GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(formerly known as GOME Electrical Appliances Holding Limited 國美電器控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

UNAUDITED INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

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

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

The board of directors (the "Board") of GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited, the "Company") announces the unaudited interim financial information of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six-month period ended 30 June 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2017

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

NOTES

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

3. CHANGES IN THE GROUP'S ACCOUNTING POLICIES

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

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

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

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

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

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

Annual Improvements Cycle: 2014-2016

Amendments to IFRS 12 ***Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

4. **OPERATING SEGMENT INFORMATION**

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

Management monitors the results of the Group's operating segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income, unallocated income, finance costs, gain or loss on equity investments at fair value through profit or loss, dividends income from listed investments, fair value gain on derivative financial instruments, share of losses of associates, and corporate and other unallocated expenses are excluded from such measurement.

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

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

4. OPERATING SEGMENT INFORMATION (continued)

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

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

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

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

5. BUSINESS COMBINATION

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

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

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

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

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

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

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

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

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

Notes:

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

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

7. PROFIT BEFORE TAX

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

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

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

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

8. FINANCE (COSTS)/INCOME

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

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

9. INCOME TAX EXPENSE

An analysis of the provision for tax is as follows:

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

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

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

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

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

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

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

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

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

No adjustment has been made to the basic earnings per share amounts presented for the six-month periods ended 30 June 2017 and 2016 as the impact of the warrants and share options outstanding had no dilutive effect on the basic earnings per share amounts presented.

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

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

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

12. TRADE AND BILLS PAYABLES

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

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

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

12. TRADE AND BILLS PAYABLES (continued)

The Group's bills payable above are secured by:

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

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

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

(iv) the pledge of certain of the Group's investment properties.

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

13. BONDS PAYABLE

On 7 January 2016, 28 January 2016 and 10 May 2016, the Group issued bonds at par values of RMB3,000 million, RMB300 million and RMB1,700 million on the Shanghai Stock Exchange, which are repayable on 7 January 2022, 28 January 2022 and 10 May 2022, respectively. These bonds could be redeemed by the holder and the earliest repayment dates are 7 January 2019, 28 January 2019 and 10 May 2019, respectively. The net proceeds after deducting transaction cost of RMB105,233,000 was RMB4,894,767,000. The interests are paid on an annual basis.

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

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

After initial recognition, these bonds are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate. The interest expense calculated based on the effective interest rate was RMB276,618,000, which was included in finance costs of the interim condensed consolidated statement of profit or loss.

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

	RMB'000
Carrying amount as at 1 January 2017	**8,849,485**
Interest reclassified to current portion in previous year	**192,158**
Additions	**3,423,045**
Interest expenses during the period	**276,618**
Interest paid during the period	**(208,500)**
Exchange differences	**(72,727)**
	12,460,079
Less: current portion of bonds payable	**(243,669)**
Included under non-current liabilities as at 30 June 2017	**12,216,410**

14. DIVIDEND

The 2016 final dividend was paid on 19 June 2017.

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

15. EVENTS AFTER THE REPORTING PERIOD

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

(ii) On 17 August 2017, 國美通訊設備股份有限公司 (GOME Telecon Equipment Co,. Ltd.) and 國美電器有限公司 (GOME Appliance Company Limited) entered into an agreement to establish a limited liability company with registered capital of RMB200 million. As of the date of issuance of this Interim Financial Information, the Group has not yet fulfilled its required capital injection of RMB98 million, which represents 49% of the equity interest of this limited liability company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

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

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

FINANCIAL REVIEW

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

Revenue

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

Cost of sales and gross profit

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

Other income and gains

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

Consolidated gross profit margin

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

Operating expenses

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

Selling and distribution expenses

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

Administrative expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,123 million. The proportion over sales revenue was 2.95%, up 0.51 percentage point as compared with 2.44% for the corresponding period in 2016, mainly due to the Group increased expenses on research and development to enhance the management function of the information system during the period. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses ratio at a relatively low level in the industry.

