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

(Incorporated in Bermuda with limited liability)

(Stock Code : 493)

2020
Interim Report

* For identification purpose only

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial Highlights

	First half of 2020 RMBm	First half of 2019 RMBm
Revenue	**19,075**	34,333
Consolidated gross profit#	**2,222**	6,151
Consolidated gross profit margin	**11.65%**	17.92%
(Loss)/profit before finance (costs)/income and tax	**(2,005)**	366
Loss attributable to owners of the parent	**(2,623)**	(380)
Loss per share		
– Basic and diluted	**(RMB13.1 fen)**	(RMB1.9 fen)

Consolidated gross profit = gross profit + other income and gains

Operational Highlights

- During the Reporting Period, with a consistent focus on the "Home • Living" strategy and based on the models of "integrated home solution, service solution and supply chain provider" and local retail, the Group developed high-frequency, dual platforms with online and offline interaction for multi scenarios.

- The GMV from the Group's community + GOME APP grew by approximately 70% as compared with the corresponding period last year.

- The number of the Group's communities grew over 40% year-on-year to over 200,000, reaching over 66 million users, representing a 65% increase year-on-year.

- Through the successful introduction of JD and Pinduoduo in April and May as our strategic partners, the Group's GMV generated from these e-commerce platforms grew more than 100 times year-on-year.

Overview

During the six-month period ended 30 June 2020 (the "Reporting Period"), with a consistent focus on the "Home • Living" strategy and based on the models of "integrated home solution, service solution and supply chain provider" and local retail, GOME Retail Holdings Limited (the "Company", with its subsidiaries, collectively known as the "Group" or "GOME") developed high-frequency, dual platforms with online and offline interaction for multi scenarios. Faced with the challenges from the coronavirus pandemic (the "COVID-19"), the Group fully leveraged on its resources and capabilities throughout its operation covering the supply chain, communities, logistics and services delivery to create live broadcast sales model. The Group initiated the live broadcast sales model with the features of "informative contents + premium IP + scenarios", bringing high quality and low price products and services to consumers across the country.

During the Reporting Period, benefitting from the contribution from the vigorous expansion of the communities and the GOME APP in digitalized local retail, the gross merchandise volume ("GMV") from the Group's community + GOME APP grew by approximately 70% as compared with the corresponding period last year. While the number of the Group's communities grew over 40% year-on-year to over 200,000, reaching over 66 million users, representing a 65% increase year-on-year. Leveraging on the comprehensive upgrade of the "Store" channel on the GOME APP, the sales conversion rate rose over 150% year-on-year. In addition, through the successful introduction of JD and Pinduoduo in April and May as our strategic partners, the Group's GMV generated from these e-commerce platforms grew more than 100 times year-on-year. The Group maintained sufficient capital after the full repayment of overseas bonds with an aggregate principal amount of US$466 million during the Reporting Period. As of 30 June 2020, the Group's cash and cash equivalents were approximately RMB11,437 million.

During the Reporting Period, the outbreak of the COVID-19 caused disruption to many industries in China, especially to the home appliance retail industry. In the first half of the year, both total retail sales of consumer goods and home appliances in the domestic market dropped significantly compared to the corresponding period last year. The sales revenue of the Group for the first half of 2020 was approximately RMB19,075 million, declined by approximately 44.44% as compared to RMB34,333 million for the corresponding period last year (of which, sales revenue for the first quarter decreased by approximately 61.48% year-on-year due to severe outbreak of the COVID-19. However, a rapid rebound was achieved through live broadcasts and other initiatives, with the decrease in sales revenue for the second quarter narrowing down to approximately 26.32% compared with the corresponding period last year). In the first half of 2020, leveraging on our SKU selecting capabilities and our professional community staff, the Group held many live broadcast sales events with various themes featuring professional quality scenarios. Through these events, the Group reached over 100 million cumulative views. In four of the super live broadcast sales events, the Group's sales revenue totaled approximately RMB2,500 million. Due to the sales of bulk home appliances being seriously affected by the pandemic, the consolidated gross profit margin of overall business was approximately 11.65% during the Reporting Period. However, with the gradual alleviation of the pandemic and the stimulating policies, the consolidated gross profit margin began to improve significantly in the second quarter.

In addition, due to a reduction in rentals, salaries and other selling and distribution expenses, the operating expenses of the Group significantly decreased from RMB5,740 million in the corresponding period last year by approximately 26.48% to approximately RMB4,220 million. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period was approximately RMB2,623 million, compared with a loss of RMB380 million for the corresponding period last year.

Currently, the Group has successfully completed its infrastructure construction integrating its online and offline operations and optimizing the store network. The business models such as "store services", "home services" and "online services" are becoming increasingly mature. In the future, the Group will further deepen and upgrade the "Home • Living" strategy and expand the platform with extensive commodity and service mix on the top of our solid home appliances retail foundation. Together with excellent offline experience and rapid online order process, we strive to become a leading digital local community retailer.

Business Environment

During the Reporting Period, while a new wave of technology and industrial revolution were emerging, the spreading of COVID-19 had significant impact on the global economy, resulting in remarkable fluctuation in the global capital markets.

Against the backdrop of globalization, the economy of China was inevitably affected. China's GDP dropped by 1.6% year-on-year for the first half of 2020. In respect of the environment of the industry, under the effect of the COVID-19 pandemic, the confidence of consumers was weak. Although the economy has gradually recovered since the second quarter of 2020, the consumption market was still facing relatively significant challenges. However, the "New Retail" model has become more popular. The relationship between online and offline channels has changed from competiting with each other to complementing each other through the synergy effect. The manifestation of e-commerce and the process of business operation have changed fundamentally.

Digitalization has brought more opportunities to the retail business in China. The "New Retail" model has integrated the online and offline channels seamlessly and enabled the sharing of resources among all channels. The retail business will be further expanded into other industries to create a versatile business chain. The key element in the development of "New Retail" business is to understand the market needs. We conducted market research using digital technology, the Internet and AI technology to stay ahead in the innovative environment and drive the sustainable growth of the retail business.

Business Review

Continue to Drive Towards the "Home • Living" Strategy

(1) Online and offline interactive platforms

During the Reporting Period, the Group continued to evolve as an "integrated home solution, service solution and supply chain provider" based on localized retailing model, in accordance with the "Home • Living" strategy and through the convergence of online and offline platforms to facilitate high-frequent interaction between the platforms under multi scenarios. Leveraging on its advantages in supply chain, communities, logistics and services delivery, GOME has developed a new "informative contents + premium IP + scenarios" business model to conduct online sales through live broadcast to present our quality products. The operation of GOME stores has changed from on-site sales to a four-dimension model. Sales can be conducted at store, at home, online and through communities. Customer demand can now be met through our new sales channels.

A new "Store" channel has been introduced to our GOME APP. Physical stores are moved online to serve customers in the vicinity within a distance of 3 to 5 kilometers. Through functions such as e-commerce, social media and benefit sharing, products and services can be provided to targeted customers in a designated area.

(2) Development of large-scale integrated flagship stores

In respect of the offline operation, GOME has extended electrical appliance business to the realm of life in an innovative way to cover all products under the "Home • Living" strategy. Electrical appliance products were integrated with various businesses such as "GOME Home Decoration", "GOME Smart", "Cozy Home", "IXINA Imported Cabinet" and "Kitchen Space" together with integrated home solutions, smart home solutions as well as after-sales services for entire life cycle of products. In addition, in order to establish a professional experiential marketplace, GOME's services also covered solutions for customized products, interior design and decoration.

The large-scale flagship stores of GOME provides all kinds of scenario and all lines of products from fast moving consumer goods to durable goods. The experiential scenarios include "Laser Cinema", "GOME Smart Product", "Wonderful Life", "Book Store", "Bakery" and "Wine Bar", etc. Popular Internet check-in corners are specially established for the youngsters. Experienced sales representatives are available to provide advice on product selection to meet customer needs, enhance customer stickiness and revisit rates.

(3) Optimizing the store network

During the Reporting Period, the Group migrated its sales channels to multiple platforms according to the "physical store + community + APP" model. The "sales + service" function of tradition store has changed to "community + sales + services + channels". For the purpose of the migration, the structure of its store network has changed to "flagship stores + community stores + new retail stores". Communities were developed to serve customers in the vicinity within 3 to 5 kilometers around the stores.

