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

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

2019 FINANCIAL HIGHLIGHTS

- During the Reporting Period, the GMV of the Group from ME Shop increased by approximately 101%, GMV from county-level stores increased by approximately 61%, GMV from new businesses such as home solution and integration of kitchen cabinets with electrical appliances increased by approximately 86%, GMV from smart products increased by approximately 43% and service GMV increased by approximately 61%, respectively, as compared with the corresponding period last year. The booming new business indicates that the Group's strategic transformation is progressing well
- Sales revenue of the Group was approximately RMB59,483 million, down 7.57% as compared with RMB64,356 million in the previous year
- Consolidated gross profit margin was approximately 17.91%, increased by 1.11 percentage points as compared with 16.80% in the previous year
- Loss attributable to owners of the parent was approximately RMB2,590 million, a substantial reduction as compared with a loss of RMB4,887 million in the previous year
- Basic loss per share was RMB12.9 fen, a substantial reduction as compared with a loss of RMB23.7 fen in the previous year
- Net cash flows from operating activities was approximately RMB2,401 million

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") has not been completed. In the meantime, the board of directors (the "Board") of the Company announces the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	**2019 (Unaudited) *RMB'000***	2018 (Audited) *RMB'000*
REVENUE	*5*	**59,482,827**	64,356,031
Cost of sales	*6*	**(50,372,279)**	(54,616,715)
Gross profit		**9,110,548**	9,739,316
Other income and gains	*5*	**1,542,971**	1,070,069
Selling and distribution expenses		**(8,476,504)**	(9,707,689)
Administrative expenses		**(2,158,833)**	(2,583,320)
Impairment losses on financial assets		**(8,977)**	(40,622)
Other expenses		**(1,138,007)**	(3,154,892)
Share of losses of associates		**(105,241)**	(216,864)
Loss before finance income/(costs) and tax		**(1,234,043)**	(4,894,002)
Finance costs	*7*	**(2,090,702)**	(861,238)
Finance income	*7*	**428,388**	341,503
LOSS BEFORE TAX	*6*	**(2,896,357)**	(5,413,737)
Income tax expense	*8*	**(72,295)**	(80,142)
LOSS FOR THE YEAR		**(2,968,652)**	(5,493,879)
Attributable to:			
Owners of the parent		**(2,589,826)**	(4,886,895)
Non-controlling interests		**(378,826)**	(606,984)
		(2,968,652)	(5,493,879)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**(RMB12.9 fen)**	(RMB23.7 fen)
Diluted		**(RMB12.9 fen)**	(RMB23.7 fen)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(2,968,652)**	(5,493,879)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7,336**	13,228
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**7,336**	13,228
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**104,767**	(303,314)
Net other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods	**104,767**	(303,314)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**112,103**	(290,086)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(2,856,549)**	(5,783,965)
Attributable to:		
Owners of the parent	**(2,477,723)**	(5,176,981)
Non-controlling interests	**(378,826)**	(606,984)
	(2,856,549)	(5,783,965)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	**31 December 2019 (Unaudited)**	31 December 2018 (Audited)
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**6,733,209**	6,541,780
Property under development		**522,973**	–
Investment properties		**2,137,929**	907,044
Right-of-use assets		**13,356,979**	–
Goodwill		**11,987,128**	11,924,919
Other intangible assets		**334,413**	342,632
Investments in associates		**176,638**	281,879
Investment in a joint venture		**3,781**	3,781
Equity investments designated at fair value through other comprehensive income		**854,052**	550,285
Financial assets at fair value through profit or loss		**1,490,596**	851,668
Loans to investees		**560,000**	–
Deferred tax assets		**7,211**	68,045
Prepayments, other receivables and other assets		**363,931**	2,061,231
Total non-current assets		**38,528,840**	23,533,264
CURRENT ASSETS			
Inventories		**7,688,114**	8,221,237
Trade receivables	*11*	**240,872**	145,404
Prepayments, other receivables and other assets		**3,207,558**	5,807,707
Loans to investees		**150,000**	500,000
Due from related companies		**244,576**	148,712
Financial assets at fair value through profit or loss		**589,648**	1,462,624
Pledged deposits		**13,035,858**	10,779,504
Cash and cash equivalents		**8,186,507**	10,143,339
Total current assets		**33,343,133**	37,208,527

