GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

UNAUDITED INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	First half of 2023 *RMB million*	First half of 2022 *RMB million*
Revenue	**415**	12,109
Loss attributable to owners of the parent	**(3,539)**	(2,966)
Loss per share – Basic and diluted	**(RMB8.2 fen)**	(RMB9.0 fen)

The board of directors (the "Board") of GOME Retail Holdings Limited (the "Company") announces the unaudited interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**414,763**	12,109,334
Cost of sales	*6*	**(534,745)**	(10,021,813)
Gross (loss) profit		**(119,982)**	2,087,521
Other income and gains	*5*	**130,971**	311,762
Selling and distribution expenses		**(1,299,648)**	(2,444,451)
Administrative expenses		**(783,496)**	(1,745,922)
Impairment losses on financial assets		**(17,945)**	(13,679)
Other expenses and losses		**(279,456)**	(648,449)
Share of losses of associates		**(107,742)**	(12,045)
Loss before finance (costs) income and tax		**(2,477,298)**	(2,465,263)
Finance costs	*7*	**(1,030,560)**	(876,157)
Finance income	*7*	**(100,929)**	44,180
LOSS BEFORE TAX	*6*	**(3,608,787)**	(3,297,240)
Income tax credit	*8*	**13,346**	26,272
LOSS FOR THE PERIOD		**(3,595,441)**	(3,270,968)
Attributable to:			
Owners of the parent		**(3,538,956)**	(2,965,788)
Non-controlling interests		**(56,485)**	(305,180)
		(3,595,441)	(3,270,968)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**(RMB8.2 fen)**	(RMB9.0 fen)
Diluted		**(RMB8.2 fen)**	(RMB9.0 fen)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(3,595,441)**	(3,270,968)
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Other comprehensive (expense) income that may be reclassified to profit or expense in subsequent periods:		
Exchange differences on translation of foreign operations	**(166,935)**	942,970
Other comprehensive (expense) income 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	**(226,036)**	283,001
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF TAX	**(392,971)**	1,225,971
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(3,988,412)**	(2,044,997)
Attributable to:		
Owners of the parent	**(3,931,927)**	(1,739,817)
Non-controlling interests	**(56,485)**	(305,180)
	(3,988,412)	(2,044,997)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	**30 June 2023 (Unaudited)** *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property and equipment		**6,308,610**	6,595,271
Investment properties		**4,629,887**	4,674,334
Right-of-use assets		**14,768,493**	15,451,082
Goodwill		**903,364**	903,364
Other intangible assets		**125,303**	146,195
Investments in associates		**593,121**	700,863
Investment in a joint venture		**3,781**	3,781
Financial assets at fair value through other comprehensive income		**17,475**	374,730
Financial assets at fair value through profit or loss		**2,173,105**	2,185,786
Deferred tax assets		**11,950**	12,181
Prepayments, other receivables and other assets		**158,735**	136,638
Total non-current assets		**29,693,824**	31,184,225
CURRENT ASSETS			
Inventories		**208,592**	432,639
Property under development		**682,904**	692,646
Trade receivables	*11*	**368,301**	134,294
Prepayments, other receivables and other assets		**2,448,471**	3,274,560
Due from related companies		**574,611**	577,451
Financial assets at fair value through profit or loss		**328,863**	428,350
Pledged bank deposits and restricted cash		**567,354**	5,690,571
Cash and cash equivalents		**146,635**	169,713
Total current assets		**5,325,731**	11,400,224