In addition, the Group continued to expand its market into the third-to sixth-tier cities and promote the consumption there through the establishment of innovative "New Retail Stores" during the Reporting Period. As at the end of the Reporting Period, the Group had more than 1,200 New Retail Stores. Its self-operated stores and franchised stores covered a total of 1,426 counties and districts.

The Nationwide Retail Network of the Group

As at 30 June 2020

	Total	GOME	China Paradise	Dazhong	Cellstar
Flagship stores	279	229	29	21	–
Standard stores	991	854	67	20	50
Decoration materials and home furnishing in-store shops	29	27	2	–	–
County-level stores	1,423	1,302	88	32	1
Supermarket stores	101	91	4	1	5
Total	**2,823**	**2,503**	**190**	**74**	**56**
Net increase in store number	221	192	17	9	3
Newly-opened stores	571	506	41	17	7
Closed stores	350	314	24	8	4
Number of cities accessed	**1,296**	**1,180**	**119**	**24**	**6**
Among them: Tier 1-2 cities	425	391	60	1	6
Tier 3-6 cities	871	789	59	23	–
Cities newly accessed	**520**	**467**	**37**	**16**	**–**

(4) Development of new businesses

During the Reporting Period, the IXINA business has been growing rapidly. The Group has completed the establishment of stores, staff training, logistics arrangement and installation workflows as well as the 2.0 upgrade for the store layout. The project has commenced operation in regions such as Beijing, Shanghai, Ningbo and Wuxi.

Leverage on its kitchen scenarios and kitchen product supply chain, the Group's "Kitchen Space" project is able to introduce more than 10,000 SKUs of selected local and international well-known kitchen utensil brands, including Zwilling and WMF, etc. The Group also promotes its kitchen solutions through "video clips + live broadcasts + community" operation model.

Through specialized services such as comprehensive home decoration design, dual house manager and mobile APP monitoring, GOME's decoration team is able to showcase its operating capabilities in all aspect, including designing, product offering, supply-chain, construction and delivery and information system, etc. and is able to provide to its customers "decoration materials + home furnishing + home appliance + cozy and smart devices" scenarios and solutions which meet their lifestyle.

(5) Comprehensive solutions for smart home

To meet higher market demand for AI, GOME has adopted a "1+3+5+N" business model, i.e. connecting 1 APP, 3 screens, 5 scenarios and N smart devices, to allow frequent system communication and interaction. In addition, GOME donated its self-developed smart television, smart refrigerator, smart washing machines, smart heater and other smart home appliances to support the mobile cabin hospitals in Wuhan, Beijing Xiaotangshan Hospital and Beijing Children Hospital. The smart products in GOME's brand have brought warm and care to the society.

Supply chain platform development

(1) Enhancement of supply chain

With the enhancement and improvement of the supply chain system, the Group has established vertical and horizontal supply chain alliances. With more than 30 years of experience in the development of supply chains, the Group has cooperated with supermarkets, such as Renrenle and China Resources Vanguard, and household building materials chain suppliers, including Red Star Macalline and Easyhome. The Group has also stepped up its cooperation with local retail chains, such as San Lian Jia Dian (三聯家電) and Tianan Home Appliance (天安家電). In terms of lower-tier market penetration, alliances with small local home appliance retailers have been established by relying on the supply chain output model.

By continuously taking advantage of its own supply chain and product selection capabilities, the Group has cooperated with Pinduoduo and JD to enrich its online product mix. GOME has also successfully attracted market attention by providing quality products in the promotional sales events and fulfilled the online and offline demands for full range of products. GOME will continue to provide more high quality and high performance-price ratio products to its customers.

(2) Optimizing the logistics services

During the Reporting Period, the Group made in-depth research and development on the characteristics of logistic business, the demand of customers and cost optimization initiatives in order to improve the efficiency in use of human resources, warehouses and logistic system. Through route planning assisted by big data computation, the Group is able to provide “Precise Delivery” services within 2 hours to enhance customer experience. In addition, the Group further optimized its warehouse network coverage and storage capacity in a bid to provide faster delivery services to its customers.

(3) Improvement of after-sales services

During the Reporting Period, leveraging on the GOME House Manager platform, the Group continued to provide various home products and services, such as installation, repairing, cleaning, maintenance and replacement. To improve the standards, quality and professionalism of its after-sales services, the Group has adopted a "321 service" system, i.e. to response within 3 minutes, to arrive in 2 hours and to complete the services in 1 go. In addition, leveraging on the advantages of physical store network, the Group further explored customer demand for services through various activities, including the "Smart Interaction", "Payment Reward", "Sales Events" and "Service in Place". The stickiness of customers was improved through more interaction and the provision of enhanced aftersales services. As the end of the Reporting Period, the aggregate number of users of GOME House Manager reached approximately 17 million.

Strengthening Information Systems

During the Reporting Period, the Group has upgraded its IT system based on the objectives to support frontline business and regulate the back-end operation. Capitalizing on technology advancement, the Group was able to capture customer traffic data and to generate revenue.

(1) Revamping of GOME APP

The Group revamped the GOME APP to recreate the online shopping experience supported by the physical stores with the introduction of "One Store One Webpage" system. Portals and related pages of physical stores are added to GOME APP, allowing users to visit physical stores online and enjoy real-time online services by in-store sales staff. Orders can also be placed online to purchase products in the stores.

(2) Introducing live broadcasting mini-programs

The Group introduced the live broadcasting function in the GOME mini-programs. With optimized live streaming channel, the anchors were able to promote products and encourage users to make instant purchases online. Moreover, the anchors could directly interact with users online to enhance shopping experience.

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.

The Group has adopted its corporate governance policy in accordance with the code provisions of the corporate governance code. The Group has implemented all the requirements under the code provisions to further enhance its corporate governance.

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". Effective and efficient measures were adopted in line with its customer-oriented principle. In the face of intense market competition, the Group is determined to carry out transformation and strive for breakthroughs in its endeavor to be the pioneer of the industry in terms of uniqueness, quality and innovation. 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.

Human Resources

During the Reporting Period, the Group carried out strategic trainings for its personnel focusing on three aspects, namely provision of strategic support, regular and continuous practices and pursuit of excellence, to fully align with its strategic transformation.

As for strategic support, the Group placed an emphasis on the launch of "ME E-Learning" (美E學), a mobile learning platform, to empower its employees of different levels with knowledge and promote various transformation projects. In addition, through cooperation with China Chain Store & Franchise Association (CCFA), external institutions for higher education, training institutions and other platforms, the Group continued to carry out the "Reservoir" projects across China to maintain its talent pool. In line with its strategic transformation and enhancement, the human resources centre and various departments of the Group jointly set up a talent training mechanism in an effort to meet the strategic goals of the Group and at the same time facilitate the development of employees.

There have been no material changes to the Group's remuneration policy during the Reporting Period. As at 30 June 2020, the Group had a total of 29,047 employees.

Financial Review

Revenue

During the Reporting Period, the outbreak of the COVID-19 caused disruption to many industries in China, especially to the home appliance retail industry. In the first half of the year, both total retail sales of consumer goods and home appliances in the domestic market dropped significantly compared to the corresponding period last year. The sales revenue of the Group was approximately RMB19,075 million during the Reporting Period, declined by approximately 44.44% as compared to RMB34,333 million in the corresponding period last year (of which, sales revenue for the first quarter decreased by approximately 61.48% year-on-year due to severe outbreak of the COVID-19. However, a rapid rebound was achieved through live broadcasts and other initiatives, with the decrease in sales revenue for the second quarter narrowing down to approximately 26.32% compared with the corresponding period last year).

During the Reporting Period, sales revenue from the 1,360 comparable stores was approximately RMB16,201 million, down 38.58% as compared with RMB26,376 million for the corresponding period in 2019. In addition, the proportion of revenue from county-level stores has increased from 5.49% in the same period last year to 8.23% 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 from 5.20% in the same period last year to 7.02% of total revenue.