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2019

	Notes	31 December 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	**20,119,408**	21,350,182
Other payables and accruals		**3,565,659**	3,955,644
Due to related companies		**174,268**	108,407
Interest-bearing bank and other borrowings	13	**18,445,025**	14,124,049
Lease liabilities	13	**3,123,314**	12,863
Tax payable		**984,630**	1,053,301
Total current liabilities		**46,412,304**	40,604,446
NET CURRENT LIABILITIES		**(13,069,171)**	(3,395,919)
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,459,669**	20,137,345
NON-CURRENT LIABILITIES			
Due to related companies		**–**	1,672,006
Interest-bearing bank and other borrowings	13	**8,406,987**	6,931,552
Lease liabilities	13	**8,414,297**	–
Deferred tax liabilities		**477,333**	450,023
Total non-current liabilities		**17,298,617**	9,053,581
Net assets		**8,161,052**	11,083,764
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**518,322**	518,322
Reserves		**11,081,602**	13,559,325
		11,599,924	14,077,647
Non-controlling interests		**(3,438,872)**	(2,993,883)
Total equity		**8,161,052**	11,083,764

Notes:

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 Group are the operation and management of networks of retail stores of electrical appliances and consumer electronic products and online sales of electronic products in the People's Republic of China (the "PRC").

2. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, debt and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Despite that the Group had net current liabilities of RMB13,069,171,000 (2018: RMB3,395,919,000), the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, taking into account the Group's cash flow projection and the following:

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

(b) realisation of certain investments or properties.

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income or loss are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income or loss is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Except for the amendments to IFRS 9 and IAS 19, and Annual Improvements to IFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC-4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of properties and an aircraft. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB172,432,000 that were reclassified from property and equipment.

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

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

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

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

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	15,084,656
Decrease in property and equipment	(172,432)
Decrease in prepayments, other receivables and other assets	(974,613)
Decrease in prepaid land lease payments	(1,382,400)
Increase in total assets	12,555,211
Liabilities	
Increase in lease liabilities	12,614,652
Decrease in other payables and accruals	(59,441)
Increase in total liabilities	12,555,211

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

	RMB'000
Operating lease commitments as at 31 December 2018	17,155,023
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(217,254)
	16,937,769
Weighted average incremental borrowing rate as at 1 January 2019	7.22%
Discounted operating lease commitments as at 1 January 2019	12,614,652
Add: Finance lease liabilities recognised as at 31 December 2018	12,863
Lease liabilities as at 1 January 2019	12,627,515

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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

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 (2018: all) revenue of the Group is derived from customers operation in Mainland China and over 95% (2018: 95%) of the Group's non-current assets, other than financial instruments and deferred tax assets, are situated in Mainland China.

Information about major customers

During the year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Revenue from contracts with customers	**59,482,827**	64,356,031
Other income		
Income from installation	**88,616**	116,612
Income on extended warranty service	**265,066**	330,264
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**136,977**	264,467
Government grants*	**186,354**	102,807
Other income from telecommunication service providers	**75,267**	102,676
Commission income from providing online platforms	**94,398**	50,448
Income from compensation	**14,481**	16,069
Realised income from wealth management financial products	**12,213**	11,974
Dividends income from financial assets at fair value through profit or loss	**–**	5,447
Gain on disposal of right-of-use assets	**17,718**	–
Others	**63,909**	69,305
	954,999	1,070,069
Gains		
Fair value gain on investment properties	**5,401**	–
Fair value gains, net:		
Financial assets at fair value through profit or loss	**582,571**	–
	587,972	–
	1,542,971	1,070,069