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2023

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*12*	**4,756,360**	5,887,555
Other payables and accruals		**6,149,860**	5,506,294
Due to related companies		**261,148**	866,573
Lease liabilities		**658,905**	1,413,781
Interest-bearing bank and other borrowings	*13*	**23,254,700**	25,894,974
Derivative financial instruments	*14*	**–**	87
Tax payable		**1,024,907**	1,024,908
Total current liabilities		**36,105,880**	40,594,172
NET CURRENT LIABILITIES		**(30,780,149)**	(29,193,948)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,086,325)**	1,990,277
NON-CURRENT LIABILITIES			
Lease liabilities		**668,769**	933,307
Deferred tax liabilities		**538,840**	563,664
Total non-current liabilities		**1,207,609**	1,496,971
Net (liabilities) assets		**(2,293,934)**	493,306
(DEFICIT) EQUITY			
Equity attributable to owners of the parent			
Issued capital		**1,079,531**	814,144
Treasury shares		**(444,985)**	(444,985)
Reserves		**1,397,927**	4,394,069
		2,032,473	4,763,228
Non-controlling interests		**(4,326,407)**	(4,269,922)
Total (deficit) equity		**(2,293,934)**	493,306

NOTES

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 Victoria Place, 1st Floor, 31 Victoria Street, Hamilton HM10, 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, debt securities and equity investments which have been measured at fair value.

Other than those operating subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the remaining subsidiaries is Hong Kong dollars ("HK$") and United States dollar.

These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statement do not include all the information and disclosures defined in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

Going concern consideration

The Group incurred a loss of approximately RMB3.6 billion for for six months ended 30 June 2023, the Group's current liabilities exceeded its current assets by approximately RMB30.8 billion as at 30 June 2023. The Group's current liabilities amounted to approximately RMB36.1 billion, of which approximately RMB23.3 billion represented interest-bearing bank and other borrowings as at 30 June 2023. Nevertheless, the Group had cash and cash equivalents amounted to approximately RMB147 million as at 30 June 2023. In addition, certain loan payables to financial institutions were overdue. The overdue of these loan payables entitled the lenders a right to demand immediate repayment of the loan payables from the Group. Certain banks have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received property preservation orders to restrict the disposition of certain assets and the withdrawal of bank deposits. Moreover, the Group was involved in a number of pending civil claims or lawsuits filed by the civil litigants as at 30 June 2023. Further, due to the suspension of supply of goods from certain major suppliers, the revenue significantly decreased during the reporting period, which bring significant impacts on the Group's operations.

The Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, which are set out as follows:

(1) Restructure of bank and other borrowings

The Group has been actively negotiating with all of the lenders for renewal and extension for repayments of the overdue borrowings. Under the coordination from certain local governments, the management is of the view that the Group is able to obtain the consents from the banks to (i) renew or extend the repayment due date for existing secured bank borrowings; (ii) convert existing unsecured bank borrowings by way of the government-directed debt-to-equity swap to ordinary shares of the Company; and (iii) pledge certain of the Group's assets or properties as collaterals in order to obtain additional funds or banking facilities to support the Group's working capital needs. As of 30 June 2023, the book value of the total non-current assets of the Group amounted to approximately RMB29.7 billion.

2. BASIS OF PREPARATION (continued)

(2) Restructure of trade payables

The Group has been actively negotiating with the suppliers and service providers for settlements of the overdue balances. The Group has obtained the consents from (i) certain major suppliers to re-activate the existing credit limit by setting up joint accounts for the receipt of proceeds from sales of goods; and (ii) certain major suppliers to re-activate the existing credit limit by converting the overdue trade payables to ordinary shares of the Company through debt-to-equity swap. In addition, the Group is negotiating with other suppliers to convert the overdue trade payables to ordinary shares.

(3) Resume the closed stores and seized inventories and settlement of other payables

The Group has been actively negotiating with the landlords and service providers for settlements of the overdue balances in order to resume the closed stores and seized inventories and reactivate the provision of services to the Group. The Group has obtained the consents from certain landlords and service providers to resume the closed stores and seized inventories and re-activate the existing provision of services by converting the overdue lease liabilities or other payables to ordinary shares of the Company through debt-to-equity swap. In addition, the Group is negotiating with other landlords and service providers to convert the overdue lease liabilities and other payable.

(4) Restructure of convertible bonds and support from the convertible bond holders

The Group and the convertible bond holders are actively negotiating to manage overdue aggregated principal amounts of approximately US$300 million (equivalent to approximately RMB2.2 billion), accrued and unpaid interest, through options including but not limited to extension of repayment terms, swap of certain portion of principal amount to shares of the Company and exchange of certain properties.

