



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

(Incorporated in Bermuda with limited liability)

(Stock Code : 493)

2022
INTERIM REPORT



* For identification purpose only

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial Highlights

	First half of 2022 RMBm	First half of 2021 RMBm
Revenue	12,109	26,040
Consolidated gross profit [#]	2,399	3,711
Consolidated gross profit margin	19.81%	14.25%
Loss before finance (costs) income and tax	(2,465)	(1,265)
Loss attributable to owners of the parent	(2,966)	(1,974)
Loss per share		
– Basic and diluted	(RMB9.0 fen)	(RMB9.1 fen)

[#] Consolidated gross profit = gross profit + other income and gains

Operational Highlights

- During the Reporting Period, the management strategically focused on the core businesses of the Group. The vertical model was utilised to focus on the deepening, penetration and proper implementation of retail sales of household appliances and consumer electronic products as the core businesses of the Group. Five main profit models have been formed: exhibition (offline boutique experience), marketing (online and offline omni-channel self-management + sharing supply chain), integrated solutions for home electronics products, extension products for wide scope home appliances and value-added services.
- Due to the separation of exhibition and sales, the new offline display experience charging model optimised the revenue structure, and prominently reflect the cost advantage of the electrical appliance supply chain simultaneously, the consolidated gross profit margin was approximately 19.81% during the Reporting Period, substantial increased by 5.56 percentage points year-on-year.
- The structure of offline stores has been optimised and upgraded, which is focusing on building a new model of O2O electrical appliances and consumer electronics retail stores empowered by technology, and comprehensively improving the quality of store operations. Operating cash flow has significantly improved as compared with the corresponding period last year, achieved a positive inflow of approximately RMB55 million.

OVERVIEW

During the six months ended 30 June 2022 (the “Reporting Period”), with a consistent focus on the second phase of “Home • Living” strategy and based on the development philosophy from the platform perspective, user perspective and technology perspective, and considered the economic and social functions of retailing, GOME Retail Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “GOME”) created a “full retail ecosystem sharing platform” by establishing and integrating its six business platforms, namely “online platform, offline platform, supply chain platform, logistics platform, big data & cloud platform and sharing and joint development platform”, with an aim to lower retail cost, enhance efficiency and raise value of the retail business. The Group further promoted the grid-based model of “Home Living and Home Services” and strived to meet the all-round consumption and service needs of family users by implementing the core business strategies of entertainment-oriented marketing, low price, quality service and technology, so as to enjoy better products and services at lower prices.

During the Reporting Period, major tier-1 cities were materially affected by the recurring outbreaks of the pandemic in China. Offline business was significantly disrupted by various lockdown and control measures at most regions, and online business was also hit hard since the outbreak of the pandemic as a result of the disruption to the logistics service. Nevertheless, as a leading retail enterprise, the Group has always shouldered its social responsibilities and carried out grid-based business management through its online platform of “FUN (真快樂)” APP and offline network of approximately 4,000 GOME outlets. Internally, the Group strived to protect over 50,000 employees and promoters in more than 1,300 cities and towns by implementing effective prevention and control measures. Meanwhile, the Group was committed in securing stable supply and prices at all outlets and online platforms during the pandemic. The Group took the initiatives to maintain adequate supply and boost consumption during the pandemic by offering healthcare products and daily necessities at normal prices and deploying sufficient supplies to regions severely affected.

In the first half of 2022, sales revenue of the Group was approximately RMB12,109 million, as compared with RMB26,040 million for the corresponding period last year. The consolidated gross profit margin was approximately 19.81%, increased by 5.56 percentage points as compared with 14.25% for the corresponding period last year. The Group’s operating expenses were approximately RMB4,839 million, decreased by 3.10% as compared with RMB4,994 million for the corresponding period last year. The finance costs were approximately RMB876 million, decreased by 13.61% as compared with RMB1,014 million for the corresponding period last year. Taking into account the above factors, the Group’s loss attributable to owners of the parent during the Reporting Period was approximately RMB2,966 million, as compared with a loss of RMB1,974 million for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the Group entered into strategic cooperation with Huawei and Tencent, respectively. The cooperation with Huawei focused on the digital enhancements of retail business. Both parties leveraged on their strengths to jointly explore a business model integrating the digital economy and real economy and develop a digital operation system with focus on consumption experience by making use of big data. The strategic cooperation between the Group and Tencent covered big data & cloud, internet technologies, advertising and marketing and smart outlets. By consolidating the resources and strengths of both parties, GOME's retail ecosystem platform was fully linked with Tencent's digital ecosystem, which has rapidly enhanced and replenished the big data resources, cloud computing capability and omni-channel connection efficiency of GOME's retail ecosystem platform. The number of users and business value of GOME's "Home • Living" services increased significantly. The cooperation with Huawei and Tencent will expedite the digital and intelligent transformation of approximately 4,000 stores of the Group in China, enabling the Group to achieve low-cost traffic and precise marketing.

BUSINESS ENVIRONMENT

During the Reporting Period, attributable to the effective control of the pandemic, social and economic development in various countries showed significant progress. However, the global economic recovery progress was dampened by the conflict between Russia and Ukraine as well as the omicron wave of the COVID-19 pandemic, and the economic growth in most economies was hindered by high inflation. In China, the preventive policy was further tightened in response to the rapid spread of the pandemic, causing more significant adverse impact to economic recovery. According to the National Bureau of Statistics, China's GDP grew by only 2.5% year-on-year in the first half of 2022 and the growth rate in the second quarter was only 0.4%, which were far below the annual target. At present, the pandemic has been under control again, and the economy has bottomed out since June. Looking forward, the evolution of the pandemic and the continuous tensions between China and the United States will remain the most significant uncertainties. The geopolitical risk may further increase, which may also impact the momentum of economic recovery.

In respect of the industry, the total retail sales of consumer goods in the first half of 2022 dropped by 0.7% year-on-year, hitting the lowest level in recent years. According to the statistics provided by All View Cloud, retail sales of home appliance market in China fell by 9.3% year-on-year, while the market size only increased by RMB9.9 billion as compared with the first half of 2020 when the pandemic was the most serious. Due to the disruption to logistics as a result of the outbreak of pandemic in many first and second-tier cities as well as logistics hubs, sales of online channels in the first half also declined significantly. Based on the statistical data, in the first half of the year, online retail sales of home appliance recorded the first-ever decline of 5.3% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of national policies, boosting consumption has always been the main focus and challenge of the government since 2022 in the context of anti-pandemic and stabilising growth. Stimulating the consumption of bulky commodities has become the most effective policy to boost consumption in the short run. On 5 March, the government work report proposed to encourage local governments to promote spending on green and smart home appliances in countryside and replacement of old home appliances. The State Council also stated to encourage spending on vehicles, home appliances and other commodities in April, and the stimulus measures to propel spending on vehicles were released in June. The government has increased its attention to home appliances again recently. Following the decision of the State Council to support spending on green home appliances in mid-July, “Several Measures to Promote the Consumption of Green and Smart Home Appliances” (《關於促進綠色智能家電消費的若干措施》) issued by various major authorities are expected to be promulgated in the near future upon its approval in late July, which will be a new round of major stimulus measures comparable to the “Home Appliances to Countryside” and “Replacement of Old Home Appliances” programs.

Generally, the external environment in the first half of the year was relatively unfavourable to the business development of the Group. Nonetheless, based on the analysis of the management, it is believed that such unfavourable factors are temporary and staged. As the pandemic will finally be brought under control in the future, the rigid market demand will drive significant improvement in consumption. The relaxation of region-specific regulations on real estates by the government will also boost the spending on home appliances. In addition, benefited from the ongoing national policy to promote consumption and the upcoming stimulus measures for home appliances, the management believes that the Group’s business will achieve rapid improvement and significant growth.

BUSINESS REVIEW

Second Phase of the “Home • Living” Strategy in Full Swing with Preliminary Achievement in the Omni-Retail Ecological Sharing Platform

Based on the “omni-retail” concept introduced last year, the Group determined to develop key systems with “integrated and centralised”, “interconnected” and “sharing and joint development” features and created a general solution for an omni-retail ecosystem sharing platform which integrates its six platforms, namely “online platform, offline platform, supply chain platform, logistics platform, big-data & cloud platform and sharing and joint development platform”, with an aim to support the development of the national unified market, lead the high-quality growth of the industry and provide services for various B2B users in different sectors prospectively and pragmatically.

The second phase of the “Home • Living” strategy is in full swing this year, and the omni-retail ecological sharing platform has shown preliminary achievements. During the Reporting Period, operation of the six major platforms was in satisfactory progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Online Platform

During the Reporting Period, the “Entertainment (樂)” and “Purchase (購)” sections of the “FUN (真快樂)” APP were upgraded with new versions to satisfy the all-round and personalised consumption demand for products and services. Video shopping guides and other modes were launched to promote the synergy between different sales scenarios, facilitating the transformation and upgrade of traditional consumption pattern. These distinctive advantages have increased the conversion rate and retention rate of users in GOME’s ecosystem. In addition, the “FUN (真快樂)” APP has created a new channel titled “Discover Beauty of China • Rural Revitalisation” to organise live streaming campaign in rural areas. Leveraging GOME’s 35 years of experience in the industry and the advantages of its supply chain, we provided households in Dafang with quality products at low price, so as to improve the living standard of rural households.