Other expenses

During the Reporting Period, other expenses of the Group mainly comprised, among others, business tax, bank charges and foreign exchange loss, which increased from RMB397 million for the corresponding period in 2016 to approximately RMB609 million. The increase was mainly attributed by the foreign exchange loss incurred by the interest-bearing bank loans denominated in Euro, as Euro has appreciated against Renminbi during the Reporting Period. The other expenses over revenue ratio was approximately 1.60%, up 0.48 percentage point as compared with 1.12% for the corresponding period in 2016.

Profit before finance (costs)/income and tax

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

Net finance (costs)/income

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

Profit before tax

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

Income tax expense

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

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

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

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

Cash and cash equivalents

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

Inventories

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

Prepayments, deposits and other receivables

As at the end of the Reporting Period, prepayments, deposits and other receivables of the Group amounted to approximately RMB4,870 million, up 2.94% from RMB4,731 million as at the end of 2016.

Trade and bills payables

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

Capital expenditure

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

Cash flows

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

Mainly due to the inclusion of net proceeds paid for the acquisition of 美信網絡技術有限公司 (Meixin Network Technology Company Limited, together with its subsidiaries, the "Meixin Group") amounted to approximately RMB876 million, net cash flows used in investing activities amounted to approximately RMB715 million, as compared with net cash inflows of RMB182 million in the first half of 2016.

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

Contingent liabilities and capital commitments

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

Foreign currencies and treasury policy

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

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

Financial resources and gearing ratio

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

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

The interest-bearing bank loans comprised (1) bank loans of US$153 million (equivalent to approximately RMB1,033 million) in aggregate, bearing interest at floating rates; (2) a bank loan of JPY50 million (equivalent to approximately RMB3 million) bearing interest at a fixed rate; (3) a bank loan of EUR259 million (equivalent to approximately RMB2,003 million) bearing interest at floating rate; (4) and a bank loan of EUR41 million (equivalent to approximately RMB316 million) bearing interest at floating rate. The above interest-bearing bank loans were repayable with 1 year. (5) A bank loan of RMB9 million bearing interest at floating rate; and (6) a bank loan of EUR54 million (equivalent to approximately RMB421 million) bearing interest at floating rate. The above interest-bearing bank loans were repayable within 5 years.

The corporate bonds comprised (1) corporate bonds with an aggregate nominal value of RMB5,000 million issued at fixed coupon rates ranged from 4.00% to 4.50% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rates and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the third year; and (2) corporate bonds with an aggregate nominal value of RMB4,000 million issued at a fixed coupon rate of 5.67% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second and fourth year.

The overseas bonds were issued during the Reporting Period with aggregate principal amount of US$500 million with 5% coupon rate due 2020.

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

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

Charge on group assets

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

TALENT AND EXPERTISE

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

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

OUTLOOK AND PROSPECTS

Optimizing GOME New Retail Ecosystem on the Back of Technology

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

Cross-industry Integration to Build a New Household Scenario

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

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

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

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

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

INTERIM DIVIDEND AND DIVIDEND POLICY

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

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

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

During the six-month period ended 30 June 2017, the Company repurchased an aggregate of 309,838,000 shares of the Company (the "Share(s)") on the Stock Exchange of Hong Kong Limited (the" Stock Exchange"), details of which are as follows:

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

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

During the six-month period ended 30 June 2017, the Company issued overseas bonds with an aggregate principal amount of US$500,000,000 at fixed coupon rate of 5.0% due 10 March 2020. The overseas bonds are listed on the Singapore Exchange Securities Trading Limited.

Save as disclosed, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six-month period ended 30 June 2017.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon specific enquiries made by the Company, all directors of the Company have confirmed their compliance with the Model Code during the period under review.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITORS

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

PUBLICATION INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

APPRECIATION

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

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

Hong Kong, 28 August 2017

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

* *For identification purpose only*