(5) Sale of properties

The Group is in active negotiations with investors for sale of certain investment properties and properties under development of the Group to enhance its liquidity position.

(6) Debt capitalisation of amounts due to related companies

In March 2023, the Group capitalised amounts due to related companies of an aggregated amount of approximately RMB804 million. An aggregate of 7,980,539,000 new shares of the Company are issued at the net price per capitalisation share of approximately HK$0.115, represented approximately 16.71% of the issued share capital of the Company as enlarged by the issue of the capitalisation shares. For details please refer to the announcements of the Company dated 8 December 2022, 14 December 2022, 22 December 2022, 30 December 2022, 6 January 2023, 18 January 2023, 10 March 2023 and 27 March 2023.

(7) Other fund-raising

The Group has been actively seeking various fund-raising opportunities, including but not limited to placing issue depending on the prevailing market conditions, negotiation with strategic investors, and the development of the Group's core businesses. The Group are seeking professional advice from financial advisors and consultants in pursuing these fund-raising initiatives in order to best serve the interest of the Group.

2. BASIS OF PREPARATION (continued)

Based on the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date, and accordingly, are satisfied that it is appropriate to prepare the consolidated interim financial information on a going concern basis. Notwithstanding the above, since the negotiation and finalisation of the above plans and measures by the Group are in progress as at the date of the approval for issuance of the consolidated interim financial information, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as mentioned above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the followings: (i) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the abovementioned equity exercises; (ii) successful negotiation with certain suppliers, service providers, landlords, banks and convertible bond holders or other creditors in converting their debt to shares of the Company; (iii) the successful negotiation with convertible bond holders for restructuring the convertible bonds; (iv) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (v) the successful negotiation with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants; (vi) the successful negotiation with the major suppliers and service providers for re-activating the existing credit limit and resumption of the supply of goods; (vii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants; (viii) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity; and (ix) the successful implementation of measures in streamlining the operation mode and tightening cost controls.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, or to recognise a liability for any contractual commitments that might have become onerous, where appropriate. The effect of these adjustments has not been reflected in the consolidated interim financial information.

3. PRINCIPAL ACCOUNTING POLICIES

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 2022, except as described below.

In the current interim period, the Group has applied, for the first time, the following new standard and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial period beginning 1 January 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Practices
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the above new standard and amendments to standards in the current interim period has had no material impact on the Group's financial performance and positions as well as disclosures set out in these condensed consolidated financial statements.

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 on-line 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 (2022: all) revenue of the Group was derived from customers in Mainland China and over 99% (2022: 95%) of the Group's non-current assets, other than certain financial assets at fair value through profit or loss, were situated in Mainland China.

Information about major customers

During the six months ended 30 June 2023, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2022: nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of electrical appliances and consumer electronic products	**414,763**	11,999,851
Product display services	**–**	109,483
	414,763	12,109,334
Other income		
Gross rental income from investment property operating leases	**95,062**	51,767
Government grants*	**15,315**	33,757
Commission income from providing online platforms	**1,438**	2,435
Income from store display services	**702**	–
Income from compensation	**340**	6,549
Income on extended warranty service	**–**	39,635
Income from installation	**–**	11,043
Commission income from telecommunication service providers	**–**	192
Others	**9,869**	30,492
	122,726	175,870
Gains		
Gains on disposal of financial assets at fair value through profit or loss	**6,148**	–
Gains on disposal of assets	**2,097**	35,607
Foreign exchange gains, net	**–**	63,076
Gains on lease modification	**–**	37,209
	8,245	135,892
	130,971	311,762

* 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.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Type of goods or services		
Sale of electrical appliances and consumer electronic products	**414,763**	11,999,851
Product display services	**–**	109,483
	414,763	12,109,334
Geographical market		
Mainland China	**414,763**	12,109,334
Timing of revenue recognition		
Goods transferred at a point in time	**414,763**	11,999,851
Service recognised over time	**–**	109,483
	414,763	12,109,334