Offline Platform

The Group has actively upgraded its existing stores and offered full-scenario display experience model to provide an entire range of local lifestyle services and attract more consumers. During the Reporting Period, the Group transformed its existing stores from electrical appliance outlets to new showrooms characterised by their product display experiences. Currently, the Group has entered into contracts with most of the major suppliers based on new operation models. GOME’s new model stores (including GOME Home (國美家)) has been operating in places such as Chongqing, Wuhan, Guangzhou, Fuzhou, Ningbo one after another.

MANAGEMENT DISCUSSION AND ANALYSIS

The Nationwide Retail Network of the Group

As at 30 June 2022

	Total	China			
		GOME	Paradise	Dazhong	Cellstar
Flagship stores	225	190	18	17	-
Community stores	780	693	67	20	-
New retail stores	2,820	2,551	193	76	-
Total	3,825	3,434	278	113	-
Net increase in store number	(370)	(326)	(25)	(12)	(7)
Newly-opened stores	192	173	13	6	-
Closed stores	562	499	38	18	7
Number of cities and towns accessed	1,379				
Among them:					
Primary market	38				
Second market	387				
Tier 3-6 cities and towns	954				
Cities and towns newly accessed (exit)	(60)				

Logistics platform

Through Anxun Logistics, GOME's self-developed logistics system, the Group has built an efficient warehousing and distribution logistics system to realise the circulation of commodities covering large, medium and small items and improve operational efficiency. At present, third-party logistics businesses account for more than 50% of the logistic business. With the opening of logistics service to third party business, it is expected to generate new point of revenue growth and transform from a major cost component into a major revenue contributor in the future. During the Reporting Period, the Group's logistics services covered 98% of fourth-tier destinations and over 93% of destinations at rural and township level in China. A variety of express delivery services were provided to consumers, which can reach over 99.5% of consumers in China. In the future, the Group will further expand its logistics network.

MANAGEMENT DISCUSSION AND ANALYSIS

Supply-chain Platform

During the Reporting Period, the Group implemented various measures to further consolidate its advantages in supply chain. The Group placed emphasis on the promotion of the “Selected Products (真選)” channel online to offer value-of-money products to users through professional buyers and leveraging on its 35 years of experience in supply chain. In respect of offline business, the Group continued to develop low-tier markets and increase the number of county-level stores by taking advantage of its technologies, products, logistics and services, and offered cost-effective products to boost the consumption in counties and villages. Through integrating the online and offline omni-channel to link the rural origin and industrial zones, the Group has established a marketplace for the producers, suppliers and brands covering the whole chain at lower cost and with higher efficiency. During the Reporting Period, the exclusive and OEM product ratio of the Group has reach 50%, therefore the gross profit margin of the supply chain is around 5% higher than the online competitors and it has more than 2,800 county-level stores offline..

Sharing and joint development platform

With our continuous efforts in integrating online data resources, the sharing and joint development platform has achieved the integration of extensive retail resources based on social needs as well as the sharing of smart distribution initiatives across different fields. With overwhelming support and responses from the suppliers, third-party merchants and partners, the transaction scale has further expanded, forming a virtuous circle. During the Reporting Period, the construction of supply chain platform and traffic platform had completed, and data sharing, membership interconnection and bonus points exchange had been realised and KOL/KOCs, product manufacturers and channel sellers were introduced into the platform.

Big-data & cloud platform

With the support from big data & cloud platform, the Group conducts real-time collection, processing, storage, exploration, enquiry and demonstration of data for its business system. During the Reporting Period, the Group entered into cooperation with Huawei and Tencent to optimise the top-level structure of digital transformation, jointly research and promote the strategy of omni-channel retail digitalisation, support digitalised marketing of retail sales, design the joint membership system and further enhance the digital level of offline stores through formulating and refining the standard procedures and providing services with IT equipment to improve the flexibility and efficiency of store managers and staff at frontlines. Such cooperation has significantly enhanced the big data resources, cloud computing capability and omni-channel connection efficiency of the Group.

Corporate Governance

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the “Board”) consists of two executive directors, two non-executive directors and three independent non-executive directors. This Board structure complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) that at least one-third of the directors should be independent directors to ensure the independence of the Board. Therefore, shareholder opinions are thoroughly deliberated by the Board in a constructive manner before reaching consensus.

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

Establishment of the Corporate Culture

During the Reporting Period, following the “Home • Living” strategy and based on the existing culture of “Trust”, the Group further ensured authentic products, fast delivery and entertaining experience with the support of technology and wisdom and pushed forward the “GOME Leadership Principles” in order to enhance efficiency, quality and customer services. To align with these cultural concepts, the Group conducted various activities based on its strategies and business development directions in order to strengthen staff participation in corporate development and enhance their sense of belongings.

Human Resources

During the Reporting Period, the Group planned its human resources to facilitate the promotion of “Home • Living” strategy. By optimising the recruitment strategy and channels and organising a variety of trainings, operational efficiency of the Group and the implementation of strategies were enhanced with the support of our talented employees.

In order to support the integration of new staff, “double-lead” mentors (“雙領帶”導師) and training session for “Lecture of Strategies” (戰略宣講) were arranged for them. The Group also organised online learning for new staff so that they can understand the strategies of the Group as well as the system operation process and corporate management system promptly. Based on the needs for the implementation of strategies and operation of new business, the Group organised the basic training programs such as “Training for Service Standards of Full-Process Shopping Guides” (全程導購服務標準培訓項目), “General and Electrical Products Knowledge Training Program” (百貨與電器商品知識培訓項目), “Training for Community Management, Livestreaming and One Store One Webpage” (社群、直播和一店一頁運營技能培養項目) and “Quick Learning – Case Study of Store Marketing” (快學快用 – 門店自主營銷案例學習活動) to enhance the overall working efficiency of frontline staff. In respect of the cultivation for talents at mid and junior level, an online competition and learning event featuring the “Head Coach Challenge” (挑戰主教練) was organised to enhance the leadership of team managers at director-level. The Group also organised the training program of “Three Major Leading Roles – Leadership of Captain On-field” (領導力三角色 – 場上隊長的團隊領導能力) to strengthen the management skills of store managers and managers and expand the talent reserve.

There have been no material changes to the Group’s remuneration policy during the Reporting Period. As at 30 June 2022, the Group had a total of 25,701 employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the Reporting Period, major tier-1 cities were materially affected by the recurring outbreaks of the pandemic in China. Offline business was significantly disrupted by various lockdown and control measures at most regions, and online business was also hit hard since the outbreak of the pandemic as a result of the disruptions to the logistics service. As a result, sales revenue decreased by 53.50% to approximately RMB12,109 million during the Reporting Period, as compared with RMB26,040 million for the corresponding period last year.

During the Reporting Period, the proportion of revenue from county-level stores was 9.47% of total revenue, as compared with 12.88% for the corresponding period last year, while the revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) increased from 7.85% for the corresponding period last year to 8.70% of total revenue.

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

	First half of 2022	First half of 2021
As a percentage of sales revenue:		
AV	14.16%	14.13%
Air-conditioner	17.34%	17.00%
Refrigerator and washing machine	20.20%	20.35%
Telecommunication	19.11%	20.16%
Small white appliances	14.41%	14.11%
Computer and digital	6.08%	6.40%
New business	8.70%	7.85%
Total	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales for the Group was approximately RMB10,022 million, accounting for approximately 82.76% of the total sales revenue, as compared with 87.97% for the corresponding period in 2021. The Group's gross profit was approximately RMB2,088 million, decreased by 33.33% as compared with RMB3,132 million for the corresponding period last year. Gross profit margin was approximately 17.24%, increased by 5.21 percentage points as compared with 12.03% for the corresponding period last year. The increase in gross profit margin was mainly due to the separation of exhibition and sales after the strategic transformation, the new offline display experience charging model optimised the revenue structure, and prominently reflect the cost advantage of the electrical appliance supply chain simultaneously.

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

	First half of 2022	First half of 2021
AV	16.94%	12.59%
Air-conditioner	18.77%	13.38%
Refrigerator and washing machine	22.15%	16.13%
Telecommunication	6.93%	3.18%
Small white appliances	22.64%	21.52%
Computer and digital	2.72%	2.27%
New business	27.12%	11.08%
Total	17.24%	12.03%

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB312 million, representing a decrease of approximately 46.21% as compared with RMB580 million for the corresponding period in 2021, mainly due to, among others, the decrease in income from installation caused by some bulky household appliances could not be delivered and installed resulted by cordon off of residential communities and the decrease in other service income during the Reporting Period.