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

	First half of 2020	First half of 2019
As a percentage of sales revenue:		
AV	**10.80%**	14.65%
Air-conditioner	**12.56%**	18.34%
Refrigerator and washing machine	**17.24%**	19.23%
Telecommunication	**27.52%**	19.34%
Small white appliances	**10.82%**	15.24%
Computer and digital	**14.04%**	8.00%
New business	**7.02%**	5.20%
Total	**100%**	100%

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales for the Group was approximately RMB17,362 million, accounting for approximately 91.02% of the total sales revenue, as compared with 85.45% for the corresponding period in 2019. The Group's gross profit was approximately RMB1,713 million, as compared with RMB4,997 million for the corresponding period last year. Gross profit margin was approximately 8.98%, decreased by 5.57 percentage points as compared with 14.55% for the corresponding period last year. The main reason for the decrease in gross profit margin was that during the pandemic period, the sales of products with lower gross profit margins such as telecommunication, computers and digital products accounted for a relatively larger proportion. The proportion of sales of these categories increased from 27.34% in the same period last year to 41.56% in the Reporting Period. The proportion of sales for bulk home appliances with higher gross profit margin decreased.

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

	First half of 2020	First half of 2019
AV	**11.29%**	15.66%
Air-conditioner	**13.77%**	15.80%
Refrigerator and washing machine	**15.03%**	17.62%
Telecommunication	**2.41%**	8.45%
Small white appliances	**14.25%**	18.49%
Computer and digital	**2.50%**	7.31%
New business	**12.58%**	18.02%
Total	**8.98%**	14.55%

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB509 million, representing a decrease of approximately 55.89% as compared with RMB1,154 million for the corresponding period in 2019, mainly due to the gains on financial asset at fair value through profit and loss decreased from RMB528 million in the same period last year to approximately RMB123 million.

Summary of other income and gains is as follows:

	First half of 2020	First half of 2019
As a percentage of sales revenue:		
Income from installation	**0.30%**	0.29%
Other service fee income	**0.33%**	0.41%
Commission income from providing on-line platforms	**0.06%**	0.09%
Gross rental income	**0.19%**	0.35%
Government grants	**0.43%**	0.31%
Gains on financial assets at fair value through profit or loss	**0.65%**	1.54%
Others	**0.71%**	0.37%
Total	**2.67%**	3.36%

Consolidated Gross Profit Margin

Due to the sales of bulk home appliances being seriously affected by the pandemic, the consolidated gross profit margin for the business was approximately 11.65% during the Reporting Period as compared with 17.92% in the corresponding period last year. However, with the gradual alleviation of the pandemic and the stimulating policies, the consolidated gross profit margin began to improve significantly in the second quarter.

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 RMB4,220 million, decreased by 26.48% as compared with RMB5,740 million for the corresponding period last year, mainly because the Group having adopted various measures to reduce various expenses during the pandemic period. The Group expects that the operating expenses will be maintained at a relatively low level.

During the Reporting Period, the Group's operating expenses ratio was 22.12%, increased by 5.40 percentage points as compared with 16.72% for the corresponding period in 2019.

Summary of operating expenses is as follows:

	First half of 2020	First half of 2019
As a percentage of sales revenue:		
Selling and distribution expenses	**15.91%**	11.73%
Administrative expenses	**4.72%**	3.38%
Other expenses	**1.49%**	1.61%
Total	**22.12%**	16.72%

Selling and Distribution Expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB3,036 million, reduced by 24.59% as compared with RMB4,026 million for the corresponding period last year.

The decrease in selling and distribution expenses was mainly due to the fact that the Group adopted various measures to reduce expenses during the pandemic period. Salaries decreased from RMB1,129 million in the same period last year to approximately RMB775 million; rental decreased from RMB332 million in the same period last year to approximately RMB12 million; advertising expenses decreased from RMB237 million in the same period last year to approximately RMB132 million. A total of approximately RMB779 million was reduced during the Reporting Period from the above items.

The selling and distribution expenses as a percentage over sales revenue was 15.91%, increased by 4.18 percentage points as compared with 11.73% for the corresponding period in 2019.

Summary of selling and distribution expenses is as follows:

	First half of 2020	First half of 2019
As a percentage of sales revenue:		
Rental	**0.06%**	0.97%
Salaries	**4.06%**	3.29%
Utility charges	**1.00%**	0.77%
Advertising expenses	**0.69%**	0.69%
Delivery expenses	**1.46%**	0.89%
Depreciation	**8.43%**	4.62%
Others	**0.21%**	0.50%
Total	**15.91%**	11.73%

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB900 million, decreased by 22.48% as compared with RMB1,161 million for the corresponding period last year. Among which, salaries decreased from RMB654 million for the same period last year to approximately RMB499 million, depreciation expenses reduced from RMB272 million in the same period last year to approximately RMB206 million. The proportion over sales revenue was 4.72%, increased by 1.34 percentage points as compared with 3.38% for the corresponding period in 2019. 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, the other expenses of the Group mainly comprised fair value loss on derivative financial instruments incurred from the convertible bonds amounted to approximately RMB169 million, the losses of closing stores amounted to approximately RMB65 million and others amounted to approximately RMB51 million. The total amount of other expenses was approximately RMB285 million, decreased by 48.46% from RMB553 million for the same period last year. This was mainly due to the reclassification of other tax expenses and payment processing charges to revenue and selling and distribution expenses accounts during the Reporting Period. The other tax expenses and payment processing charges were RMB59 million and RMB233 million, respectively, for the same period last year. The other expenses ratio was approximately 1.49%, down 0.12 percentage point as compared with 1.61% for the corresponding period in 2019.

Supplemental information for 2019

For the year ended 31 December 2019, other expenses of the Group mainly comprised, other tax expenses amounted to approximately RMB135 million, payment processing charges amounted to approximately RMB364 million, losses on closed stores amounted to approximately RMB135 million, impairment losses of property and equipment amounted to approximately RMB210 million, net foreign exchange differences amounted to approximately RMB102 million and others amounted to approximately RMB192 million, among which, impairment losses of property and equipment was mainly for the assets of some of the under-performing stores.

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

During the Reporting Period, mainly affected by the COVID-19 pandemic, sales revenue and consolidated gross profit decreased, though the operating expenses were reduced significantly. The Group recorded a loss before finance (costs)/income and tax of approximately RMB2,005 million, as compared with a profit of RMB366 million for the corresponding period in 2019.

Net Finance (Costs)/Income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB710 million, as compared with RMB912 million in the first half of 2019. The decrease in the net finance costs was mainly due to, among others, the interest on the bonds payable decreased from RMB385 million in the corresponding period last year to approximately RMB258 million.

Loss before Tax

As a result of the above-mentioned factors, the Group's loss before tax was approximately RMB2,715 million during the Reporting Period, as compared with a loss of RMB546 million for the corresponding period in 2019.

Income Tax Expense

During the Reporting Period, the Group's income tax expense decreased from RMB75 million for the corresponding period in 2019 to approximately RMB41 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 RMB2,623 million as compared with a loss of RMB380 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was approximately RMB13.1 fen, as compared with loss per share of RMB1.9 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 RMB11,437 million, increased by 39.70% as compared with RMB8,187 million as at the end of 2019.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB6,624 million, down 13.84% as compared with RMB7,688 million as at the end of 2019. Mainly due to the decrease in sales revenue and cost of sales during the Reporting Period, inventory turnover days increased by 21 days from 54 days in the first half of 2019 to approximately 75 days.

Prepayments, Other Receivables and Other Assets (current)

As at the end of the Reporting Period, prepayments, other receivables and other assets of the Group amounted to approximately RMB2,891 million, down 9.88% from RMB3,208 million as at the end of 2019.

Trade and Bills Payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB21,987 million, up 9.28% as compared with RMB20,119 million as at the end of 2019. Mainly due to the decrease in sales revenue and cost of sales during the Reporting Period, turnover days of trade and bills payables increased by 81 days from 140 days for the corresponding period in 2019 to approximately 221 days.

Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB387 million, representing a 48.05% decrease as compared with RMB745 million for the first half of 2019. The capital expenditure during the period was mainly for the development of logistic centers and upgrading the information system of the Group.

Cash Flows

During the Reporting Period, mainly due to the decrease in inventories and increase in trade and bills payables, the Group's net cash flows generated from operating activities was approximately RMB1,994 million, as compared with cash flows of RMB193 million generated for the corresponding period last year.