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**557,930**	9,555,698
(Reversal of provision against) provision against inventories	**(23,185)**	466,115
Cost of sales	**534,745**	10,021,813
Depreciation of property and equipment	**270,092**	266,355
Depreciation of right-of-use assets	**782,138**	1,283,016
Amortisation of other intangible assets	**20,891**	22,855
Research and development costs	**10,554**	40,081
Losses on disposal of property and equipment*	**933**	12,156
Losses(gains) on lease modifications*	**16,032**	(37,209)
Fair value losses, net:		
Financial assets at fair value through profit or loss*	**16,689**	313,835
Derivative financial instruments embedded in the convertible bonds issued*	**(87)**	43,495
Fair value losses on investment properties*	**–**	9,649
Foreign exchange differences, net*	**70,270**	(63,076)
Impairment losses on financial assets	**17,945**	13,679
Impairment loss on financial assets included in prepayments, other receivables and other assets*	**–**	220,000

Note:

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

7. FINANCE (COSTS) INCOME

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance costs:		
Interest on bonds payable	**(54,428)**	(160,943)
Interest on bank borrowings	**(180,145)**	(544,239)
Interest on lease liabilities	**(42,708)**	(226,789)
Penalty interest on bank borrowings	**(753,279)**	(827)
Total interest expense on financial liabilities not at fair value through profit or loss	**(1,030,560)**	(932,798)
Less: Interest capitalised	**–**	56,641
	(1,030,560)	(876,157)

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**8,334**	40,944
Forfeiture of past accrued interest income	**(110,872)**	–
Interest income from loans to third parties	**1,609**	3,236
	(100,929)	44,180

8. INCOME TAX CREDIT

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% (2022: 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% (2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Under)Over-provision in respect of prior years	**(119)**	381
Deferred	**13,465**	25,891
Total tax credit for the period	**13,346**	26,272

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 31 August 2023, the board did not recommend the payment of an interim dividend for the six month ended 30 June 2023 so as to preserve capital for funding needs of the Group.

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

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 43,077,734,000 (six months ended 30 June 2022: 33,060,519,000) 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 2023 and 2022 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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(3,538,956)**	(2,965,788)

	Number of shares	
	2023	2022
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**43,077,734**	33,060,519

11. TRADE RECEIVABLES

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**424,198**	172,246
Impairment	**(55,897)**	(37,952)
	368,301	134,294

11. TRADE RECEIVABLES (continued)

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 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Within 3 months	**190,733**	83,385
3 to 6 months	**89,601**	33,953
Over 6 months	**87,967**	16,956
	368,301	134,294

12. TRADE AND BILLS PAYABLES

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Trade payables	**4,727,360**	3,944,828
Bills payables	**29,000**	1,942,727
	4,756,360	5,887,555

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 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Within 3 months	**673,668**	1,134,518
3 to 6 months	**396,662**	2,514,064
6 to 12 months	**2,601,771**	2,061,805
Over 12 months	**1,084,259**	177,168
	4,756,360	5,887,555

Certain of the Group's bills payables are secured by certain of the Group's time deposits and related interest receivables.