Summary of other income and gains is as follows:

	First half of 2022	First half of 2021
As a percentage of sales revenue:		
Income from installation	0.09%	0.36%
Other service fee income	0.33%	0.28%
Commission income from providing online platforms	0.02%	0.02%
Gross rental income	0.43%	0.26%
Government grants	0.28%	0.20%
Gains on financial assets at fair value through profit or loss, net	-	0.06%
Foreign exchange difference, net	0.52%	0.50%
Others	0.90%	0.55%
Total	2.57%	2.23%

Consolidated Gross Profit Margin

Due to the separation of exhibition and sales after the strategic transformation, the new offline display experience charging model optimised the revenue structure, and prominently reflect the cost advantage of the electrical appliance supply chain simultaneously, the consolidated gross profit margin for the Group increased by 5.56 percentage points from 14.25% for the corresponding period last year to approximately 19.81% during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Expenses

During the Reporting Period, the Group's total operating expenses (comprised of selling and distribution expenses, administrative expenses and other expenses) decreased by 3.10% from RMB4,994 million for the corresponding period last year to approximately RMB4,839 million. During the Reporting Period, the Group's operating expenses ratio was 39.96%, as compared with 19.18% for the corresponding period in 2021 due to the decrease in total revenue.

Summary of operating expenses is as follows:

	<u>First half of 2022</u>	<u>First half of 2021</u>
As a percentage of sales revenue:		
Selling and distribution expenses	20.18%	14.26%
Administrative expenses	14.42%	4.07%
Other expenses	5.36%	0.85%
Total	39.96%	19.18%

Selling and Distribution Expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB2,444 million, decreased by 34.19% as compared with RMB3,714 million for the corresponding period last year.

The decrease in selling and distribution expenses was mainly due to rental expenses decreased from RMB291 million for the corresponding period last year to approximately RMB180 million; advertising and promotion expenses decreased from RMB483 million for the corresponding period last year to approximately RMB54 million; depreciation decreased from RMB1,268 million for the corresponding period last year to approximately RMB993 million; delivery expenses decreased from RMB333 million for the corresponding period last year to approximately RMB183 million; payment processing expense decreased from RMB195 million for the corresponding period last year to approximately RMB76 million. A total decrease of approximately RMB1,084 million was recorded during the Reporting Period from the above items.

The selling and distribution expenses as a percentage over sales revenue was 20.18%, increased by 5.92 percentage points as compared with 14.26% for the corresponding period in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of selling and distribution expenses is as follows:

	First half of 2022	First half of 2021
As a percentage of sales revenue:		
Rental	1.49%	1.12%
Salaries	6.83%	3.19%
Utility charges	1.22%	0.74%
Advertising and promotion expenses	0.45%	1.85%
Delivery expenses	1.51%	1.28%
Depreciation	8.20%	4.87%
Others	0.48%	1.21%
Total	20.18%	14.26%

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,746 million, increased by 64.56% as compared with RMB1,061 million for the corresponding period last year. Among which, salaries increased from RMB597 million for the corresponding period last year to approximately RMB967 million; depreciation increased from RMB176 million for the corresponding period last year to approximately RMB549 million. The proportion over sales revenue was 14.42%, increased by 10.35 percentage points as compared with 4.07% for the corresponding period in 2021.

Other Expenses

During the Reporting Period, the other expenses of the Group mainly comprised fair value loss on derivative financial liabilities embedded in the convertible bonds of approximately RMB43 million, losses on financial asset at fair value through profit and loss amounted to approximately RMB314 million, losses on written off of prepayment amounted to approximately RMB220 million, losses on disposal of property and equipment amounted to approximately RMB12 million, compensation expense amounted to approximately RMB3 million and other items amounted to approximately RMB56 million. The total amount of other expenses was approximately RMB648 million, increased by 195.89% as compared with RMB219 million for the corresponding period last year. The other expenses ratio was approximately 5.36%, up 4.51 percentage points as compared with 0.85% for the corresponding period in 2021.

Loss before Finance (Costs) Income and Tax

During the Reporting Period, mainly affected by the decrease in sales revenue and consolidated gross profit, the Group's loss before finance (costs) income and tax was approximately RMB2,465 million, as compared with a loss of RMB1,265 million for the corresponding period in 2021.

Net Finance (Costs) Income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB832 million, as compared with RMB754 million in the first half of 2021.

Loss before Tax

As a result of the above-mentioned factors, the Group's loss before tax was approximately RMB3,297 million during the Reporting Period, increased by 63.30% as compared with a loss of RMB2,019 million for the corresponding period in 2021.

Income Tax Credit (Expense)

During the Reporting Period, the Group's income tax credit amounted to approximately RMB26 million, as compared with RMB49 million income tax expense for the corresponding period in 2021. The management of the Company considers that the effective tax rate applied to the Group for the Reporting Period was reasonable.

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

During the Reporting Period, the Group's loss attributable to owners of the parent was approximately RMB2,966 million, increased by 50.25% as compared with a loss of RMB1,974 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was approximately RMB9.0 fen, as compared with basic loss per share of RMB9.1 fen for the corresponding period last year.

Cash and Cash Equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB2,409 million, as compared with RMB4,378 million as at the end of 2021. The decrease in the cash and cash equivalents position was mainly due to the Group having repaid its borrowings during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB2,646 million, down 58.34% as compared with RMB6,352 million as at the end of 2021. Mainly due to the decrease in sales revenue and cost of sales during the Reporting Period, inventory turnover days increased by 17 days from 64 days in the first half of 2021 to approximately 81 days.

Prepayments, Other Receivables and Other Assets (current)

As at the end of the Reporting Period, prepayments, other receivables and other assets of the Group amounted to approximately RMB3,658 million, up 13.29% from RMB3,229 million as at the end of 2021. The increase was mainly due to the increase in deposits and other receivables during the Reporting Period.

Trade and Bills Payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB14,437 million, down 23.58% as compared with RMB18,891 million as at the end of 2021. Mainly due to the decrease in sales revenue and cost of sales during the Reporting Period, turnover days of trade and bills payables increased by 144 days from 157 days for the corresponding period in 2021 to approximately 301 days.

Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB161 million, representing a 39.02% decrease as compared with RMB264 million for the first half of 2021. The capital expenditure during the period was mainly for the development of logistic centers and upgrading the information system of the Group.

Cash Flows

During the Reporting Period, mainly due to, among others, the changes in inventories, trade receivables and trade and bills payables, the Group's net cash flows generated from operating activities was approximately RMB55 million, as compared with net cash flows used of RMB2,141 million for the corresponding period last year.

Mainly due to the net proceed from purchase and disposal of financial assets at fair value amounted to approximately RMB258 million, net cash flows generated from investing activities were approximately RMB250 million, as compared with RMB672 million used in the first half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, net cash flows used in financing activities amounted to approximately RMB2,355 million, as compared with RMB704 million used in the first half of 2021. The net cash outflows from financing activities were mainly due to, among others, the Group having repaid its corporated bonds amounted to RMB2,580 million during the Reporting Period.

Interim Dividend and Dividend Policy

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 so as to preserve capital for funding needs of the Group.

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

Contingent Liabilities and Capital Commitments

As at the end of the Reporting Period, the Group had no material contingent liabilities. The Group had capital commitments of approximately RMB613 million.

Foreign Currencies and Treasury Policy

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

The management of the Group estimates that less than 10% of the Group's current purchases are imported products and the transactions are mainly denominated in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Resources and Gearing Ratio

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

As at 30 June 2022, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds.

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

	Fixed rate	Floating rate	Total
	RMB' 000	RMB' 000	RMB' 000
Denominated in EUR	1,508,207	499,349	2,007,556
Denominated in RMB	20,831,138	63,311	20,894,449
	22,339,345	562,660	22,902,005

The above loans were repayable within 1 year.

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

	Fixed rate	Floating rate	Total
	RMB' 000	RMB' 000	RMB' 000
Denominated in EUR			
Repayable in the second year	-	472,766	472,766
Denominated in RMB			
Repayable in the second year	42,511	128,636	171,147
Repayable in the third to fifth years, inclusive	37,331	1,189,209	1,226,540
Repayable beyond five years	53,997	1,141,533	1,195,530
	133,839	2,932,144	3,065,983

MANAGEMENT DISCUSSION AND ANALYSIS

The corporate bonds comprised:

- (1) corporate bonds issued in 2018, renewed in 2020 with an aggregate nominal value of RMB102 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 4 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 year;
- (2) corporate bonds issued in 2019, renewed in 2021 with an aggregate nominal value of RMB16 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 4 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 year; and
- (3) corporate bonds issued in 2020 with an aggregate nominal value of RMB200 million issued at a fixed coupon rate of 7% per annum with a term of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the third year.

Convertible bonds comprised:

- (1) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$200 million issued in April 2020. As at 30 June 2022, the net proceeds of US\$196.80 million have been fully used to repay the debts and related interests of the Group; and
- (2) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$100 million issued in June 2020. As at 30 June 2022, the net proceeds of US\$99.11 million have been fully used to repay the debts and related interests of the Group.