Mainly due to, among others, the inclusion of proceeds paid for the purchase of property and equipment with regard to the development of logistic centers amounted to approximately RMB354 million, net cash flows used in investing activities amounted to approximately RMB329 million, as compared with RMB387 million used for the first half of 2019.

During the Reporting Period, net cash flows generated from financing activities amounted to approximately RMB1,676 million, as compared with RMB153 million in the first half of 2019. The increase in net cash flows from financing activities was mainly due to, among others, the Group increased its interest-bearing bank loans, other loans and issued convertible bonds during the Reporting Period.

Interim Dividend and Dividend Policy

The Board did not recommend the payment of an interim dividend for the six-month period ended 30 June 2020 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 RMB928 million.

Foreign Currencies and Treasury Policy

The majority of the Group's income and 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 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 by cash on hand, cash generated from operations, interest-bearing bank and other borrowings.

As at 30 June 2020, the total borrowings of the Group were comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds.

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

	Fixed rate	**Floating rate**	**Total**
	RMB'000	RMB'000	RMB'000
Denominated in US$	–	1,727,330	1,727,330
Denominated in RMB	15,459,507	699,037	16,158,544
	15,459,507	2,426,367	17,885,874

The above loans were repayable within 1 year.

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

	Fixed rate RMB'000	**Floating rate** RMB'000	**Total** RMB'000
Denominated in EUR			
Repayable in the third to fifth years, inclusive	–	2,284,010	2,284,010
Denominated in RMB			
Repayable in the third to fifth years, inclusive	142,969	111,867	254,836
Repayable beyond five years	–	1,880,153	1,880,153
	142,969	4,276,030	4,418,999

The corporate bonds comprised:

(1) corporate bonds issued in 2016, renewed and resale in 2019 and 2020 with an aggregate nominal value of RMB4,542 million issued at fixed coupon rate of 7.6% per annum with remaining term of 2 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;

(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; and

(4) corporate bonds issued in 2020 with an aggregate nominal value of RMB200 million issued at a fixed coupon rate of 7% 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 third year.

Convertible bonds comprised:

(1) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US$200 million issued in April 2020.

(2) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US$100 million issued in June 2020.

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

As at 30 June 2020, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounted to approximately RMB29,852 million over total equity amounted to approximately RMB5,376 million, increased from 329.03% as at 31 December 2019 to 555.28%. The debt ratio was 40.63% as compared with 37.36% as at 31 December 2019, which was expressed as a percentage of total borrowings over total assets amounted to approximately RMB73,465 million.

Charge on Group Assets

As at 30 June 2020, the Group's bills payables and interest-bearing bank and other loans were secured by the Group's time deposits amounted to approximately RMB13,792 million and related interest receivables amounted to approximately RMB224 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB4,359 million, the Group's financial assets with a carrying amount of approximately RMB798 million and right-of-use-assets with carrying amount of approximately RMB1,171 million. The Group's bills payables, interest-bearing bank loans and other loans amounted to approximately RMB38,076 million in total.

Outlook and Prospects

Optimized Continuously the Store Network and Accelerated the Deployment of "New Model" for Localized Retail

In the first half of 2020, the Group has proliferated simultaneously a wide spectrum of functions for offline stores thus enabling them to handle online business flow with the support of "One Store One Webpage" system. This approach has turned these stores from pure physical space into a diversified consumption environment which offers live streaming, experience showroom and upfront warehousing. This helped to create an online and offline integration from "ground to internet" with "community + experience + services" features and built up each of these store as the crux of "three kilometer living zone". In the second half of this year, the Group is well positioned to speed up the deployment of store network layout in lower-tier cities. At the same time, the Group plans to accelerate its deep penetration into the consumer living circles in lower-tier cities through multi-dimensional cooperation with Pinduoduo and achieve extensive channel penetration.

Introduced Two Strategic Partners to Enjoy Mutual Benefits Through Collaboration

The Group entered into strategic cooperation agreements with Pinduoduo and JD in the first half of the year. In August 2020, GOME and JD have strengthened their cooperation by signing up the joint procurement with an aggregate amount of RMB30 billion. This was ranked the largest year to date procurement in the home appliance and consumer electronic industry in China. At the same time, GOME has been connected to JD's Kepler system, thus offering access to more than 20,000 non-home appliance SKUs. This line-up is expected to facilitate the sales of GOME's full range of products.

Entered Into the Second Strategic Phase of Open Sharing and Constructed GOME's own Integrated Online and Offline Retail Ecosystem

In the first half of this year, the Group's business was impacted by the COVID-19 outbreak. However, the Group withstood this stress test and successfully achieved the goal of the first phase of strategic development. Going forward, the Group will ride on its 33 years of industry experience and break new grounds in a bid to construct an integrated online and offline retail ecosystem featuring "Social Interaction + Commerce + Sharing".

"Dual platforms" to provide best performance-to-price products and high-quality services

Capitalizing on the foundation of its current home appliance business, the Group plans to increase the business volume mainly through platforms, servicing external enterprises and the whole society. By offering digitalized artificial intelligence management tools to enterprises, the Group will help them to enhance their operational capabilities both online and offline at various levels with the most cost effective and highest efficiency solutions. This would provide users the best performance-to-price products and high-quality services through the platforms, thereby bringing win-win situations for all parties.

Opening of Supply Chain to Construct Diversified Vertical Supply Chain System

The Group plans to share with the third parties its supply chain edges. This would be achieved by opening its supply chain system to the strategic partners and franchises in lower tier markets. Leveraging the expansion drive of supply chain cooperation between the Group and strategic partners with same open-minded approach, this would enable all parties to consolidate their resources and create more business opportunities through multiple channel sales, thus generating win-win situations for all parties.

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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 27 to 63 which comprises the condensed consolidated statement of financial position of GOME Retail Holdings Limited (the "Company") and its subsidiaries as at 30 June 2020 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

INDEPENDENT REVIEW REPORT

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
31 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2020

	Notes	For the six-month period ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	**19,075,037**	34,333,291
Cost of sales	6	**(17,362,417)**	(29,336,702)
Gross profit		**1,712,620**	4,996,589
Other income and gains	5	**509,012**	1,154,396
Selling and distribution expenses		**(3,035,719)**	(4,025,944)
Administrative expenses		**(899,649)**	(1,161,228)
Other expenses		**(284,589)**	(552,832)
Share of losses of associates		**(6,717)**	(45,396)
(Loss)/profit before finance (costs)/income and tax		**(2,005,042)**	365,585
Finance costs	7	**(1,002,664)**	(1,121,272)
Finance income	7	**293,083**	209,284
LOSS BEFORE TAX	6	**(2,714,623)**	(546,403)
Income tax expense	8	**(41,224)**	(74,598)
LOSS FOR THE PERIOD		**(2,755,847)**	(621,001)
Attributable to:			
Owners of the parent		**(2,622,506)**	(380,489)
Non-controlling interests		**(133,341)**	(240,512)
		(2,755,847)	(621,001)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**(RMB13.1 fen)**	(RMB1.9 fen)
Diluted		**(RMB13.1 fen)**	(RMB1.9 fen)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2020

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
LOSS FOR THE PERIOD	**(2,755,847)**	(621,001)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(170,634)**	730
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(170,634)**	730
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income: Change in fair value	**126,813**	66,436
Net other comprehensive income that will not to be reclassified to profit or loss in subsequent periods	**126,813**	66,436
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(43,821)**	67,166
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(2,799,668)**	(553,835)
Attributable to:		
Owners of the parent	**(2,666,327)**	(313,323)
Non-controlling interests	**(133,341)**	(240,512)
	(2,799,668)	(553,835)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 (Unaudited) RMB'000**	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property and equipment	*11*	**6,750,518**	6,733,209
Property under development		**543,191**	522,973
Investment properties		**2,197,614**	2,137,929
Right-of-use assets		**11,353,059**	13,356,979
Goodwill		**11,987,128**	11,987,128
Other intangible assets		**299,881**	334,413
Investments in associates		**169,921**	176,638
Investment in a joint venture		**3,781**	3,781
Equity investments designated at fair value through other comprehensive income		**768,715**	854,052
Financial assets at fair value through profit or loss		**1,614,908**	1,490,596
Loans to investees		**560,000**	560,000
Deferred tax assets		**3,651**	7,211
Prepayments, other receivables and other assets		**345,825**	363,931
Total non-current assets		**36,598,192**	38,528,840
CURRENT ASSETS			
Inventories	*12*	**6,623,534**	7,688,114
Trade receivables	*13*	**825,424**	240,872
Prepayments, other receivables and other assets		**2,890,544**	3,207,558
Loans to investees		**150,000**	150,000
Due from related companies	*14*	**385,697**	244,576
Financial assets at fair value through profit or loss		**754,169**	589,648
Restricted cash	*15*	**13,800,212**	13,035,858
Cash and cash equivalents	*15*	**11,436,762**	8,186,507
Total current assets		**36,866,342**	33,343,133