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

13. INTEREST – BEARING BANK AND OTHER BORROWINGS

	30 June 2023 Effective interest rate (%)	30 June 2023 Maturity*	(Unaudited) *RMB'000*	31 December 2022 Effective interest rate (%)	31 December 2022 Maturity*	(Audited) *RMB'000*
Current						
Bank loans – secured	**0.3-18.00**	**2023**	**13,801,262**	0.30-18.00	2023	13,517,382
Bank loans – unsecured	**5.9-7.00**	**2023**	**33,898**	3.85-18.00	2023	109,260
Other loans – secured	**5.8-8.35**	**2023**	**71,228**	5.60-8.35	2023	144,853
Bonds payable – unsecured	**5.00-7.80**	**2023**	**2,378,848**	7.44-7.87	2023	2,283,212
Bank loans – secured	**1.23-18.00**	**2024**	**4,343,192**	3.65-18.00	2022	3,527,431
Bank loans – unsecured	**7.00-18.00**	**2024**	**25,260**	5.90-18.00	2022	3,700,337
Other loans – secured	**6.09**	**2024**	**64,587**	8.35	2022	63,829
Bank loans – secured	**3.80-5.87**	**2024 -2034**	**2,519,694**	3.80-5.87	2024-2034	2,538,596
Other loans – secured	**N/A**	**N/A**	**–**	6.09	2024	10,074
Bonds payable – unsecured	**7.8**	**2025**	**16,731**	N/A	N/A	-
			23,254,700			25,894,974

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:*		
Within one year	**18,203,612**	20,854,410
In the second year	**32,100**	46,500
In the third to fifth years, inclusive	**270,442**	100,000
Beyond five years	**2,217,152**	2,392,096
	20,723,306	23,393,006
Other borrowings repayable:*		
Within one year	**2,514,663**	2,491,894
In second year	**16,731**	10,074
	2,531,394	2,501,968

Notes:

* The maturity analysis on loans with a repayment on demand clause upon default based on scheduled repayments.

13. 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;

(b) certain of the Group's aircraft;

(c) certain of the Group's investment properties situated in Mainland China;

(d) certain of the Group's property under development situated in Mainland China;

(e) certain of the Group's right-of-use assets situated in Mainland China;

(f) certain of the Group's time deposits and related interest receivables;

(g) certain of the Group's investments in associates; and

(h) certain of the Group's inventories.

(ii) Except for the bank loans and bonds payable denominated in EUR and USD with carrying amounts of nil (31 December 2022: RMB1,123,027,000) and RMB2,167,360,000 (31 December 2022: RMB2,055,861,000) 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 2023, the Group has early redeemed certain corporate bonds of RMB9,241,000 (31 December 2022: RMB2,579,503,000).

14. CONVERTIBLE BONDS

On 17 April 2020, the Company, as issuer, and Hongkong Walnut Street Limited ("Pinduoduo"), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo Inc., as subscriber, entered into a subscription agreement (the "Pinduoduo Subscription Agreement") in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US$200 million. The initial conversion price is HK$1.215 per share. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new shares of the Company will be allotted and issued. The issuance was completed on 28 April 2020. On 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 will 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 will 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 the above-mentioned conversion options, extension option 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 the liability components, and presented as derivative financial liabilities at fair value. As at 30 June 2023, the fair value of the derivative embedded was nil (31 December 2022: RMB87,000).

For further details of the CBs, please refer to the related announcements of the Company on 19 April 2020, 28 April 2020, 28 May 2020, 30 June 2020, 29 April 2021, 28 April 2023 and 30 June 2023.

15. EVENT AFTER THE REPORTING PERIOD

On 14 July 2023, the Company and the remaining grantees have mutually agreed to terminate and cancel the 978,950,000 options granted in July 2022 with an exercise price of HK$0.60.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the six months ended 30 June 2023 (the "**Reporting Period**"), GOME Retail Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**" or "**GOME**") have steadfastly embraced a philosophy based on platform-centric, user-focused and technology-driven approaches. Balancing both the economic and societal roles of retail, our mission is to reduce costs, enhance efficiency, and add value to the retail sector. We have consistently focused on our core business, consolidated our market position and further implement the grid-based model of "Home Living and Home Services", which fulfill the diversified consumer and service needs of households, ensuring its users benefit from superior quality products and services at more affordable prices.

During the Reporting Period, the domestic economy faced headwinds due to the challenging global environment and the broader economic downturn. The real estate market remained in a trough, and related industries, notably home appliances, felt the strain. Compounding this was the ripple effect of cash flow and debt challenges, exacerbated by factors such as the pandemic. Consequently, the Group witnessed a sharp decline in revenue, and our losses widened during the Reporting Period. Nevertheless, in the face of these challenges, the Group consistently prioritised its social responsibilities, taking proactive steps to manage its debt situation. Simultaneously, the Group sharpened its strategic focus in business, divesting from its most loss-heavy sectors and non-core assets.