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

As at 30 June 2022, the debt to total equity ratio, which was expressed as a percentage of total borrowings amounted to approximately RMB28,056 million over total equity amounted to approximately RMB15,903 million, increase from 160.36% as at 31 December 2021 to 176.42%. The debt ratio was 37.67% as compared with 34.85% as at 31 December 2021, which was expressed as a percentage of total borrowings over total assets amounted to approximately RMB74,471 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Group Assets

As at 30 June 2022, the Group's bills payables and interest-bearing bank and other loans were secured by the Group's time deposits amounted to approximately RMB13,300 million and related interest receivables amounted to approximately RMB272 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB7,550 million, the Group's certain securities held as investment in associates amounted to approximately RMB246 million and the Group's right-of-use assets with a carrying value of approximately RMB238 million. The Group's bills payables, secured interest-bearing bank loans and other loans amounted to approximately RMB32,460 million in total.

Outlook and Prospects

In the future, the Group will continue to implement the “Home • Living” strategy, effectively utilise the omni-retail ecological sharing platform, and accelerate the in-depth integration of online and offline. Meanwhile, in light of changes in the market situation, the Group aims to improve future operational efficiency in next stage. It plans to reorganise its business segments and optimise its asset structure, in order to cope with the impact of unfavorable market factors such as the pandemic, improve the profitability of the Company. It will use technological means to help the digital transformation of enterprises and improve consumer service experience throughout the process.

The Group's strategic focus in the coming period will focus on the main business. The Company will use the vertical model to focus on retail sales of household appliances and consumer electronic products as its main business. Five main profit models have been formed: exhibition (offline boutique experience), marketing (online and offline omni-channel self-management + sharing supply chain), integrated solutions for home electronics products, extension products for wide scope home appliances and value-added services (delivery and installation, after-sales, extended warranty, paid membership operation, etc.). Unrelated or loss-making businesses will be spun off, sold or discontinued. In the future, the Group will build an all-scenario and omni-channel provider of O2O appliances and consumer electronics retail by strengthening technology empowerment, comprehensively improve the operation quality of stores and comprehensively optimise the store network by closing down underperformed stores, opening new sizeable and premium stores and expanding franchised stores.

As the management promotes strategic focus in line with the current situation, the Group expects that in the current full-scenario, platform-based, and professional development process, it will quickly realise the Company's operational elements, continue to improve operational efficiency, enhance profitability, and re-establish advantages in market competition. The management team of the Company will also strive to seize the precious opportunity, carry out excellent management, realise resource integration and business synergy, realise the value multiplication of the Group's main business through synergy and empowerment, and create direct operating contributions. The management team will strengthen the interaction with external strategic partners, carry out more in-depth cooperation, continue to empower each other in terms of goods, services, traffic and technology, and jointly help the retail industry to upgrade, to meet the demands of pursuing better lives by Chinese families.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB' 000	2021 (Unaudited) RMB' 000
Revenue	5	12,109,334	26,039,905
Cost of sales	6	(10,021,813)	(22,908,053)
Gross profit		2,087,521	3,131,852
Other income and gains	5	311,762	579,522
Selling and distribution expenses		(2,444,451)	(3,713,780)
Administrative expenses		(1,745,922)	(1,061,110)
(Impairment losses) reversal of impairment losses on financial assets		(13,679)	21,488
Other expenses		(648,449)	(219,078)
Share of losses of associates		(12,045)	(3,775)
Loss before finance (costs) income and tax		(2,465,263)	(1,264,881)
Finance costs	7	(876,157)	(1,013,908)
Finance income	7	44,180	259,427
Loss before tax	6	(3,297,240)	(2,019,362)
Income tax credit (expense)	8	26,272	(49,475)
Loss for the period		(3,270,968)	(2,068,837)
Attributable to:			
Owners of the parent		(2,965,788)	(1,974,042)
Non-controlling interests		(305,180)	(94,795)
		(3,270,968)	(2,068,837)
Loss per share attributable to ordinary equity holders of the parent	10		
Basic		(RMB9.0 fen)	(RMB9.1 fen)
Diluted		(RMB9.0 fen)	(RMB9.1 fen)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Loss for the period	(3,270,968)	(2,068,837)
Other comprehensive income (expense)		
Other comprehensive income (expense) that may be reclassified to profit or expense in subsequent periods:		
Exchange differences on translation of foreign operations	942,970	(2,493)
Other comprehensive income (expense) that may be reclassified to profit or expense in subsequent periods	942,970	(2,493)
Other comprehensive income (expense) that will not be reclassified to profit or expense in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	283,001	(24,777)
Gains on assets revaluation for change in use from owner-occupied properties to investment properties, net of tax	-	588
Net other comprehensive income (expense) that will not to be reclassified to profit or expense in subsequent periods	283,001	(24,189)
Other comprehensive income (expense) for the period, net of tax	1,225,971	(26,682)
Total comprehensive expense for the period	(2,044,997)	(2,095,519)
Attributable to:		
Owners of the parent	(1,739,817)	(2,000,724)
Non-controlling interests	(305,180)	(94,795)
	(2,044,997)	(2,095,519)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Non-current assets			
Property and equipment	11	6,733,899	6,715,459
Investment properties		4,174,930	4,081,961
Right-of-use assets		23,890,024	24,880,236
Goodwill		10,117,885	10,117,885
Other intangible assets		182,364	205,219
Investments in associates		625,489	629,892
Investment in a joint venture		3,781	3,781
Financial assets at fair value through other comprehensive income		762,394	393,628
Financial assets at fair value through profit or loss		2,332,604	2,447,831
Deferred tax assets		13,066	13,098
Prepayments, other receivables and other assets		583,359	633,150
Total non-current assets		49,419,795	50,122,140
Current assets			
Inventories		2,645,501	6,351,971
Property under development		665,988	640,609
Trade receivables	12	1,115,628	1,437,103
Prepayments, other receivables and other assets		3,657,797	3,228,681
Due from related companies	13	761,398	153,630
Financial assets at fair value through profit or loss		491,511	941,976
Pledged bank deposits and restricted cash	14	13,303,906	13,668,326
Cash and cash equivalents	14	2,409,336	4,378,423
Total current assets		25,051,065	30,800,719

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
	Notes		
Current liabilities			
Trade and bills payables	15	14,436,708	18,891,459
Other payables and accruals		5,923,297	5,952,574
Due to related companies	13	694,568	312,045
Lease liabilities		3,212,061	3,897,862
Interest-bearing bank and other borrowings	16	24,775,010	22,060,980
Tax payable		1,026,630	1,034,878
		<hr/>	<hr/>
Total current liabilities		50,068,274	52,149,798
		<hr/>	<hr/>
Net current liabilities		(25,017,209)	(21,349,079)
		<hr/>	<hr/>
Total assets less current liabilities		24,402,586	28,773,061
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		4,375,742	4,322,886
Interest-bearing bank and other borrowings	16	3,280,623	6,139,252
Derivative financial instruments	17	181,636	130,685
Deferred tax liabilities		661,527	595,356
		<hr/>	<hr/>
Total non-current liabilities		8,499,528	11,188,179
		<hr/>	<hr/>
Net assets		15,903,058	17,584,882
		<hr/>	<hr/>
Equity			
Equity attributable to owners of the parent			
Issued capital		772,338	772,338
Treasury shares		(444,985)	(935,431)
Reserves		19,900,486	21,767,576
		<hr/>	<hr/>
		20,227,839	21,604,483
Non-controlling interests		(4,324,781)	(4,019,601)
		<hr/>	<hr/>
Total equity		15,903,058	17,584,882
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent														Total equity
	Issued capital	Treasury shares	Share premium	Contributed surplus	Capital reserve	Share based payment reserve	Asset revaluation reserve	Other reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Reserve funds	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2022	772,338	(935,431)	34,667,465	657	(1,845,490)	39,421	305,756	85,744	349,151	1,738,024	(322,170)	(13,250,982)	21,604,483	(4,019,601)	17,584,882
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(2,965,788)	(2,965,788)	(305,180)	(3,270,968)
Other comprehensive income for the period:															
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	283,001	-	-	-	283,001	-	283,001
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	-	942,970	-	942,970	-	942,970
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	283,001	-	942,970	(2,965,788)	(1,739,817)	(305,180)	(2,044,997)
Transfer of fair value reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(340,611)	-	-	340,611	-	-	-
Equity settled share base arrangement	-	-	-	-	-	(39,421)	-	-	-	-	-	38,233	(1,188)	-	(1,188)
Shares awarded under share award scheme	-	490,446	(126,085)	-	-	-	-	-	-	-	-	-	364,361	-	364,361
At 30 June 2022 (unaudited)	772,338	(444,985)	34,541,380	657	(1,845,490)	-	305,756	85,744	291,541	1,738,024	620,800	(15,837,926)	20,227,839	(4,324,781)	15,903,058