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 (Unaudited) RMB'000**	31 December 2019 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*16*	**21,986,569**	20,119,408
Other payables and accruals		**3,465,242**	3,565,659
Due to related companies	*14*	**107,766**	174,268
Lease liabilities		**4,367,450**	3,123,314
Interest-bearing bank and other borrowings	*17*	**17,885,874**	18,445,025
Tax payable		**990,752**	984,630
Total current liabilities		**48,803,653**	46,412,304
NET CURRENT LIABILITIES		**(11,937,311)**	(13,069,171)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,660,881**	25,459,669
NON-CURRENT LIABILITIES			
Lease liabilities		**6,131,280**	8,414,297
Interest-bearing bank and other borrowings	*17*	**11,966,133**	8,406,987
Derivative financial instruments	*18*	**676,070**	–
Deferred tax liabilities		**511,190**	477,333
Total non-current liabilities		**19,284,673**	17,298,617
Net assets		**5,376,208**	8,161,052
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**518,322**	518,322
Reserves		**8,430,099**	11,081,602
		8,948,421	11,599,924
Non-controlling interests		**(3,572,213)**	(3,438,872)
Total equity		**5,376,208**	8,161,052

Zhang Da Zhong
Director

Zou Xiao Chun
Director

	Attributable to owners of the parent													
	Issued capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share based payment reserve RMB'000	Asset revaluation reserve# RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	518,322	(1,086,657)	13,829,135	657	(1,845,490)	-	117,468	(81,873)	1,738,024	(140,505)	(1,449,157)	11,599,924	(3,438,872)	8,161,052
Loss for the period	-	-	-	-	-	-	-	-	-	-	(2,622,506)	(2,622,506)	(133,341)	(2,755,847)
Other comprehensive income for the period:														
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	126,813	-	-	-	126,813	-	126,813
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(170,634)	-	(170,634)	-	(170,634)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	126,813	-	(170,634)	(2,622,506)	(2,666,327)	(133,341)	(2,799,668)
Transfer of fair value reserve upon the disposal of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(26,758)	-	-	26,758	-	-	-
Transfer from retained profits	-	-	-	-	-	-	-	-	4,625	-	(4,625)	-	-	-
Shares awarded under share award scheme	-	31,243	(13,372)	-	-	(17,871)	-	-	-	-	-	-	-	-
Shares repurchased for share award scheme	-	(12,420)	-	-	-	-	-	-	-	-	-	(12,420)	-	(12,420)
Equity-settled share based arrangements	-	-	-	-	-	27,244	-	-	-	-	-	27,244	-	27,244
At 30 June 2020 (unaudited)	518,322	(1,067,834)	13,815,763	657	(1,845,490)	9,373	117,468	18,182	1,742,649	(311,139)	(4,049,530)	8,948,421	(3,572,213)	5,376,208

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2020

	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	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	66,436	–	–	–	66,436	–	66,436
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	730	–	730	–	730
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	66,436	–	730	(380,489)	(313,323)	(240,512)	(553,835)
Transfer from retained profits	–	–	–	–	–	–	–	1,345	–	(1,345)	–	–	–
Winding-up of a subsidiary	–	–	–	–	–	–	–	(44)	–	44	–	–	–
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,875	1,875
Capital withdrawal 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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	Notes	**For the six-month period ended 30 June**	
		2020	2019
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**1,789,975**	207,232
Interest received		**201,730**	124,756
Income tax returned/(paid)		**2,315**	(138,835)
Net cash flows from operating activities		**1,994,020**	193,153
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, investment properties and land use rights		**(387,056)**	(744,595)
Net cash flows from changes in financial assets		**26,074**	582,449
Net cash used in acquisition of subsidiaries		**–**	(299,772)
Proceeds from disposal of property and equipment		**1,117**	40,676
Proceeds from disposal of a land use right		**–**	34,269
Other cash flows from investing activities		**30,783**	–
Net cash flows used in investing activities		**(329,082)**	(386,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of treasury shares		**(12,420)**	–
Interest paid		**(1,307,943)**	(568,293)
Proceeds from the issuance of corporate bonds		**285,210**	–
Net cash flows from changes in interest-bearing bank and other borrowings		**4,335,310**	1,454,050
Repayment of loans from related companies		**–**	(400,000)
Principal portion of lease payments/finance lease rental payments		**(317,008)**	–
Repayment of corporate bonds		**(3,386,101)**	–
Proceeds from the issuance of convertible bonds		**2,122,150**	–
Increase in pledged deposits for bank and other borrowings		**(176,360)**	(349,028)
Other cash flows from financing activities		**132,689**	16,178
Net cash flows from financing activities		**1,675,527**	152,907
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,340,465**	(40,913)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2020

	Notes	For the six-month period ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,340,465**	(40,913)
Cash and cash equivalents at 1 January		**8,186,507**	10,143,339
Effect of foreign exchange rate changes, net		**(90,210)**	3,281
CASH AND CASH EQUIVALENTS AT 30 JUNE		**11,436,762**	10,105,707
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*15*	**7,504,722**	6,149,091
Non-restricted time deposits with original maturity less than three months when acquired	*15*	**3,932,040**	3,956,616
		11,436,762	10,105,707

1. CORPORATE AND GROUP INFORMATION

GOME Retail Holdings Limited 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 interim condensed consolidated financial information for the six-month period ended 30 June 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB11,937,311,000 as at the end of the reporting period. In preparing this interim condensed consolidated 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 unutilized 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 condensed consolidated financial information on a going concern basis is appropriate.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

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

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB175,012,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated 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. Accordingly, no segment information by profit, assets and liabilities is presented.

Geographical information

All (2019: all) revenue of the Group was derived from customers in Mainland China and over 95% (2019: 95%) of the Group's non-current assets, other than financial instruments and deferred tax assets, were situated in Mainland China.

Information about major customers

During the six-month period ended 30 June 2020, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers	**19,075,037**	34,333,291
Other income and gains:		
Income from installation	**56,384**	97,894
Income on extended warranty service	**63,629**	139,898
Compensation and penalty income	**1,464**	6,570
Other income from telecommunication service providers	**7,944**	50,540
Commission income from providing on-line platforms	**11,496**	31,490
Gross rental income	**36,035**	119,209
Government grants*	**81,984**	106,007
Income from bank deposits and financial products	**8,061**	7,041
Gains on lease modification	**27,360**	45,674
Gains on subleases of right-of-use assets	**31,104**	–
Income on the net investment in finance leases	**6,501**	–
Fair value gains on investment properties	**9,582**	–
Fair value gains on financial assets at fair value through profit or loss, net	**123,283**	528,253
Foreign exchange gains, net	**1,576**	–
Others	**42,609**	21,820
	509,012	1,154,396

Note:

* Various local government grants were received to reward the Group's contributions to the local economy. There was no unfulfilled conditions or contingency attaching to these government grants.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of goods or services		
Sale of electrical appliances and consumer electronic products – offline	**18,842,166**	32,739,360
Sale of electrical appliances and consumer electronic products – online	**232,871**	1,593,931
Total revenue from contracts with customers	**19,075,037**	34,333,291
Geographical market		
Mainland China	**19,075,037**	34,333,291
Timing of revenue recognition		
Goods transferred at a point in time	**19,075,037**	34,333,291

6. LOSS BEFORE TAX

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

	Notes	For the six-month period ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of inventories sold		**17,249,784**	29,336,702
Provision against inventories		**112,633**	–
Cost of sales		**17,362,417**	29,336,702
Depreciation of property and equipment		**326,061**	404,137
Depreciation of right-of-use assets		**1,487,286**	1,454,443
Amortisation of other intangible assets		**34,532**	33,766
Impairment losses on property and equipment*		**–**	21,964
Losses of closing stores*#		**65,075**	105,631
Compensation and penalty*		**24,114**	10,117
Loss on disposal of property and equipment*		**1,844**	8,621
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss	5	**(123,283)**	(528,253)
Fair value loss on derivative financial instruments*	18	**168,778**	–
Fair value gains on investment properties	5	**(9,582)**	–
Gross rental income	5	**(36,035)**	(119,209)
Foreign exchange differences, net		**(1,576)**	7,708
Impairment losses on financial assets*		**17,360**	8,557

Notes:

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

\# Written off certain leasehold improvements of RMB63,621,000 (six-month period ended 30 June 2019: RMB43,428,000) were included in this item.