In the first half of 2023, sales revenue of the Group was approximately RMB415 million, as compared with RMB12,109 million for the corresponding period last year. To address the declining market demand, the Group adjusted its online/offline business structure, avoided inputs in loss-making business and implemented a series of cost-cutting measures such as closing inefficient stores, significantly reducing advertising expenses and applying for sales subsidies. In addition, operating expenses were in tight control, selling and distribution expenses were approximately RMB1,300 million as compared with RMB2,444 million for the corresponding period last year. Administrative expenses were approximately RMB783 million as compared with RMB1,746 million for the corresponding period last year. The Group's loss attributable to owners of the parent during the Reporting Period was approximately RMB3,539 million, increased by 19.32% as compared with a loss of RMB2,966 million for the corresponding period last year.

In the first half of 2023, the Group harnessed technological advancements to facilitate its shift towards digital transformation. Through the astute business restructuring and the streamlining of asset portfolio, it managed to enhance its operational efficiency. It delved deeper into integrating the digital and real economy, working towards crafting a consumer-centric digital operating ecosystem based on big data. This transition translated to the modernisation of the Group's physical stores, furnishing it with efficient, cost-effective traffic sources and refined marketing efforts. In the second half of the year, the Group will remain unwavering in its focus on its core domain of home appliance retailing. It is keen on optimising its retail strategy for household and consumer electronic products under vertical focus mode, it is also amplifying its online endeavors, leveraging live streaming and other new means to unlock new avenues for its growth.

FINANCIAL REVIEW

Revenue

During the Reporting Period, as a result of the working capital deficiency and disruptions to the supply chain, sales revenue decreased by 96.57% to approximately RMB415 million during the Reporting Period, as compared with RMB12,109 million for the corresponding period last year.

Cost of Sales and Gross (Loss) Profit

During the Reporting Period, cost of sales for the Group was approximately RMB535 million. The Group's gross loss was approximately RMB120 million, as compared with a gross profit of RMB2,088 million for the corresponding period last year. The gross loss for the Reporting Period was mainly due to the lengthened settlement period with the suppliers, accordingly, the Group was not able to recognise related charges and impairment provision was made.

Other Income and Gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB131 million, representing a decrease of approximately 58.01% as compared with RMB312 million for the corresponding period in 2022, mainly due to no recurring gains during the Reporting Period from lease modification, disposal of right-of-use assets and foreign exchange which were recognised in the corresponding period last year.

Selling and Distribution Expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB1,300 million, decreased by 46.81% as compared with RMB2,444 million for the corresponding period last year.

The decrease in selling and distribution expenses was mainly due to staff related expenses decreased from RMB827 million for the corresponding period last year to approximately RMB275 million; depreciation and rental expenses decreased from RMB1,173 million for the corresponding period last year to approximately RMB951 million; delivery expenses decreased from RMB183 million for the corresponding period last year to approximately RMB16 million; payment processing expense decreased from RMB76 million for the corresponding period last year to approximately RMB4 million; water and electricity expenses decreased from RMB148 million for the corresponding period last year to approximately RMB33 million.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB783 million, decreased by 55.15% as compared with RMB1,746 million for the corresponding period last year. Among which, staff related expenses decreased from RMB967 million for the corresponding period last year to approximately RMB154 million, mainly as a result of decrease in headcount and share options expenses; depreciation expense decreased from RMB549 million for the corresponding period last year to approximately RMB503 million.

Other expenses and losses

During the Reporting Period, the Group recorded other expenses and losses of approximately RMB279 million as compared with RMB648 million in the same period last year, as a result of fair value loss on financial assets and impairment losses on receivables in prior period offset by litigation expense in current period.

Loss before Finance (Costs) Income and Tax

During the Reporting Period, the Group's loss before finance (costs) income and tax was approximately RMB2,477 million, as compared with a loss of RMB2,465 million for the corresponding period in 2022.