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent													
	Issued capital RMB' 000	Treasury shares RMB' 000	Share premium RMB' 000	Contributed surplus RMB' 000	Capital reserve RMB' 000	Share based payment reserve RMB' 000	Asset revaluation reserve RMB' 000	Fair value reserve of financial assets at fair value through other comprehensive income RMB' 000	Reserve funds RMB' 000	Exchange fluctuation reserve RMB' 000	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total equity RMB' 000
At 1 January 2021 (audited)	518,210	(1,033,410)	13,799,788	657	(1,845,490)	39,979	305,756	(29,496)	1,738,024	(154,765)	(8,422,904)	4,916,349	(3,648,703)	1,267,646
Loss for the period	-	-	-	-	-	-	-	-	-	-	(1,974,042)	(1,974,042)	(94,795)	(2,068,837)
Other comprehensive income for the period:														
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(24,777)	-	-	-	(24,777)	-	(24,777)
Change in use from owner-occupied properties to investment properties, net of tax	-	-	-	-	-	-	588	-	-	-	-	588	-	588
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(2,493)	-	(2,493)	-	(2,493)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	588	(24,777)	-	(2,493)	(1,974,042)	(2,000,724)	(94,795)	(2,095,519)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,875)	(1,875)
Transfer of fair value reserve upon the disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	83,369	-	-	(83,369)	-	-	-
Transfer from accumulated losses	-	-	-	-	-	-	-	-	(2,247)	-	2,247	-	-	-
Issue of shares	47,948	-	3,730,347	-	(35,914)	-	-	-	-	-	-	3,742,381	-	3,742,381
Shares awarded under share award scheme	-	71,504	(18,848)	-	-	(52,656)	-	-	-	-	-	-	-	-
Equity-settled share based arrangements	-	-	-	-	-	50,201	-	-	-	-	-	50,201	-	50,201
At 30 June 2021 (unaudited)	566,158	(961,906)	17,511,287	657	(1,881,404)	37,524	306,344	29,096	1,735,777	(157,258)	(10,478,068)	6,708,207	(3,745,373)	2,962,834

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) RMB' 000	2021 (Unaudited) RMB' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(19,717)	(2,271,347)
Interest received	76,248	129,481
Income tax (paid) refunded	(1,178)	1,178
Net cash flows from (used in) operating activities	55,353	(2,140,688)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, investment properties and right-of-use assets	(161,002)	(263,557)
Net cash flows from changes in financial assets	257,644	(262,744)
Investment in an associate	(5,110)	(165,600)
Proceeds from disposal of property and equipment	18,963	3,568
Proceeds from disposal of right-of-use-assets	121,167	-
Other cash flows from investing activities	18,806	16,511
Net cash flows from (used in) investing activities	250,468	(671,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	-	3,742,381
Interest paid	(793,078)	(1,054,777)
Net cash flows from changes in interest-bearing bank and other borrowings	2,057,463	(1,151,152)
Principal portion of lease payments	(395,489)	(1,317,912)
Repayment of corporate bonds	(2,579,503)	(2,546,390)
(Increase) decrease in pledged deposits for bank and other borrowings	(717,596)	1,356,239
Other cash flows from financing activities	73,249	267,863
Net cash flows used in financing activities	(2,354,954)	(703,748)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,049,133)	(3,516,258)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
Notes		RMB' 000	RMB' 000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,049,133)	(3,516,258)
	Cash and cash equivalents at 1 January	4,378,423	9,597,200
	Effect of foreign exchange rate changes, net	80,046	(2,066)
CASH AND CASH EQUIVALENTS AT 30 JUNE		2,409,336	6,078,876
ANALYSIS OF BALANCES OF CAHS AND CASH EQUIVALENTS			
	Cash and bank balances	779,352	3,681,243
	Non-pledged time deposits with original maturity less than three months when acquired	1,629,984	2,397,633
		2,409,336	6,078,876

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE AND GROUP INFORMATION

GOME Retail Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cumberland House 7th Floor, 1 Victoria Street, Hamilton HM11, Bermuda and principal place of office is Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activities of the Group are the operations and management of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full category of online sales network in the People’s Republic of China (the “PRC”) through self-operated and platform models.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

The Group had net current liabilities of RMB25,017,209,000 as at 30 June 2022 and incurred a loss of RMB3,270,968,000 for the six months ended 30 June 2022. As at the date of this interim report, the Group has certain overdue loans due to financial institutions and there is uncertainty on the sustainability of the operation of the Group in the foreseeable future. In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity of the Group, operating status and its available sources of financing. The Group has considered a number of plans and measures to mitigate the financial difficulties and liquidity issues including:

- (i) In respect of the loans with financial institutions, the Group is striving for the negotiation with the relevant banks for the renewal and extension of bank borrowings;
- (ii) The Group will focus on the retail business of electric appliances and electronic products and divest, dispose or suspend the non-core and non-profitable business. In addition, the Group will optimise the national network of retail shops through the closure of shops with low operating efficiency, opening the sizeable retails shops and expanding the franchise shops;
- (iii) The Group will further optimise the capital and debt financing structure and strive for the support from the financial institutions and other strategic business partners, expand the source of financing of the Company, arrange a right mix of short and long-term debts, reduce the reliance on the short-term debts and lower the cost of financing; and
- (iv) The Group is actively identifying alternative sources of funding. Subsequent to the period end, the Group has successfully raise fund of HK\$776,460,000 by placement of shares of the Company as detailed in note 22.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2. BASIS OF PREPARATION *(continued)*

Other than abovementioned, the Group will consider to realise its financial assets and properties, if necessary, to repay the matured debts.

In light of the above plans and measures, the Group anticipates that it can generate sufficient net cash inflows in the coming twelve months to maintain its operation. Therefore, the directors of the Company believe that it would be appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 retail stores of electrical appliances, consumer electronic products and general merchandise, as well as full category of online sales network in the Mainland China through self-operated and platform models. 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 (2021: all) revenue of the Group was derived from customers in Mainland China and over 95% (2021: 95%) of the Group's non-current assets, other than financial instruments and deferred tax assets, were situated in Mainland China.

Information about major customers

During the six months ended 30 June 2022, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2021: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB' 000	2021 (Unaudited) RMB' 000
Revenue from contracts with customers		
Sale of electrical appliances and consumer electronic products	11,999,851	26,039,905
Product display services	109,483	-
	12,109,334	26,039,905
Other income		
Income from installation	11,043	95,407
Income on extended warranty service	39,635	72,608
Income on the net investment in finance leases	-	7,776
Gross rental income from investment property operating leases	51,767	67,004
Government grants*	33,757	52,249
Commission income from telecommunication service providers	192	15,522
Commission income from providing online platforms	2,435	4,970
Income from compensation	6,549	4,525
Others	30,492	27,656
	175,870	347,717
Gains		
Gains on subleasing of right-of-use assets	-	9,478
Gains on lease modification	37,209	7,633
Gains on disposal of right-of-use assets	35,607	-
Foreign exchange gains, net	63,076	128,900
Fair value gains on investment properties	-	69,622
Fair value gains on financial assets at fair value through profit or loss, net	-	16,172
	135,892	231,805
	311,762	579,522

* 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

Revenue from contracts with customers

	For the six months ended 30 June	
	2022 (Unaudited) RMB' 000	2021 (Unaudited) RMB' 000
Type of goods or services		
Sale of electrical appliances and consumer electronic products	11,999,851	26,039,905
Product display services	109,483	-
	12,109,334	26,039,905
Geographical market		
Mainland China	12,109,334	26,039,905
Timing of revenue recognition		
Goods transferred at a point in time	11,999,851	26,039,905
Service recognised over time	109,483	-
	12,109,334	26,039,905

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Cost of inventories sold	9,555,698	22,961,937
Provision against (reversal of provision against) inventories	466,115	(53,884)
Cost of sales	10,021,813	22,908,053
Depreciation of property and equipment	266,355	351,125
Depreciation of right-of-use assets	1,283,016	1,093,081
Amortisation of other intangible assets	22,855	34,056
Losses on disposal of property and equipment*	12,156	1,610
Fair value losses (gains), net:		
Financial assets at fair value through profit or loss*	313,835	(16,172)
Derivative financial instruments embedded in the convertible bonds issued*	43,495	141,292
Fair value losses (gains) on investment properties*	9,649	(69,622)
Foreign exchange differences, net	(63,076)	(128,900)
Impairment losses on goodwill*	-	71,602
Impairment losses (reversal of impairment losses) on financial assets*	13,679	(21,488)

Note:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

7. FINANCE (COSTS) INCOME

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Finance costs:		
Interest on bonds payable	(160,943)	(214,350)
Interest on bank borrowings	(545,066)	(605,444)
Interest on lease liabilities	(226,789)	(280,983)
Total interest expense on financial liabilities not at fair value through profit or loss	(932,798)	(1,100,777)
Less: Interest capitalised	56,641	86,869
	(876,157)	(1,013,908)
	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Finance income:		
Bank interest income	44,180	256,374
Interest income from loans to third parties	-	3,053
	44,180	259,427

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

8. INCOME TAX (CREDIT) EXPENSE

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for certain preferential treatments available to the Group, the tax rate of the PRC subsidiaries is 25% (2021: 25%) on their respective taxable income. During the year, certain subsidiaries of the Group obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2022 (Unaudited) RMB' 000	2021 (Unaudited) RMB' 000
Current – charge for the period	-	30,616
Over-provision in respect of prior years	(381)	-
Deferred	(25,891)	18,859
Total income tax (credit) expense for the period	(26,272)	49,475

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 31 August 2022, the board did not recommend the payment of an interim dividend for the six month ended 30 June 2022 so as to preserve capital for funding needs of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 33,060,519,000 (six months ended 30 June 2021: 21,636,633,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of convertible bonds outstanding and share awards granted had an anti-dilutive effect on the basic loss per share amounts presented.