7. FINANCE (COSTS)/INCOME

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

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance costs:		
Interest on bonds payable	**(257,615)**	(385,387)
Interest on bank loans	**(188,588)**	(151,767)
Interest on discounted bills	**(249,628)**	(189,558)
Interest on borrowings from related parties	**–**	(35,228)
Interest on lease liabilities	**(380,194)**	(438,032)
Total interest expense on financial liabilities not at fair value through profit or loss	**(1,076,025)**	(1,199,972)
Less: Interest capitalised	**73,361**	78,700
	(1,002,664)	(1,121,272)

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance income:		
Bank interest income	**278,492**	209,284
Interest income from loans to investees	**14,591**	–
	293,083	209,284

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Charge for the period	**3,807**	56,269
Deferred	**37,417**	18,329
Total tax charge for the period	**41,224**	74,598

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 31 August 2020, the board did not recommend the payment of an interim dividend for the six-month period ended 30 June 2020 so as to preserve capital for funding needs of the Group.

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

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 20,066,871,000 (six-month period ended 30 June 2019: 20,066,084,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six-month period ended 30 June 2020 and 2019 in respect of a dilution as the impact of convertible bonds outstanding and share award granted had an anti-dilutive effect on the basic loss per share amounts presented.

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

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(2,622,506)**	(380,489)

	Number of shares	
	2020	2019
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**20,066,871**	20,066,084

11. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2020, the Group acquired property and equipment at a total cost of RMB409,952,000 (30 June 2019: RMB731,343,000).

Assets with a net carrying amount of RMB2,961,000 were disposed of by the Group during the six-month period ended 30 June 2020, resulting in a net loss on disposal of RMB1,844,000. Besides, leasehold improvement with a net carrying amount of RMB63,621,000 were written off as a result of the closure of retail stores.

An aircraft of the Group with the aggregate carrying amount of RMB120,618,000 (31 December 2019: RMB137,862,000) was pledged as security for interest-bearing bank and other borrowings (note 17) of the Group as at 30 June 2020.

Certain of the buildings in the Mainland China of the Group were pledged as security for bills payables (note 16) with the aggregate carrying amount of RMB1,362,368,000 (31 December 2019: RMB1,063,874,000) and interest-bearing bank and other borrowings (note 17) of the Group with the aggregate carrying amount of RMB694,825,000 (31 December 2019: RMB: 1,128,372,000) as at 30 June 2020.

12. INVENTORIES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Merchandise for resale	**6,489,635**	7,552,360
Consumables	**133,899**	135,754
	6,623,534	7,688,114

13. TRADE RECEIVABLES

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	**792,197**	220,673
3 to 6 months	**23,795**	16,759
Over 6 months	**9,432**	3,440
	825,424	240,872

14. DUE FROM/TO RELATED COMPANIES

Due from related companies

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Advances to associates	*(i)*	**119,001**	57,445
Due from other related companies	*(i)*	**266,696**	187,131
		385,697	244,576

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

Due to related companies

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Due to GOME Ruidong*	*(i)*	**66,667**	66,667
Due to Anxun Logistics*	*(ii)*	**20,734**	65,377
Due to other related companies	*(i)*	**20,365**	42,224
		107,766	174,268

* These companies represent 北京國美銳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 owned by Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company.

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

(ii) This balance was interest-free, unsecured and repayable within 45 days.

15. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Cash and bank balances		**7,504,722**	6,147,237
Time deposits		**17,732,252**	15,075,128
		25,236,974	21,222,365
Less: Pledged time deposits for bills payables	*16*	**(6,044,021)**	(5,470,541)
Pledged time deposits for interest-bearing bank and other borrowings	*17*	**(7,748,130)**	(7,392,319)
Interest reserve on bonds payable		**–**	(172,998)
Restricted cash for property reservation		**(8,061)**	–
		(13,800,212)	(13,035,858)
Cash and cash equivalents		**11,436,762**	8,186,507

16. TRADE AND BILLS PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	**6,215,637**	5,169,596
Bills payables	**15,770,932**	14,949,812
	21,986,569	20,119,408

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	**14,433,034**	9,018,095
3 to 6 months	**4,886,702**	8,928,531
Over 6 months	**2,666,833**	2,172,782
	21,986,569	20,119,408

Certain of the Group's bills payables are secured by:

(i) the pledge of certain of the Group's time deposits (note 15) amounting to RMB6,044,021,000 (2019: RMB5,470,541,000) and related interest receivables amounting to RMB25,158,000 (2019: RMB27,145,000);

(ii) mortgages over the Group's buildings (note 11) which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,362,368,000 (2019: RMB1,063,874,000); and

(iii) mortgages over the Group's investment properties situated in Mainland China which had an aggregate fair value of approximately RMB370,724,000 (2019: RMB135,492,000).

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020		31 December 2019	
	Maturity	**(Unaudited) RMB'000**	Maturity	(Audited) RMB'000
Current				
Bank loans – secured	**2020-2021**	**15,301,202**	2020	13,337,038
Bank loans – unsecured	**2020-2021**	**2,288,842**	2020	1,489,983
Other loans – secured	**2020-2021**	**295,830**	2020	296,496
Bonds payable – unsecured	**–**	**–**	2020	3,321,508
		17,885,874		18,445,025
Non-current				
Bank loans – secured	**2022-2034**	**4,276,030**	2022-2034	2,655,230
Other loan – secured	**2021-2024**	**142,969**	2021-2024	120,045
Bonds payable – unsecured	**2022-2026**	**7,547,134**	2022-2025	5,631,712
		11,966,133		8,406,987
Analysed into:				
Bank loans repayable:				
Within one year		**17,590,044**		14,827,021
In the second year		**–**		–
In the third to fifth years, inclusive		**2,395,877**		1,062,026
Beyond five years		**1,880,153**		1,593,204
		21,866,074		17,482,251
Other borrowings repayable:				
Within one year		**295,830**		3,618,004
In the second year		**4,220,713**		39,396
In the third to fifth years, inclusive		**2,387,698**		5,213,847
Beyond five years		**1,081,692**		498,514
		7,985,933		9,369,761

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

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

(a) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB694,825,000 (2019: RMB1,128,372,000);

(b) certain of the Group's right-of-use assets in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB1,170,765,000 (2019: RMB1,175,438,000);

(c) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of approximately RMB1,267,446,000 (2019: RMB1,365,419,000);

(d) certain of the Group's property under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB543,191,000 (2019: RMB522,973,000);

(e) the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB120,618,000 (2019: RMB137,862,000);

(f) certain of the Group's time deposits (note 15) amounting to RMB7,748,130,000 (2019: RMB7,392,319,000) and related interest receivables amounting to RMB198,519,000 (2019: RMB288,023,000);

(g) certain of the Group's financial assets at fair value through profit or loss with an aggregate fair value of approximately RMB610,976,000 (2019: RMB566,748,000); and

(h) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value of approximately RMB186,825,000 (2019: Nil).

ii) Except for the bank loans listed below, all the Group's bank and other borrowings are denominated in RMB.

(a) a bank loan of USD244,000,000 (equivalent to RMB1,727,330,000);

(b) bank loans of EUR286,850,000 (equivalent to RMB2,284,010,000); and

(c) bonds payable with a carrying amount of USD228,737,000 (equivalent to RMB1,619,344,000).

18. CONVERTIBLE BONDS

On 17 April 2020, the Company, as issuer, and Hongkong Walnut Street Limited ("Pinduoduo"), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo Inc., as subscriber, entered into a subscription agreement (the "Pinduoduo Subscription Agreement") in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US$200 million. The initial conversion price is HK$1.215 per share. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new shares of the Company will be allotted and issued. The issuance was completed on 28 April 2020.