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

6. LOSS BEFORE TAX

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

	Note	**2019 (Unaudited) *RMB'000***	2018 (Audited) *RMB'000*
Cost of inventories sold		**50,205,218**	54,616,715
Provision against inventories		**167,061**	–
Cost of sales		**50,372,279**	54,616,715
Depreciation of property and equipment		**819,844**	753,267
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)		**3,074,393**	35,536
Amortisation of other intangible assets*		**68,219**	45,890
Research and development costs			
Current year expenditure		**30,766**	48,671
Impairment losses on property and equipment***		**210,073**	87,566
Loss on disposal of property and equipment ***		**10,613**	23,486
Loss on modifications of right-of-use assets***		**13,265**	–
Loss on disposal of a subsidiary ***		**237**	–
Minimum lease payments under operating leases		**–**	4,408,910
Lease payments not included in the measurement of lease liabilities		**579,261**	–
Changes in fair value of investment properties		**(5,401)**	6,649
Fair value losses/(gain), net:			
Financial assets at fair value through profit or loss		**(582,571)**	92,260
Loss on derecognition of financial liabilities measured at amortised cost***		**54,637**	–
Foreign exchange differences, net***		**101,901**	140,836
Impairment losses on goodwill***		**–**	2,185,081
Impairment losses on trade receivables, net***	*11*	**358**	20,845
Impairment losses on financial assets included in prepayments, other receivables and other assets, net***		**8,619**	19,777
Auditors' remuneration			
– audit services		**6,700**	7,700
– non-audit services		**3,477**	–
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**2,862,591**	3,097,856
Pension scheme contributions**		**555,429**	669,671
Social welfare and other costs		**98,785**	92,646
Share award expense****		**(641)**	(8,370)
		3,516,164	3,851,803

6. LOSS BEFORE TAX (Continued)

Notes:

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

** At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

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

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

7. FINANCE INCOME/(COSTS)

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

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Finance costs:		
Interest expense on bonds payable	**(673,149)**	(666,614)
Interest expense on bank loans	**(360,767)**	(153,366)
Interest expense on discounted bills	**(284,864)**	(45,995)
Interest expense on borrowings from related parties	**(58,283)**	(82,371)
Interest expense on lease liabilities	**(875,210)**	–
Interest expense on finance lease	**–**	(1,589)
Total interest expense on financial liabilities not at fair value through profit or loss	**(2,252,273)**	(949,935)
Less: Interest capitalised	**161,571**	88,697
	(2,090,702)	(861,238)

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**387,676**	297,783
Interest income from loans to investees	**28,361**	43,720
Finance income on the net investment in finance leases	**12,351**	–
	428,388	341,503

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 2018/2019. The first HK$2,000,000 (2018: Nil) 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.

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Current – Charge for the year	**56,477**	120,731
Deferred	**15,818**	(40,589)
Total tax charge for the year	**72,295**	80,142

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 31 March 2020, the board did not recommend the payment of a final dividend for the year ended 31 December 2019 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 20,066,084,000 (2018: 20,605,433,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 and 2018.

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

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(2,589,826)**	(4,886,895)

	Number of shares	
	2019	2018
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**20,066,084**	20,605,433

11. TRADE RECEIVABLES

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**262,075**	166,249
Impairment	**(21,203)**	(20,845)
	240,872	145,404

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An aging 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:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**220,673**	134,103
3 to 6 months	**16,759**	10,034
Over 6 months	**3,440**	1,267
	240,872	145,404

12. TRADE AND BILLS PAYABLES

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**5,169,596**	5,955,199
Bills payable	**14,949,812**	15,394,983
	20,119,408	21,350,182

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:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**9,018,095**	11,114,288
3 to 6 months	**8,928,531**	8,575,334
Over 6 months	**2,172,782**	1,660,560
	20,119,408	21,350,182

12. TRADE AND BILLS PAYABLES (Continued)

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

(i) the pledge of certain of the Group's time deposits amounting to RMB5,470,541,000 (2018: RMB5,045,429,000) and related interest receivables amounting to RMB27,145,000 (2018: RMB15,209,000);

(ii) mortgages over the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,063,874,000 (2018: RMB1,169,916,000); and

(iii) mortgages over the Group's investment properties situated in Mainland China which had an aggregate fair value of approximately RMB135,492,000 (2018: RMB134,055,000).