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
	<hr/>	
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(2,965,788)	(1,974,042)
	<hr/>	
	Number of shares	
	2022	2021
	' 000	' 000
	<hr/>	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	33,060,519	21,636,633
	<hr/>	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property and equipment at a total cost of RMB321,662,000 (30 June 2021: RMB197,468,000).

Assets with a net carrying amount of RMB31,119,000 (six months ended 30 June 2021: RMB5,178,000) were disposed of by the Group during the six months ended 30 June 2022, resulting in a net loss on disposal of RMB12,156,000 (six months ended 30 June 2021: RMB1,610,000). Besides, property and equipment with a net carrying amount of RMB5,748,000 (six months ended 30 June 2021: RMB5,234,000) were written off as a result of the closure of retail stores.

12. TRADE RECEIVABLES

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Trade receivables	1,151,031	1,483,636
Impairment	(35,403)	(46,533)
	1,115,628	1,437,103

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

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Within 3 months	944,934	1,316,952
3 to 6 months	147,902	87,706
Over 6 months	22,792	32,445
	1,115,628	1,437,103

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. DUE FROM/TO RELATED COMPANIES

Due from related companies

		30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
	Note		
Advances to associates	<i>(i)</i>	32,310	32,390
Due from other related companies	<i>(i)</i>	729,088	121,240
		761,398	153,630

Due to related companies

		30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
	Notes		
Due to GOME Ruidong*	<i>(i)</i>	66,667	66,667
Due to Anxun Logistics*	<i>(ii)</i>	83,650	30,065
Due to other related companies	<i>(i)</i>	544,251	215,313
		694,568	312,045

* These companies represent 北京國美銳動電子商務有限公司("Beijing GOME Ruidong e-Commerce Co., Ltd." or "GOME Ruidong") and 安迅物流有限公司("Anxun Logistics Co., Ltd." or "Anxun Logistics"), which are owned by Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company.

Notes:

- (i) These balances were interest-free, unsecured and have no fixed terms of repayment.
- (ii) This balance was interest-free, unsecured and repayable within 45 days and trade in nature.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Cash and bank balances	779,352	1,878,707
Time deposits	14,933,890	16,168,042
	15,713,242	18,046,749
Less: Pledged time deposits for bills payable	(3,062,670)	(4,142,580)
Pledged time deposits for interest-bearing bank and other borrowings	(10,237,725)	(9,520,128)
Restricted cash	(3,511)	(5,618)
	(13,303,906)	(13,668,326)
Cash and cash equivalents	2,409,336	4,378,423

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. TRADE AND BILLS PAYABLES

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Trade payables	6,051,371	7,078,816
Bills payables	8,385,337	11,812,643
	14,436,708	18,891,459

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

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Within 3 months	6,875,788	11,964,630
3 to 6 months	6,892,120	6,264,925
Over 6 months	668,800	661,904
	14,436,708	18,891,459

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

- (i) Certain of the Group's time deposits (note 14) amounting to approximately RMB3,062,670,000 (31 December 2021: RMB4,142,580,000) and related interest receivables amounting to approximately RMB15,636,000 (31 December 2021: RMB50,215,000);
- (ii) the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,728,314,000 (31 December 2021: RMB1,442,304,000); and
- (iii) the Group's investment properties situated in Mainland China which had an aggregate fair value of approximately RMB248,011,000 (31 December 2021: RMB99,307,000).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. INTEREST BEARING BANK AND OTHER BORROWINGS

	30 June 2022			31 December 2021		
	Effective	Maturity	(Unaudited)	Effective	Maturity	(Audited)
	interest rate			interest rate		
	(%)		RMB' 000	(%)		RMB' 000
Current						
Bank loans – secured	0.05-6.09	2023	20,956,930	0.05-6.09	2022	17,107,031
Bank loans – unsecured	3.52-8.00	2023	1,834,385	2.00-7.00	2022	2,325,394
Other loans – secured	6.09-8.35	2023	110,690	6.09-8.35	2022	135,142
Bonds payable – unsecured	7.44-7.87	2023	1,873,005	7.44-7.87	2022	2,493,413
			<u>24,775,010</u>			<u>22,060,980</u>
Non-current						
Bank loans – secured	4.35-5.50	2023-2034	2,976,516	4.90-5.50	2023-2034	4,083,983
Bank loans – unsecured	3.70-5.50	2023-2034	59,400			-
Other loans – secured	6.09	2023-2024	30,067	6.09	2023-2024	48,898
Bonds payable – unsecured	4.79-8.03	2023-2026	214,640	4.79-8.03	2023-2026	2,006,371
			<u>3,280,623</u>			<u>6,139,252</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. INTEREST BEARING BANK AND OTHER BORROWINGS *(continued)*

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Analysed into:		
Bank loans repayable:		
Within one year	22,791,315	19,432,425
In the second year	613,846	1,861,316
In the third to fifth years, inclusive	1,226,540	1,175,840
Beyond five years	1,195,530	1,046,827
	25,827,231	23,516,408
Other borrowings repayable:		
Within one year	1,983,695	2,628,555
In the second year	130,157	1,731,409
In the third to fifth years, inclusive	114,550	124,852
Beyond five years	-	199,008
	2,228,402	4,683,824

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. INTEREST BEARING BANK AND OTHER BORROWINGS *(continued)*

- (i) Certain of the Group's bank and other borrowings are secured by:
 - (a) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB1,332,571,000 (31 December 2021: RMB1,551,905,000);
 - (b) the Group's aircraft (note 11) with a net carrying amount at the end of the reporting period of approximately RMB51,646,000 (31 December 2021: RMB68,889,000);
 - (c) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of approximately RMB3,523,356,000 (31 December 2021: RMB3,497,616,000);
 - (d) certain of the Group's property under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB665,988,000 (31 December 2021: RMB640,609,000);
 - (e) certain of the Group's right-of-use assets situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB238,086,000 (31 December 2021: RMB206,647,000);
 - (f) certain of the Group's time deposits (note 14) amounting to approximately RMB10,237,725,000 (31 December 2021: RMB9,520,128,000) and related interest receivables amounting to approximately RMB256,320,000 (31 December 2021: RMB340,130,000), respectively, at the end of the reporting period; and
 - (g) certain of the Group's investments in associates amounting to approximately RMB245,898,000 (31 December 2021: RMB207,728,000).
- (ii) Except for the bank loans and bonds payable denominated in EUR and USD with carrying amounts of RMB2,480,322,000 (31 December 2021: RMB2,546,946,000) and RMB1,868,174,000 (31 December 2021: RMB1,691,845,000) respectively, all the Group's bank and other borrowings are denominated in RMB at the end of the reporting period.
- (iii) During the six months ended 30 June 2022, the Group has early redeemed certain corporate bonds of RMB2,579,503,000 (31 December 2021: RMB2,546,390,000). During the six months ended 30 June 2022, the Group has renewed nil (31 December 2021: RMB953,610,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

17. CONVERTIBLE BONDS

On 17 April 2020, the Company, as issuer, and Hong Kong Walnut Street Limited (“Pinduoduo”), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo Inc., as subscriber, entered into a subscription agreement (the “Pinduoduo Subscription Agreement”) in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US\$200 million. The initial conversion price is HK\$1.215 per share. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new shares of the Company will be allotted and issued. The issuance was completed on 28 April 2020. On 9 March 2021, as a result of the placing of existing and the subscription of new shares of the Company and pursuant to the terms of Pinduoduo Subscription Agreement, the conversion price changed to HK\$1.20 per share and the maximum number of shares that may be issued upon conversion of the convertible bonds is 1,300,000,000 shares.

On 28 May 2020, the Company, as issuer, and JD.com International Limited (“JD”), a limited liability company established in Hong Kong and a wholly-owned subsidiary of JD.com, Inc., as subscriber, entered into a subscription agreement (the “JD Subscription Agreement”) in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US\$100 million. The initial conversion price is HK\$1.255 per share. Assuming that the conversion rights have been exercised in full, 621,513,944 new shares of the Company will be allotted and issued. The issuance was completed on 30 June 2020. On 9 March 2021, as a result of the placing of existing and the subscription of new shares of the Company and pursuant to the terms of JD Subscription Agreement, the conversion price changed to HK\$1.24 per share and the maximum number of shares that may be issued upon conversion of the convertible bonds is 629,032,258 shares.