On 28 May 2020, the Company, as issuer, and JD.com International Limited ("JD"), a limited liability company established in Hong Kong and a wholly-owned subsidiary of JD.com, Inc., as subscriber, entered into a subscription agreement (the "JD Subscription Agreement') in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US$100 million. The initial conversion price is HK$1.255 per share. Assuming that the conversion rights have been exercised in full, 621,513,944 new shares of the Company will be allotted and issued. The issuance was completed on 30 June 2020.

The convertible bonds issued under the Pinduoduo Subscription Agreement and the JD Subscription Agreement (collectively the "CBs") bear interest from (and including) the issuance date at the rate of 5% per annum payable annually. The CBs initially have a maturity date falling on the third anniversary of the issue date, which may be extended for another 2 years at the option of bondholders of the CBs under certain conditions.

Upon the occurrence of certain issuer redemption events, the Company has the option to redeem in whole (but not in part), the CBs then outstanding. Upon the occurrence of certain bondholder redemption events, the bondholders have the option to redeem in whole, or in part, the CBs then outstanding.

At the issuance date, the liability components, and above-mentioned conversion options, extension options and redemption options (collectively the "embedded derivatives") of the CBs were measured at fair value. The liability components are presented as long term interest-bearing borrowings (note 17) on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from liability components, presented as derivative financial instruments at fair value.

For further details of the CBs, please refer to the related announcements of the Company on 19 April 2020, 28 April 2020, 28 May 2020 and 30 June 2020.

19. SHARE-BASED PAYMENTS

Restricted Share Award Scheme

The Company operates a restricted share award scheme (the "RSA Scheme") to grant restricted share units ("RSUs") to selected individuals being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company and/or its subsidiaries (the "Selected Participants"): (1) to recognise and motivate the contributions by Selected Participants and to give incentives there to in order to retain them for the continual operation and development of the Group; (2) to attract suitable personnel for further development of the Group; and (3) to provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and the employees. The RSA Scheme became effective on 3 October 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum amount of the fund to be contributed by the Company for purchasing the Company's shares for the pool of the RSA Scheme is initially set at HK$2,000,000,000. The maximum amount may be refreshed for such or other amount and at such time as determined by the board of directors after having taken into account the results and all relevant circumstances and affairs of the Group. The shares will be acquired by an independent trustee (the "Trustee") at the cost of the Company and be held in trust for the Selected Participants until the end of each vesting period. Under the RSA Scheme, the Trustee shall not purchase any further shares if the relevant purchase would result in the Trustee holding in aggregate more than 10% of the total number of shares of the Company in issue.

As at end of the reporting period, an accumulated sum of approximately HK$1,289,065,000 (30 June 2019: HK$1,275,540,000) (excluding transaction costs) has been used to acquire 1,506,543,000 (30 June 2019: 1,491,543,000) ordinary shares of the Company by the Trustee for the purpose to award shares of the Company to the Selected Participants under the RSA Scheme.

During the six-month period ended 30 June 2020, 498,556,000 RSUs have been granted to certain employees of the Group under the RSA Scheme, with the vesting of these RSUs subject to the fulfilment of certain market conditions that the market capitalisation of the Company is required to reach certain pre-determined values, and the employees' continuous service to the Group through the vesting period. During the six-month period ended 30 June 2020, 35,061,000 RSUs have been vested with the fulfilment of certain market conditions.

19. SHARE-BASED PAYMENTS *(continued)*

Restricted Share Award Scheme *(continued)*

Besides, during the six-month period ended 30 June 2020, 4,714,000 RSUs, which have no vesting conditions, have been granted to certain employees of the Group under the RSA Scheme.

The total share award expenses recognised by the Group related to the RSA Scheme during the six-month period ended 30 June 2020 is RMB26,989,000 (six-month period ended 30 June 2019: Nil).

Share Option Scheme

The shareholders of the Company approved the adoption of a 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 10% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting, while in no event should the further grants result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Share Option Scheme and the other share incentive schemes exceeding 30% of the total number of shares of the Company in issue from time to time.

No options have been granted by the Company since the adoption of the Share Option Scheme.

20. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for:		
Property and equipment	**928,321**	1,124,451

21. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES

(a) In addition to the transactions and balances which are disclosed elsewhere in the interim condensed consolidated financial information, the Group had the following significant transactions with the related parties and investees:

	Notes	For the six-month period ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Transactions with GOME Property:	*(i)*		
Rental expenses		**50,036**	74,368
Construction expenses		**42,453**	7,075
Transactions with Beijing Xinhengji:	*(i)*		
Rental expenses		**8,632**	12,948
Transactions with Anxun Logistics:	*(i)*		
Service fee		**269,439**	290,805
Warehousing service income		**80,457**	38,662
Warehousing service expenses		**15,295**	24,956
Transactions with GOME Holding:	*(i)*		
Interest expense		**–**	33,360
Other services income		**12,068**	16,879
Transactions with GOME Financial:	*(i)*		
Interest expense		**–**	1,868
Transactions with Meiyunbao:	*(i)*		
Supply of goods or service		**7,229**	5,281
Purchase of goods or service		**13,051**	12,322
Transactions with associates:	*(ii)*		
Purchases of goods		**–**	14,167
Transactions with investees:	*(iii)*		
Interest income		**14,591**	–

21. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES *(continued)*

(a) In addition to the transactions and balances which are disclosed elsewhere in the interim condensed consolidated financial information, the Group had the following significant transactions with the related parties and investees: *(continued)*

(i) These companies represent 國美地產控股有限公司 ("GOME Property Co., Ltd." or "GOME Property"), 北京新恒基房地產集團有限公司("Beijing Xinhengji Property Co., Ltd." or "Beijing Xinhengji"), 國美控股集團有限公司 ("GOME Holding Group Company Limited" or "GOME Holding"), 國美金控投資有限公司 ("GOME Financial Holding Investment Co., Ltd." or "GOME Financial"), Anxun Logistics and 美雲保(北京)科技服務有限公司("Meiyunbao Beijing Tech Service Co., Ltd." or "Meiyunbao"). Except for Beijing Xinhengji, which is owned by a close member of the family of Mr. Wong, other companies are all owned by Mr. Wong.

(ii) Balance represented transactions with Gome Telecom (Zhejiang) Co., Ltd and its subsidiary.

(iii) Balance represented interest income related to loans to 國美通訊設備股份有限公司 ("Gome Telecom Equipment Co., Ltd." or "Gome Telecom"), which is accounted as equity investment designated at fair value through other comprehensive income, and its subsidiary Zhejiang Dejing Electronic Technology Co., Ltd..

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 personnel of the Group:

	For the six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	**1,087**	1,036
Other emoluments:		
Salaries, allowances and other expense	**3,646**	9,524
Pension scheme contributions	**54**	161
Share award expense	**4,713**	–
	9,500	10,721

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	**30 June 2020 (Unaudited) RMB'000**	31 December 2019 (Audited) RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**768,715**	854,052	**768,715**	854,052
Financial assets at fair value through profit or loss	**2,369,077**	2,080,244	**2,369,077**	2,080,244
Loans to investee – non-current	**560,000**	560,000	**514,070**	497,834
Financial assets included in prepayments, other receivables and other assets – non-current	**345,825**	363,931	**299,599**	334,535
Total	**4,043,617**	3,858,227	**3,951,461**	3,766,665

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

	Carrying amounts		Fair values	
	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000	**30 June 2020 (Unaudited) RMB'000**	31 December 2019 (Audited) RMB'000
Financial liabilities				
Derivative financial instruments	**676,070**	–	**676,070**	–
Other borrowings with fixed interest rates – non-current	**7,690,103**	5,751,757	**7,723,068**	5,724,117
Total	**8,366,173**	5,751,757	**8,399,138**	5,724,117

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, current loans to investees, trade and bills payables, financial assets included in prepayments, other receivables and other assets with short term maturities, financial liabilities included in other payables and accruals, amounts due from/to related parties, and interest-bearing bank and other borrowings with short term maturities or bearing floating interest rates approximate to their carrying amounts largely due to the short term maturities of these instruments or they bearing floating interest rates if they have long term maturities.