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2019			31 December 2018		
		Effective interest rate	**Maturity**	**(Unaudited)**	Effective interest rate	Maturity	(Audited)
		(%)		*RMB'000*	*(%)*		*RMB'000*
Current							
Bank loans – secured	*(i)*	**0.05-7.36**	**2020**	**13,337,038**	1.00-6.12	2019	11,077,696
Bank loans – unsecured		**4.20-6.09**	**2020**	**1,489,983**	0.53-5.95	2019	423,051
Other loans – secured	*(i)*	**6.09-8.35**	**2020**	**296,496**	9.23	2019	306,671
Bonds payable – unsecured	*(ii)(iii)*	**5.08-5.26**	**2020**	**3,321,508**	4.46-4.79	2019	2,316,631
Lease liabilities		**3.72-11.01**	**2020**	**3,123,314**	4.99	2019	12,863
				21,568,339			14,136,912
Non-current							
Bank loans – secured	*(i)*	**4.90-5.46**	**2022-2034**	**2,655,230**	4.90-5.05	2028-2032	321,592
Other loan – secured	*(i)*	**6.09**	**2021-2024**	**120,045**	–	–	–
Bonds payable – unsecured	*(ii)(iii)*	**4.46-7.87**	**2022-2025**	**5,631,712**	4.46-7.93	2020-2024	6,609,960
Lease liabilities		**3.72-11.01**	**2021-2040**	**8,414,297**	–	–	–
				16,821,284			6,931,552
Analysed into:							
Bank loans repayable:							
Within one year				**14,827,021**			11,500,747
In the second year				**–**			17,500
In the third to fifth years, inclusive				**1,062,026**			92,754
Beyond five years				**1,593,204**			211,338
				17,482,251			11,822,339
Other borrowings repayable:							
Within one year				**6,741,318**			2,636,165
In the second year				**2,456,358**			3,387,369
In the third to fifth years, inclusive				**9,460,752**			2,626,180
Beyond five years				**2,248,944**			596,411
				20,907,372			9,246,125

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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

(a) mortgages over the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB1,128,372,000 (2018: RMB347,633,000);

(b) mortgages over the Group's prepaid land lease payments situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB1,175,438,000 (2018: RMB1,136,997,000);

(c) mortgages over the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of approximately RMB1,365,419,000 (2018: RMB231,562,000);

(d) mortgages over 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 RMB522,973,000 (2018: Nil);

(e) mortgages over the pledge of the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB137,862,000 (2018: Nil);

(f) the pledge of certain of the Group's time deposits amounting to RMB7,392,319,000 (2018: RMB5,562,567,000) and related interest receivables amounting to RMB288,023,000 (2018: RMB177,250,000); and

(g) the pledge of certain of the Group's financial assets at fair value through profit or loss with an aggregate fair value of approximately RMB566,748,000 (2018: RMB812,103,000).

ii) At the end of the reporting period, the Group's overseas corporate bonds which had an aggregate carrying amount of RMB3,321,508,000 (2018: RMB3,387,369,000) with an aggregate principal amount of USD476,000,000 (2018: USD496,000,000).

iii) At the end of the reporting period, the Group's domestic corporate bonds which had an aggregate carrying amount of RMB5,631,712,000 (2018: RMB5,539,222,000) with an aggregate principal amount of RMB5,555,604,000 (2018: RMB5,600,000,000).

14. BUSINESS COMBINATION

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

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

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

15. EVENTS AFTER THE REPORTING PERIOD

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

b. In early 2020, the outbreak of the new coronavirus (COVID-19) caused disruption to many industries in China (including retail industry, etc.). Despite the challenges, the Chinese government has adopted a series of measures to control the epidemic and adopted proactive policies to stimulate consumption and domestic demand. It is believed that these demand expanding policies will bring positive results in the future and enterprises will also be benefited. The Group will continue to closely monitor the development of COVID-19 situation and take proactive measures as well as promote its business development.

16. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2019 (the "**Reporting Period**"), GOME Retail Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**GOME**") continued to pursue its "Home • Living" strategy. Focusing on the core theme of "Home", the Group persisted on self-developed innovation and upgrade to evolve from a home appliance retailer into an integrated provider of "Home • Living" solutions, service solutions and supply chain by integrating the customer traffic from ME Shop (a social E-commerce platform), physical stores and GOME APP.

During the Reporting Period, the total gross merchandise volume ("**GMV**") of the Group grew by approximately 2.7% as compared with the corresponding period last year, among which GMV from ME Shop grew by approximately 101%, GMV from county-level stores grew by approximately 61%, GMV from new businesses such as home solution and integration of kitchen cabinets with electrical appliances grew by approximately 86%, while GMV from smart products and service GMV grew by approximately 43% and 61%, respectively, as compared with the corresponding period last year. The consolidated gross profit margin remained at a high level for the industry of approximately 17.91%, increased by 1.11 percentage points as compared with 16.80% in the corresponding period last year. As of 31 December 2019, the Group had sufficient capital with cash and cash equivalents of approximately RMB8,187 million.