The convertible bonds issued under the Pinduoduo Subscription Agreement and the JD Subscription Agreement (collectively the “CBs”) bear interest from (and including) the issuance date at the rate of 5% per annum payable annually. The CBs initially have a maturity date falling on the third anniversary of the issue date, which may be extended for another 2 years at the option of bondholders of the CBs under certain conditions. Upon the occurrence of certain bondholder redemption events, the bondholders have the option to redeem in whole, or in part, the CBs then outstanding.

At the issuance date, the liability components, and above-mentioned conversion options, extension options and redemption options (collectively the “embedded derivatives”) of the CBs were measured at fair value. The liability components are presented as interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from liability components, presented as derivative financial instruments at fair value. As at 30 June 2022, the fair value of the derivative embedded was RMB181,636,000 (31 December 2021: RMB130,685,000).

For further details of the convertible bonds, please refer to the related announcements of the Company on 19 April 2020, 28 April 2020, 28 May 2020, 30 June 2020 and 29 April 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

18. SHARE BASED PAYMENTS

Restricted Share Award Scheme

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

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

As at 30 June 2022, an accumulated sum of approximately HK\$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 ordinary shares of the Company by the Trustee and 580,999,000 forfeited or unawarded shares were held by the share award scheme trust and would be granted in future.

RSU Program

During 2020, 487,028,000 RSUs had been granted to certain employees of the Group under the RSA Scheme, with the vesting of these RSUs subject to the fulfilment of certain market conditions that the market capitalisation of the Group is required to reach certain predetermined values, non-market conditions and service conditions that the employees’ continuous service to the Group through the vesting period (the “RSU Program”). No exercise price is assigned to the RSUs.

During six months ended 30 June 2022, there were 7,534,000 RSUs and 220,872,000 RSUs were forfeited and lapsed under the RSU Program, respectively. No RSUs were outstanding under the RSU Program as at 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

18. SHARE BASED PAYMENTS *(continued)*

Restricted Share Award Scheme *(continued)*

Awarded shares

During the six months ended 30 June 2022, 701,510,000 (six months ended 30 June 2021: 50,000,000) awarded shares, which have no vesting conditions, have been granted to certain employees and directors of the Group under the RSA Scheme. The fair value of the awarded shares granted was determined based on the market value of the Company's shares at the grant date.

The total share award expenses recognised by the Group related to the RSA Scheme during the six months ended 30 June 2022 is RMB369,224,000 (six months ended 30 June 2021: RMB50,201,000).

Share Option Scheme

The shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") on 12 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Under the terms of the Share Option Scheme, the Company may grant up to 10% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting, while in no event should the further grants result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this Share Option Scheme and the other share incentive schemes exceeding 30% of the total number of shares of the Company in issue from time to time.

No options have been granted by the Company since the adoption of the Share Option Scheme up to 30 June 2022. For details of the options granted on 6 July 2022, please refer to note 22.

19. COMMITMENTS

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

	30 June 2022 (Unaudited) RMB' 000	31 December 2021 (Audited) RMB' 000
Contracted, but not provided for:		
Property and equipment	613,075	701,250

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY TRANSACTION AND TRANSACTIONS WITH INVESTEES

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

	Notes	For the six months ended 30 June	
		2022	2021
		(Unaudited) RMB' 000	(Unaudited) RMB' 000
Transactions with GOME Property:	(i)		
– Rental*	(ii)	72,282	72,283
– Construction expenses*		-	11,734
Transactions with Beijing Xinhengji:	(i)		
– Rental***	(iii)	10,598	10,070
Transactions with Anxun Logistics:	(i)		
– Service fee*		201,556	221,988
– Warehousing service income*		53,471	71,540
– Warehousing service expenses*		2,385	7,809
Transactions with GOME Holding:	(i)		
– Other services income**		-	8,302
Transactions with Meiyunbao:	(i)		
– Supply of goods or service*		6,699	6,499
– Purchase of goods or service*		10,735	12,978
Transactions with associates:	(iv)		
– Purchase of goods***		3,719	160,292

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY TRANSACTION AND TRANSACTIONS WITH INVESTEES

(continued)

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

Notes:

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

- (ii) The rent was charged at terms mutually agreed by the parties in respect of lease of certain office units.

On 20 December 2016, the Group entered into a lease agreement with GOME Property for a 6 years lease contract commencing from 1 January 2017 to 31 December 2022 of which details were set out in announcement 20 December 2016. On 16 July 2020, the supplement lease agreement was entered to extend the expiry date to 28 February 2023 and a rental concession was granted due to the impact of the COVID-19 pandemic. The total rent payable under this lease contract was fully paid in cash in prior years. The prepaid rental is accounted for as right-of-use assets and the amount disclosed above represents the amortisation expense.

- (iii) The rent was charged at terms mutually agreed by the parties in respect of lease of a retail outlet.

On 27 October 2021, the Group entered into a lease agreement with Beijing Xinhengji for a 1 year lease contract commencing from 25 October 2021 to 24 October 2022.

On 27 October 2020, the Group entered into a lease agreement with Beijing Xinhengji for a 1 year lease contract commencing from 27 October 2020 to 24 October 2021.

- (iv) Balance represented transactions with GOME Telecom (Zhejiang) Co., Ltd and its subsidiary.

* The transactions constitute continuing connected transactions under the Listing Rules.

** The transactions constitute continuing connected transactions under the Listing Rules, but are exempted from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

*** The transactions do not constitute continuing connected transactions under the Listing Rules.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY TRANSACTION AND TRANSACTIONS WITH INVESTEES

(continued)

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Fees	910	701
Other emoluments:		
Salaries, allowances and other expense	4,454	4,386
Pension scheme contributions	117	119
Share award expense	-	8,104
	5,481	13,310

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than lease liabilities, are as follows:

	Carrying amounts	
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB' 000	RMB' 000
Financial assets		
Financial assets at fair value through other comprehensive income	762,394	393,628
Financial assets at fair value through profit or loss	2,824,115	3,389,807
Financial assets at amortised cost	19,501,899	20,936,590
	Carrying amounts	
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB' 000	RMB' 000
Financial liabilities		
Financial liabilities at fair value through profit or loss	181,636	130,685
Financial liabilities at amortised cost	54,093,988	58,477,643

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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

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

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments included in financial assets at fair value through profit or loss or equity investments designated at fair value have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to sales ("P/S") multiple and discount for lack of marketability ("LOMD"), for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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

The Group issued convertible bonds with certain embedded derivatives. These embedded derivatives are measured using valuation techniques. The models incorporate significant unobservable inputs including discount rate and risk-free interest rate.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021:

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted debt security	Market approach and Black-Scholes Model	P/S	0.89 (31 December 2021: 1.30)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value RMB10 million.
		Risk-free rate	3.74% (31 December 2021: 3.74%)	5% increase (decrease) in risk-free rate would result in decrease (increase) in fair value by RMB13 million.
Other unquoted investments	Market approach and enterprise value allocation model	LOMD*	1%-40% (31 December 2021: 7%-27%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB20 million.
		P/S	0.89-2.52 (31 December 2021: 1.30-2.01)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value RMB45 million.
Derivative financial liabilities	Binomial tree model	Discount rate	17.16% (31 December 2021: 10.81%)	5% increase (decrease) in discount rate would result in increase (decrease) in the fair value by RMB11 million.
		Risk-free rate	3.06% (31 December 2021: 0.70%)	5% increase (decrease) in risk-free rate would result in increase (decrease) in fair value by RMB0.02 million.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022:

	Fair value measurement using			
	Quoted price in active market Total (Unaudited) RMB' 000	Significant observable inputs (Level 1) (Unaudited) RMB' 000	Significant observable inputs (Level 2) (Unaudited) RMB' 000	Significant unobservable inputs (Level 3) (Unaudited) RMB' 000
Financial assets at fair value through other comprehensive income	762,394	144,378	-	618,016
Financial assets at fair value through profit or loss	2,824,115	491,511	-	2,332,604
Total	3,586,509	635,889	-	2,950,620

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2021

	Fair value measurement using			
		Quoted price in active market Total (Audited) RMB' 000	Significant observable inputs (Level 2) (Audited) RMB' 000	Significant unobservable inputs (Level 3) (Audited) RMB' 000
Financial assets at fair value through other comprehensive income	393,628	182,729	-	210,899
Financial assets at fair value through profit or loss	3,389,807	941,976	-	2,447,831
Total	3,783,435	1,124,705	-	2,658,730

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

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

	Financial assets at fair value through other comprehensive income RMB' 000	Financial assets at fair value through profit or loss RMB' 000	Derivative financial instruments RMB' 000
At 1 January 2022 (audited)	210,899	2,447,831	(130,685)
Net cash flows from changes in financial assets	-	9,279	-
Total losses recognised in the statement of profit or loss included in other expenses	-	(124,506)	(43,495)
Total gains recognised in other comprehensive income	407,117	-	-
Exchange realignment	-	-	(7,456)
At 30 June 2022 (unaudited)	<u>618,016</u>	<u>2,332,604</u>	<u>(181,636)</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

Fair value hierarchy (continued)

Liabilities measure at fair value:

As at 30 June 2022:

	Fair value measurement using			
	Quoted price in active market Total (Unaudited) RMB' 000	Significant observable inputs (Level 2) (Unaudited) RMB' 000	Significant unobservable inputs (Level 3) (Unaudited) RMB' 000	
Derivative financial instruments	181,636	-	-	181,636

As at 31 December 2021:

	Fair value measurement using			
	Quoted price in active market Total (Audited) RMB' 000	Significant observable inputs (Level 2) (Audited) RMB' 000	Significant unobservable inputs (Level 3) (Audited) RMB' 000	
Derivative financial instruments	130,685	-	-	130,685

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2021: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

22. EVENTS AFTER THE REPORTING PERIOD

The Company has completed a placing of existing shares and subscription of new shares. Details of which are disclosed in announcement dated 6 July 2022.