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

The fair values of 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.

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

The following methods and assumptions were used to estimate the fair values: The fair values of non-current loans to investees, financial assets included in prepayments, other receivables and other assets with long term maturities and the non-current portion of other borrowings with fixed interest rates have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of other borrowings with fixed interest rates as at 30 June 2020 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments included in financial assets at fair value through profit or loss or equity investments designated at fair value 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 to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple and price to sales ("P/S") 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.

For the fair value of the unlisted equity investments included in financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group issued convertible bonds with certain embedded derivatives. These embedded derivatives are measured using valuation techniques. The models incorporate significant unobservable inputs including volatility of stock price and risk-free interest rate. The carrying amounts of derivative financial instruments are the same as their fair values.

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
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 2020: 23.00%-24.00% (31 December 2019: 22.00%-26.00%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB2.7 million to RMB16.2 million.
		P/E	30 June 2020: Not applicable (31 December 2019: 43.21-98.18)	Not applicable
		P/S	30 June 2020: 1.0-2.0 (31 December 2019: 1.0-1.8)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value by RMB2.1 million to RMB25.6 million.
Derivative financial instruments	Binomial tree model	Spot stock price	30 June 2020: HK$1.29 (31 December 2019: not applicable)	1.5% increase (decrease) in the spot stock price would result in increase (decrease) in the fair value by RMB221.1 million (RMB158.2 million).
		Discount rate	30 June 2020: 10.39% to 11.15% (31 December 2019: not applicable)	2% increase (decrease) in the discount rate would result in decrease (increase) in the fair value by RMB49.5 million.
		Risk-free rate	30 June 2020: 0.722% to 0.795% (31 December 2019: not applicable)	0.4% increase (decrease) in risk-free interest rate will result in increase (decrease) in the fair value by RMB8.8 million to RMB9.0 million.

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2020:

	Fair value measurement using			
	Total (Unaudited) RMB'000	Quoted price in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000
Equity investments designated at fair value through other comprehensive income	768,715	578,546	–	190,169
Financial assets at fair value through profit or loss	2,369,077	864,588	–	1,504,489
Total	3,137,792	1,443,134	–	1,694,658

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

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2019

	Fair value measurement using			
	Total (Audited) RMB'000	Quoted price in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000
Equity investments designated at fair value through other comprehensive income	854,052	659,455	–	194,597
Financial assets at fair value through profit or loss	2,080,244	654,609	–	1,425,635
Total	2,934,296	1,314,064	–	1,620,232

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

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

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

	Equity investments designated at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000
At 1 January 2020	194,597	1,425,635
Purchases	–	35,010
Disposal	–	(22,900)
Total gains recognised in the statement of profit or loss included in other income	–	66,744
Total losses recognised in other comprehensive income	(4,428)	–
At 30 June 2020	190,169	1,504,489

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

Fair value hierarchy *(continued)*

Liabilities measured at fair value:

As at 30 June 2020:

	Fair value measurement using			
	Total (Unaudited) RMB'000	Quoted price in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000
Derivative financial instruments	676,070	–	–	676,070

The Group did not have any financial liabilities measured at fair value as at 31 December 2019.

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 financial assets (six-month period ended 30 June 2019: Nil).

23. 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 31 August 2020.

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 2020, 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
Wang Jun Zhou *(Note 1)*	22,000,000	–	–	–	22,000,000	0.10

Note:

1. The relevant interests represented 22,000,000 shares of the Company (the "Share(s)") or underlying Shares 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 and underlying 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 2020, 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 2020, 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 2020 (the "Reporting Period"), no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

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

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

(e) Material supplements to directors' profile

During the Reporting Period, Mr. Wang Gao has resigned as an independent director of Anhui Gujing Distillery Company Limited, a company listed on the Shenzhen Stock Exchange.

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 2020, a sum of approximately HK$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 ordinary shares, representing approximately 6.99% of the issued share capital of the Company, from the market by the independent trustee.

Details of the Share Award Scheme are set out in the announcement of the Company dated 3 October 2016 and 6 October 2017 and note 19 to the interim financial information on pages 52 to 53.

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 2020, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding as at 30 June 2020.

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 2020, 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	1,466,768,000	6.80
Pinduoduo Inc. *(Note 5)*	Interest in controlled corporation	1,283,950,617	5.96

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.

5. These Shares represent the convertible bonds issued by the Company to a wholly owned subsidiary of Pinduoduo Inc. at an aggregate principal amount of US$200 million with the initial conversion price of HK$1.215 per Share at the agreed exchange rate of US$1 to HK$7.8. As at 30 June 2020, none of the convertible bonds have been converted.

(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 2020, 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

(1) During January 2020, the Company made on-market repurchases of the overseas bonds in the aggregate principal amount of US$10,000,000. In March 2020, the Company has fully repaid the outstanding principal amount of the overseas bonds of US$466,000,000 and its related interest of US$11,650,000, totaling US$477,650,000.

(2) In April 2020, the Group renewed and resale the corporate bonds issued in 2016 in the PRC, the renewed and resale principal amount was RMB86.5 million with 7.6% coupon rate per annum and remaining term of 2 years.

(3) In order to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development, the Company issued two convertible bonds during the Reporting Period.

(a) On 17 April 2020, the Company, as issuer, and Hongkong Walnut Street Limited, a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo Inc., as subscriber, entered into a subscription agreement in relation to the subscription of convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds of US$200 million. The initial conversion price of the convertible bonds is HK$1.215 per Share, represented a premium of approximately 66.44% to the closing price of HK$0.73 per Share as quoted on the Stock Exchange on 17 April 2020. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new ordinary Shares (the "PDD Conversion Shares) will be allotted and issued. The PDD Conversion Shares have a market value of approximately HK$937.28 million as at 17 April 2020 and a nominal value of approximately HK$32.10 million. The issuance of the convertible bonds was completed on 28 April 2020.

Based on the net proceeds from the subscription of approximately US$196.80 million and on the basis that 1,283,950,617 PDD Conversion Shares will be allotted and issued at the initial conversion price of HK$1.215, the net price per PDD Conversion Share was approximately HK$1.196.

As at 30 June 2020, the net proceeds have not yet been utilized and it is expected to be used to repay the existing borrowings of the Group within next 12 months.

(b) On 28 May 2020, the Company, as issuer, and JD.com International Limited, a limited liability company established in Hong Kong and a wholly-owned subsidiary of JD.com, Inc., as subscriber, entered into a subscription agreement in relation to the subscription of convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds of US$100 million. The initial conversion price of the convertible bonds is HK$1.255 per Share, represented a premium of approximately 37.91% to the closing price of HK$0.91 per Share as quoted on the Stock Exchange on 28 May 2020. Assuming that the conversion rights have been exercised in full, 621,513,944 new ordinary Shares (the "JD Conversion Shares") will be allotted and issued. The JD Conversion Shares have a market value of approximately HK$565.58 million as at 28 May 2020 and a nominal value of approximately HK$15.54 million. The issuance of the convertible bonds was completed on 30 June 2020.

Based on the net proceeds from the subscription of approximately US$99.11 million and on the basis that 621,513,944 JD Conversion Shares will be allotted and issued at the initial conversion price of HK$1.255, the net price per JD Conversion Share was approximately HK$1.244.

As at 30 June 2020, the net proceeds have not yet been utilized and it is expected to be used to repay the existing borrowings of the Group within next 12 months.

(4) In June 2020, the Group issued domestic bonds with an aggregate principal amount of RMB200 million at coupon rate of 7.00% per annum in the PRC. Such domestic bonds have a term of 6 years. The Group will be entitled to adjust the coupon rate and the investors will be entitled to sell back the domestic bonds to the Group at the end of the third 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 2020.

CHANGES TO THE BOARD

There were no change to the Board during the six-month period ended 30 June 2020.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six-month period ended 30 June 2020, 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 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 2020.

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 financial information of the Group for the six-month period ended 30 June 2020 as reviewed by Ernst & Young, the external auditors.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events taking place subsequent to 30 June 2020.

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
Industrial Bank
ICBC
CITIC Bank
Agricultural Bank
China Everbright Bank

AUDITORS

Ernst & Young
Certified Public Accountants

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BRANCH SHARE REGISTRAR IN HONG KONG

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