During the Reporting Period, the Group's traditional business was affected by the continuing strategic transformation of the Group. The sales revenue for 2019 was approximately RMB59,483 million, decreased by 7.57% as compared with RMB64,356 million in the corresponding period last year. The consolidated gross profit was approximately RMB10,654 million, which remained stable as compared with RMB10,809 million in the corresponding period last year. The total operating expenses were approximately RMB11,773 million, decreased by 23.78% as compared with RMB15,446 million in the corresponding period last year. The financial costs still stood at a relatively high level of approximately RMB2,091 million as compared with RMB861 million in the corresponding period last year. Taking into account the above factors, with the consolidated gross profit remained stable while the operating expenses significantly decreased, the Group's loss attributable to owners of the parent during the Reporting Period reduced substantially to approximately RMB2,590 million from a loss of RMB4,887 million for the corresponding period last year.

In 2020, the Group will continue to promote its "Home • Living" strategy for transformation. Leveraging on its nationwide network and customer base, as well as actively utilising the ME Shop social E-commerce platform and community marketing model, the Group will further promote the development of the Chinese community economy and bring better returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's strategic transformation entered into a critical stage, the traditional business was affected. The Group's revenue was approximately RMB59,483 million, down 7.57% as compared with RMB64,356 million in 2018.

During the Reporting Period, aggregate sales of 1,308 comparable stores of the Group was approximately RMB49,664 million, down 4.45% as compared with RMB51,977 million for the corresponding period in 2018. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted for approximately 32% of the total revenue, as compared with 33% for the corresponding period last year, representing a slight decrease in revenue contributed from the first-tier market. In addition, the proportion of revenue from county-level stores has increased from 4.06% in the corresponding period last year to 7.07% of total revenue while the proportion of revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) has increased from 4.70% in the corresponding period last year to 8.98% of total revenue. The above businesses are expected to grow further in the future and drive the overall revenue growth of the Group.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB50,372 million in the Reporting Period, accounted for 84.68% of the revenue, similar to the corresponding period in 2018 of 84.87%. With the decrease in revenue, gross profit was approximately RMB9,111 million, down 6.45% from RMB9,739 million for the corresponding period last year. The gross profit margin was approximately 15.32%, increased by 0.19 percentage point as compared with 15.13% for the corresponding period last year. The gross profit margins of each product category remained relatively stable as compared with the corresponding period last year.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB1,543 million, representing an increase of 44.21% as compared with RMB1,070 million in 2018. The increase in other income and gains was mainly due to the increase in net gains on financial assets at fair value through profit or loss during the Reporting Period amounted to approximately RMB583 million.

Summary of other income and gains:

	2019	2018
As a percentage of sales revenue:		
Income from installation	**0.15%**	0.18%
Other service fee income	**0.45%**	0.51%
Commission income from providing online platforms	**0.16%**	0.08%
Gross rental income	**0.23%**	0.41%
Government grants	**0.31%**	0.16%
Net gains on financial assets at fair value through profit or loss	**0.98%**	–
Others	**0.31%**	0.32%
Total	**2.59%**	1.66%

Consolidated gross profit margin

During the Reporting Period, with the increase in the gross profit margin and other income and gains margin, the Group's consolidated gross profit margin increased by 1.11 percentage points from 16.80% for the corresponding period last year to 17.91%, and maintained at a relatively high level for the the industry.

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

Operating expenses

During the Reporting Period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB11,773 million, decreased by 23.78% as compared with RMB15,446 million for the corresponding period last year. The expenses ratio was approximately 19.79%, down by 4.21 percentage points as compared with 24.00% for the corresponding period in 2018. The decrease in operating expenses was mainly due to, among others, (1) the Group strengthened its control over the expenses; (2) upon the adoption of IFRS 16 by the Group in 2019, the rental expenses were adjusted and reclassified and will be further discussed in the section headed "Selling and distribution expenses" below; (3) during the Reporting Period, no impairment losses on goodwill were recorded, as compared with RMB2,185 million losses recorded in the corresponding period last year.