The Company granted share options under the share option scheme adopted by the Company on 12 September 2018 to certain eligible participants which, subject to the acceptance by the grantees, will enable the grantees to subscribe for a total of 978,950,000 ordinary shares of HK\$0.025 each in the share capital of the Company representing approximately 2.74% of the issued share capital of the Company. Details of such options granted are disclosed in announcement dated 14 July 2022.

The Company conditionally entered into an agreement to acquire the entire equity interests in Eagle Delight Properties (Overseas) Limited (“Eagle Delight”) from GOME Property Holdings Limited. The principal assets of the Eagle Delight are the properties named GOME Commercial Capital and No. 9 Xiangjiang. Certain information in relation to the transaction is disclosed in the Company’s announcement dated 19 August 2022.

Subsequent to 30 June 2022, the Group has certain overdue loans due to financial institutions. The Group commenced renegotiation of the terms of the loan and such negotiations are still in progress.

DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2022, the interests and short positions of the directors (the "Director(s)") of GOME Retail Holdings Limited (the "Company") and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Director/ Chief Executive (Note 1)	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % of shareholding
Zou Xiao Chun	6,000,000	-	-	-	6,000,000	0.02
Huang Xiu Hong	80,100,000	-	-	-	80,100,000	0.24
Lee Kong Wai, Conway	1,000,000	-	-	-	1,000,000	0.00
Liu Hong Yu	1,000,000	-	-	-	1,000,000	0.00
Wang Gao	1,000,000	-	-	-	1,000,000	0.00

Note:

- The relevant interests represented shares of the Company (the "Share(s)") or underlying Shares granted to the Directors pursuant to the restricted share award scheme adopted by the Company on 3 October 2016 as was particularly described in the section headed "Restricted Share Award Scheme" below. These Shares and underlying Shares were held by the Directors beneficially.

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

Save as disclosed above, as at 30 June 2022, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ADDITIONAL INFORMATION

(b) Directors' benefits from rights to acquire shares or debentures

At no time during the period was the Company, any of its holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

(c) Particulars of the directors' service contracts

As at 30 June 2022, none of the Directors had entered or was proposing to enter into a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

(d) Directors' interests in competing business

During the six months ended 30 June 2022 (the "Reporting Period"), no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

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

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

(e) Material supplements to directors' profile

Mr. Lee Kong Wai, Conway has resigned as an independent director of WH Group Limited, a company listed on the Hong Kong Stock Exchange on 1 June 2022. Mr. Wang Gao was appointed as an independent director of Shanghai Phoenix Enterprise (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange since January 2022.

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

RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme on 3 October 2016 (the "Share Award Scheme"). The purposes and objectives of the Share Award Scheme are to:

1. recognise and motivate the contributions by certain participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
2. attract suitable personnel for further development of the Group; and
3. provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and certain employees.

As at 30 June 2022, a sum of approximately HK\$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 ordinary shares, representing approximately 4.46% of the issued share capital of the Company, from the market by the independent trustee.

Details of the Share Award Scheme are set out in the announcement of the Company dated 3 October 2016 and 6 October 2017 and note 18 to the interim financial information on pages 46 to 47.

ADDITIONAL INFORMATION

SHARE OPTION SCHEME

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

No options have been granted by the Company since the adoption of the Share Option Scheme up to 6 July 2022. During the six months ended 30 June 2022, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding as at 30 June 2022. For details of the options granted, please refer to the paragraph headed “Events after the Reporting Period” on page 58.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as is known to any Director or the Chief Executive, as at 30 June 2022, other than the Director or the Chief Executive as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the SFO:

(a) Substantial shareholders’ interests and short positions in the shares and underlying shares of the Company

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Wong <i>(Note 1)</i>	Interest in controlled corporation	19,285,379,338	57.13
Ms. Du Juan <i>(Note 2)</i>	Interest in controlled corporation	19,285,379,338	57.13
Ever Ocean Investments Limited <i>(Note 3)</i>	Interest in controlled corporation	13,140,000,000	38.93
GOME Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	13,140,000,000	38.93
Power Charm Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	13,140,000,000	38.93
GOME Home Appliances (H.K.) Limited <i>(Note 3)</i>	Interest in controlled corporation	13,140,000,000	38.93
GOME Management Limited <i>(Note 3)</i>	Beneficial owner	13,140,000,000	38.93
Shinning Crown Holdings Inc. <i>(Note 4)</i>	Beneficial owner	4,454,979,938	13.20

Notes:

1. Of these 19,285,379,338 shares, 13,140,000,000 shares are held by GOME Management Limited, 4,454,979,938 shares are held by Shinning Crown Holdings Inc., 82,792,736 shares are held by Shine Group Limited, 1,200,000,000 shares are held by Element Assets Management Limited, 160,000,000 shares are held by Hillwood Assets Management Limited and 246,706,664 shares are held by Smart Captain Holdings Limited. All the above companies are wholly owned by the Controlling Shareholders.
2. Ms. Du Juan is the spouse of Mr. Wong. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.
3. All these companies are 100% beneficially owned by Mr. Wong. The Shares held by these companies refer to the same parcel of Shares.
4. Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong.

(b) Interests and short positions of other persons in the shares and underlying shares of the Company

Save as disclosed above, so far as is known to any Director or Chief Executive, as at 30 June 2022, no other person (other than the Director or the Chief Executive of the Company), had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

ADDITIONAL INFORMATION

OTHER INFORMATION

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

- 1) In January and May 2022, the Group repaid the domestic bonds issued in 2016 in the PRC, with aggregate principal amount of RMB937,399,000 and RMB1,700,000,000, respectively.
- 2) On 28 June 2022, a total of 1,962,500,000 ordinary shares of the Company have been successfully placed at the placing price of HK\$0.40 per share. Please refer to the details of the placing in the paragraph headed "Placing of new shares under general mandate".

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 28 June 2022, the Company conducted a top-up placing under which an aggregate 1,962,500,000 ordinary shares of the Company have been placed to not less than six independent placees at the placing price of HK\$0.40 per share under the general mandate granted to the directors on 27 May 2022. The 1,962,500,000 placing shares represent approximately 5.81% of the issued share capital of the Company as at the date of the subscription agreement and approximately 5.49% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares. The placing shares have a nominal value of HK\$49,062,500 and a market value of approximately HK\$892.94 million, based on the closing price of HK\$0.455 per Share on the 27 June 2022, the last trading day before the entering into of the placing agreement. The net price per share for the placing is approximately HK\$0.396 per Share. The net proceeds received by the Company from the placing, after deducting relating fees and expenses, were approximately HK\$776,460,000. As at 30 June 2022, the placing has not been completed and none of the proceeds have been received by the Group. For details of the placing, please refer to the announcement of the Company dated 28 June 2022.

CHANGES TO THE BOARD

As disclosed in the announcement of the Company dated 31 March 2022, changes to the Board since 31 December 2021 were as follows:

Ms. Huang Xiu Hong was redesignated as an executive Director, Ms. Dong Xiao Hong was appointed as a non-executive Director and Mr. Yu Sing Wong resigned as a non-executive Director with effect from 1 April 2022.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six months ended 30 June 2022, the Company was in compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon specific enquiries made by the Company, all Directors have confirmed their compliance with the Model Code during the period under review.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

There were no information required for disclosure by the Company under Rules 13.20 of the Listing Rules during the six months ended 30 June 2022.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim report of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim financial information of the Group for the six months ended 30 June 2022.

CORPORATE INFORMATION

DIRECTORS

Executive Director

ZOU Xiao Chun
HUANG Xiu Hong

Non-executive Directors

ZHANG Da Zhong (*Chairman*)
DONG, Xiao Hong

Independent Non-executive Directors

LEE Kong Wai, Conway
LIU Hong Yu
WANG Gao

COMPANY SECRETARY

SZETO King Pui, Albert

AUTHORISED REPRESENTATIVES

ZOU Xiao Chun
SZETO King Pui, Albert

PRINCIPAL BANKERS

China Construction Bank
Industrial Bank
ICBC
Agricultural Bank
China Everbright Bank

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SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

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