values of 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 2019 and 31 December 2018.

Valuation methods and assumptions

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments at fair value through profit or loss, which were previously classified as other investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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.

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

Valuation methods and assumptions *(continued)*

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. 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 2019

	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
Other unquoted investments	Market approach and enterprise value allocation model	LOMD*	30 June 2019: Not applicable (31 December 2018: 21.72%-27.39%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB3 million to RMB14 million.
		P/E	30 June 2019: Not applicable (31 December 2018: 33.38-43.06)	5% increase (decrease) in the P/E would result in increase (decrease) in fair value by RMB2 million to RMB8 million.

* The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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

Fair value hierarchy

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

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Financial assets designated at fair value through other comprehensive income:				
Quoted investments	616,721	–	–	616,721
Unquoted investments	–	–	199,000	199,000
Financial assets at fair value though profit or loss:				
Unquoted investments	–	–	870,953	870,953
Quoted equity shares	1,194,480	–	–	1,194,480
Total	1,811,201	–	1,069,953	2,881,154

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

Fair value hierarchy *(continued)*

As at 31 December 2018:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Financial assets designated at fair value through other comprehensive income:				
Quoted investments	550,285	-	-	550,285
Financial assets at fair value though profit or loss:				
Unquoted investments	-	-	851,668	851,668
Quoted equity shares	1,462,624	-	-	1,462,624
Total	2,012,909	-	851,668	2,864,577

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

Fair value hierarchy *(continued)*

The movements in fair value measurements within Level 3 during the period are as follows:

	Total RMB'000
As at 1 January 2019	851,668
Remeasurement recognised in profit or loss	3,855
Purchases	214,430
Sales	–
As at 30 June 2019	1,069,953

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six-month period ended 30 June 2018: Nil).

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

23. EVENTS AFTER THE REPORTING PERIOD

On 16 August 2019, the Group entered into an agreement with Rocket Gain Investments Limited pursuant to which the Group has conditionally agreed to acquire 19.5% equity interests in 北京鵬潤時代物業管理有限公司 ("Beijing Pengrun Times Property Management Company Limited" or "Pengrun Times", a limited liability company established in the PRC) for an aggregate consideration of RMB585,000,000. Pengrun Times indirectly holds the entire equity interests in 安迅物流有限公司 (Anxun Logistics Co., Ltd. or "Anxun Logistics"). Anxun Logistics is principally engaged in the provision of warehousing management and logistics services in the PRC.

24. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 27 August 2019.

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 2019, 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
Wang Jun Zhou *(Note 2)*	15,000,000	–	–	–	15,000,000	0.07

Notes:

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

2. The relevant interests represented 15,000,000 shares of the Company (the "Share(s)") granted to the Chief Executive pursuant to the restricted share award scheme adopted by the Company on 3 October 2016 as was particularly described in the section headed "Restricted Share Award Scheme" below. These Shares were held by the Chief Executive beneficially.

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

Save as disclosed above, as at 30 June 2019, 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 2019, 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 2019 (the "Reporting Period"), no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

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

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

(e) Material supplements to directors' profile

Mr. Zou Xiao Chun has been appointed as an independent non-executive director of Beijing Worldia Diamond Tools Co., Ltd., a company listed on the Shanghai Stock Exchange.

Mr. Wang Gao has been appointed as an independent non-executive director of Yunji Inc., a company listed on the NASDAQ.

Save as disclosed above, there were no material supplements to the directors' profile during the Reporting Period.

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 2019, a sum of approximately HK$1,275,540,000 (excluding transaction costs) has been used to acquire 1,491,543,000 Shares from the market by the independent trustee. During the six-month period ended 30 June 2019, 513,780,000 Shares have been granted to the participants of the Group under the Share Award Scheme, of which 5,250,000 Shares have lapsed. No Shares have been vested and the total outstanding number of Shares under the Share Award Scheme as at 30 June 2019 was 508,530,000.

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

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 15 April 2005 has expired and the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") on 12 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Under the terms of the Share Option Scheme, the Company may grant up to 2,155,762,742 options, being 10% of the issued share capital of the Company on the date of the adoption of the Share Option Scheme.

No options have been granted by the Company since the adoption of the Share Option Scheme. During the six-month period ended 30 June 2019, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding as at 30 June 2019.

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 2019, 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
Ark Trust (Hong Kong) Limited	Trustee	1,491,543,000	6.92

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 2019, 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

On 7 January 2016, 28 January 2016 and 10 May 2016, the Group issued bonds at par values of RMB3,000,000,000, RMB300,000,000 and RMB1,700,000,000, respectively on the Shanghai Stock Exchange. As at 30 June 2019, the Group has completed the renewal and resale of all the three tranches of bonds with the bond holders and the total outstanding principal amount was RMB4,455,604,000. The original coupon rates of 4% to 4.5% per annum were adjusted to 7.6% per annum since the renewal dates with remaining term of 3 years.

In February 2019, the Group issued domestic bonds with an aggregate principal amount of RMB500,000,000 at coupon rate of 7.8% per annum in the PRC. Such domestic bonds have a term of 6 years. The issuer will be entitled to adjust the coupon rate and the investors will be entitled to sell back the domestic bonds to the issuer at the end of the second and fourth year.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2019.

CHANGES TO THE BOARD

There were no change to the Board during the six-month period ended 30 June 2019.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2019, 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 2019.

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 2019 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

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31 Victoria Street
Hamilton HM10
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HEAD OFFICE

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PRINCIPAL SHARE REGISTRAR IN BERMUDA

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BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
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