Summary of operating expenses:

	2019	2018
As a percentage of sales revenue:		
Selling and distribution expenses	**14.25%**	15.08%
Administrative expenses	**3.63%**	4.01%
Other expenses	**1.91%**	4.91%
Total	**19.79%**	24.00%

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB8,477 million, reduced by 12.68% as compared with RMB9,708 million for the corresponding period last year. The selling and distribution expenses as a percentage over sales revenue was 14.25%, decreased by 0.83 percentage point as compared with 15.08% for the corresponding period in 2018.

The decrease in selling and distribution expenses was mainly due to the Group strengthened its control over the expenses, among others, the salaries was approximately RMB2,356 million during the Reporting Period, representing a decrease of 1.71% as compared with RMB2,397 million in the corresponding period last year. Through low-cost traffic attracted by the ME Shop (a social E-commerce platform), the advertising expenses were significantly reduced by 46.56% from RMB1,031 million in the corresponding period last year to approximately RMB551 million.

In addition, upon the adoption of IFRS 16 by the Group in 2019, the rental expenses will be reflected in: (1) rental expenses, to represent short-term leases (included within "selling and distribution expenses"); (2) the depreciation charge of right-of-use assets (included within "selling and distribution expenses"); and (3) interest expense (included within "finance costs"). As the results of the abovementioned adjustments, during the Reporting Period, the rental expenses decreased substantially from RMB4,091 million in the corresponding period last year to approximately RMB366 million, and the depreciation increased substantially from RMB538 million in the corresponding period last year to approximately RMB3,516 million. The impact on finance costs is further discussed in the section headed "Net finance (costs)/income" below. Details of the impact of the adoption of IFRS 16 are set out in note 3 to the financial statements.

Administrative expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB2,159 million, lower than that of RMB2,583 million for the corresponding period in 2018 by 16.42%. It was mainly due to the salaries decreased from RMB1,469 million in the corresponding period last year to approximately RMB1,130 million during the Reporting Period. The administrative expenses ratio was 3.63%, decreased by 0.38 percentage point as compared with 4.01% for the corresponding period in 2018. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses ratio at a relatively low level in the industry.

Other expenses

During the Reporting Period, other expenses of the Group mainly comprised, among others, business tax, bank charges and losses on closed stores, which substantially decreased from RMB3,155 million for the corresponding period in 2018 to approximately RMB1,138 million. The decrease was mainly due to no impairment losses on goodwill were recorded for the current year, as compared with RMB2,185 million losses recorded for the corresponding period last year. The other expenses over revenue ratio was approximately 1.91%, down 3 percentage points as compared with 4.91% for the corresponding period in 2018.

Loss before finance income/(costs) and tax

As a result of the increase in consolidated gross profit margin and decrease in operating expenses ratio during the Reporting Period, the Group recorded a loss before finance income/(costs) and tax amounted to approximately RMB1,234 million, a substantial reduction as compared with a loss of RMB4,894 million for the corresponding period last year.

Net finance (costs)/income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB1,662 million, as compared with RMB520 million in 2018. The increase in the net finance costs was mainly due to, among others, an amount of approximately RMB875 million regarding the interest expense on lease liabilities was recorded in the finance costs upon the adoption of IFRS 16 during the Reporting Period.

Loss before tax

As a result of the above factors, the Group recorded a loss before tax of approximately RMB2,896 million during the Reporting Period, a substantial reduction as compared with a loss of RMB5,414 million in 2018.

Income tax expense

During the Reporting Period, the Group's income tax expense decreased from RMB80 million in 2018 to approximately RMB72 million. The management considers the effective tax rate applied to the companies of the Group for the Reporting Period is reasonable.

Loss for the year and loss per share attributable to owners of the parent

During the Reporting Period, the loss attributable to the owners of the parent was approximately RMB2,590 million, a substantial reduction as compared with a loss of RMB4,887 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was RMB12.9 fen, a substantial reduction as compared with a loss of RMB23.7 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, the Group had sufficient capital. Cash and cash equivalents held by the Group were approximately RMB8,187 million, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies, as compared with RMB10,143 million as at the end of 2018. The decrease was mainly attributable to the net cash flows used in financing activities of the Group during the year which amounted to approximately RMB3,271 million.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB7,688 million, representing a decrease of 6.48% as compared with RMB8,221 million as at the end of 2018. The inventory turnover period decreased by 7 days from 65 days in 2018 to 58 days in 2019. The decrease in inventories was mainly attributable to the Group's launch of supply chain system at the end of 2019, which improved the efficiency of inventory turnover.

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 RMB3,208 million, decreased by 44.77% from RMB5,808 million as at the end of 2018. Prepayments are mainly for general operating needs, including, among others, advances to suppliers amounted to approximately RMB1,369 million, prepaid value added tax and other deposits and receivables amounted to approximately RMB431 million and RMB768 million, respectively.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB20,119 million, decreased by 5.77% from RMB21,350 million as at the end of 2018. Trade and bills payables turnover days were approximately 150 days, increased by 2 days from 148 days in 2018.

Capital expenditure

During the Reporting Period, the capital expenditure incurred by the Group amounted to approximately RMB1,190 million, increased by 14.42% as compared with RMB1,040 million in 2018. The capital expenditure during the year was mainly for opening of new stores, remodelling of stores, development of logistic centers and upgrading the information system of the Group.

Cash flows

During the Reporting Period, the Group's net cash flows from operating activities amounted to approximately RMB2,401 million, as compared with RMB1,068 million used in 2018. The increase in cash inflows was mainly due to, among others, lease related cash flows were recorded in financing activities upon the adoption of IFRS 16 and efficiency of inventory turnover was improved with a decrease in inventory turnover days during the Reporting Period.

Mainly due to, among others, the Group purchased property and equipment amounted to approximately RMB1,190 million during the Reporting Period, the Group's net cash flows used in investing activities amounted to approximately RMB1,100 million, as compared with RMB1,306 million generated in 2018.

The Group's net cash flows used in financing activities amounted to approximately RMB3,271 million as compared with RMB515 million generated in 2018. The cash outflow during the year was mainly due to, among others, (1) as mentioned above, lease related cash flows were recorded in financing activities upon the adoption of IFRS 16 during the Reporting Period, amounted to approximately RMB3,453 million; (2) the Group's payments for the pledged deposit for bank loans amounted to approximately RMB1,895 million.

Contingent liabilities and capital commitment

At the end of the Reporting Period, the Group has no material contingent liabilities, while there were capital commitments of approximately RMB1,124 million.

Foreign currencies and treasury policy

Majority of the Group's income and 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 poses significant potential financial impact on the Group.

The management 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 loans and bonds.

As at 31 December 2019, the total borrowings of the Group were comprised of interest-bearing bank loans, other loans, corporate bonds and overseas bonds.

The current interest-bearing bank and other loans comprised:

	Fixed rate	**Floating rate**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in EUR	–	1,010,366	1,010,366
Denominated in US$	–	1,702,040	1,702,040
Denominated in RMB	12,037,443	373,668	12,411,111
	12,037,443	3,086,074	15,123,517

The above loans were repayable within 1 year.

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

	Fixed rate	**Floating rate**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in EUR			
Repayable in the third to fifth years inclusive	–	1,062,026	1,062,026
Denominated in RMB			
Repayable in the second year	39,396	–	39,396
Repayable in the third to fifth years, inclusive	80,649	–	80,649
Repayable beyond five years	–	1,593,204	1,593,204
	120,045	2,655,230	2,775,275

The corporate bonds comprised:

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

(2) corporate bonds issued in 2018 with an aggregate nominal value of RMB600 million issued at a fixed coupon rate of 7.8% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second and fourth year; and

(3) corporate bonds issued in 2019 with an aggregate nominal value of RMB500 million issued at a fixed coupon rate of 7.8% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second and fourth year.

The overseas bonds comprised:

Bonds issued in 2017 with an aggregate principal amount of US$500 million and with 5% coupon rate due 2020. The outstanding principal amount of the overseas bonds as at 31 December 2019 was US$476 million.

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

As at 31 December 2019, the Group's debt to total equity ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounting to approximately RMB26,852 million over total equity amounting to approximately RMB8,161 million, increased from 205.05% as at 31 December 2018 to 329.03%. The debt ratio was 37.36% as compared with 37.42% as at 31 December 2018, which was expressed as a percentage of total interest-bearing bank and other borrowings over total assets amounting to approximately RMB71,872 million.

Charge on group assets

As at the end of 2019, the Group's bills payable and interest-bearing bank and other loans were secured by the Group's time deposits amounted to approximately RMB12,863 million and related interests receivables amounted to RMB315 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB4,354 million, the Group's financial assets with a carrying amount of approximately RMB567 million and prepaid land lease payments with carrying amount of approximately RMB1,175 million. The Group's bills payable and interest-bearing bank and other loans amounted to approximately RMB32,849 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 34,001 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees, including directors of the Company (the "Directors"), is determined with reference to their performance and the prevailing salary levels in the market.

OUTLOOK AND PROSPECTS

Innovative transformation retail model with the integration of three terminals - social E-Commerce ME Shop, offline stores and GOME APP

As one of the main entrances to user traffic, social E-commerce ME Shop stimulated the number of users and obtained traffic through multiple models and has become a driving force of GOME's operating performance. It is expected that the number of ME Shop owners will double to 2 million in 2020. At the same time, the Group actively expanded its community marketing of all stores across the country. Users place orders online to purchase small items, and service personnel can pick up the goods directly from the store and send them to the user's home. While for larger items, GOME's logistics team can provide users with uninterrupted services such as delivery with installation. The Group will continue to explore the development potential of the "Stay Home Economy", the online communities are expected to exceed 1.5 million in 2020.

The Group will continue to accelerate its penetration into lower-tier markets, using asset-light franchise model and through the support of supply chain and technical system output, to fully empower franchisee. This will enable GOME to seize market share with low operating costs. GOME formulates a "Hundred Cities Plan" in 2020 to actively build 100 franchise stores with annual sales over RMB100 million for each store.

Through digital technologies including big data and cloud platforms, the Group integrates three terminals – social E-commerce ME Shop, offline stores and GOME APP, and thus forms an online and offline traffic cycle, which shares resources and with strong synergies.

Home service in omni-channel covered all scenarios, providing caring service for customers

Supported by interconnection of the three terminals – social E-commerce ME Shop, offline stores and GOME APP, the capability of GOME's community service will be further enhanced and will become the caring housekeeper for community residents. Meanwhile, GOME will continue to commoditize after-sales services by providing appliance installation, cleaning, maintenance and intelligent & remote services to users. In 2020, the service GMV is expected to grow by 100%. While expanding the To C business, the Group will also vigorously develop the To B market.

Channel optimization and acceleration, newly defined new retail with AI

Taking the advantages of AI which empowered industrial revolution, GOME proactively deployed the smart home industry. Leveraging cloud computing, big data and IoT, an open IoT Gomelink Agreement and a GOME Smart APP were established, "hardware + software + IoT cloud platform" innovative solution was completed. Based on the above, GOME will further promote its 5G smart showrooms where users can enjoy the "one-click" smart solutions for their houses through the GOME Smart APP.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2019, the Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made due and careful enquiry, the Company confirms that all Directors have complied with the Model Code during the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. LEE Kong Wai, Conway and LIU Hong Yu (being the independent non-executive directors of the Company) and YU Sing Wong (being the non-executive director of the Company). The Audit Committee assists the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results of the Group for the year ended 31 December 2019 contained herein have been reviewed by the audit committee of the Company and the Board.

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

During 2019, the Company made on-market repurchases of the overseas bonds in the aggregate principal amount of US$20,000,000. After the repurchase, the outstanding principal amount of the overseas bonds was US$476,000,000.

On 7 January 2016, 28 January 2016 and 10 May 2016, the Group issued bonds at par values of RMB3,000,000,000, RMB300,000,000 and RMB1,700,000,000, respectively on the Shanghai Stock Exchange. As at 31 December 2019, the Group has completed the renewal and resale of all the three tranches of bonds with the bond holders and the total outstanding principal amount was RMB4,455,604,000. The original coupon rates of 4% to 4.5% per annum were adjusted to 7.6% per annum since the renewal dates with remaining term of 3 years.

In February 2019, the Group issued domestic bonds with an aggregate principal amount of RMB500,000,000 at coupon rate of 7.8% per annum in the PRC. Such domestic bonds have a term of 6 years. The 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 second and fourth year.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 so as to preserve capital for the funding needs of the Group.

DIVIDEND POLICY

Currently, the Board anticipates that the dividend payout ratio of the Company will be maintained at approximately 40% of the Group's distributable profit generated during 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 and availability of investment opportunities.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement will be published on the websites of the Stock Exchange and the Company (www.gome.com.hk). The 2019 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities 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, 31 March 2020

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*