Net Finance (Costs) Income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB1,131 million, as compared with RMB832 million for the corresponding period of 2022.

Loss before Tax

As a result of the above-mentioned factors, the Group's loss before tax was approximately RMB3,609 million during the Reporting Period, increased by 9.46% as compared with a loss of RMB3,297 million for the corresponding period in 2022.

Income Tax Credit

During the Reporting Period, the Group's income tax credit amounted to approximately RMB13 million, as compared with RMB26 million of income tax expense for the corresponding period in 2022.

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 RMB3,539 million, increased by 19.32% as compared with a loss of RMB2,966 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was approximately RMB8.2 fen, as compared with basic loss per share of RMB9.0 fen for the corresponding period last year.

Right-of-use Assets and Goodwill

The Group has considered the impacts of the external environment in formulating internal forecasts when finalising our 2022 full year results in July 2023. Given a relatively short timeframe, the management has determined that no further revision was required for the forecasts and accordingly no impairment was made for the Reporting Period (2022: nil).

Cash and Cash Equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB147 million, which was mainly denominated in Renminbi and the rest in HK dollars and other currencies, as compared with RMB170 million as at the end of 2022.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB209 million, down 51.73% as compared with RMB433 million as at the end of 2022. As a result of the decrease in sales revenue and cost of sales during the Reporting Period, inventory turnover days increased by 28 days from 81 days in the first half of 2022 to approximately 109 days.

Prepayments, other receivables and other assets (current)

As at the end of the Reporting Period, prepayments, other receivables and other assets (current) of the Group amounted to approximately RMB2,448 million, down 25.25% from RMB3,275 million as at the end of 2022.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB4,756 million, down 19.23% as compared with RMB5,888 million as at the end of 2022. As a result of the decrease in sales revenue and cost of sales during the Reporting Period, turnover days of trade and bills payables increased by 1,500 days from 301 days for the corresponding period in 2022 to approximately 1,801 days.

Capital expenditure

During the Reporting Period, capital expenditure (relating to property and equipment) incurred by the Group amounted to approximately RMB80 million, representing an 50.31% decrease as compared with RMB161 million for the first half of 2022. The capital expenditure in prior 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 trade and bills payables and due to related companies, the Group's net cash flows used in operating activities was approximately RMB1,194 million, as compared with RMB55 million generated for the corresponding period last year.

Net cash flows generated from investing activities were approximately RMB37 million, as compared with RMB250 million generated for the corresponding period last year.

During the Reporting Period, net cash flows generated from financing activities amounted to approximately RMB1,133 million, as compared with RMB2,355 million used for the corresponding period last year. The net cash outflows from financing activities were mainly due to recovering of deposits for bank and other borrowings during the Reporting Period.

Contingent Liabilities and Capital Commitments

As at the end of the Reporting Period, the Group had capital commitments of approximately RMB651 million and the Group did not make any third party guarantee.

The Group's overdue and undue debts as at the end of the Reporting Period amounted to approximately RMB16.3 billion and RMB7.0 billion, respectively. The Group was involved in a total of 1,322 pending lawsuits, amounted to approximately RMB10.24 billion in aggregate as at the end of the Reporting Period.

Foreign Currencies and Treasury Policy

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

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

Financial Resources and Gearing Ratio

During the Reporting Period, the Group's working capital was mainly funded by cash and bank deposits, proceeds from disposal of financial assets.

As at 30 June 2023, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds, all repayable within 1 year, except for corporate bonds which were repayable as stated below.

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

	Fixed rate *RMB'000*	**Floating rate** *RMB'000*	**Total** *RMB'000*
Denominated in RMB	23,107,054	147,646	23,254,700

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, was overdue in 2022;

(2) corporate bonds issued in 2019, renewed in 2021 and 2023 with an aggregate nominal value of RMB7 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 2 years; and

(3) corporate bonds issued in 2020, renewed in 2023 with an aggregate nominal value of RMB200 million issued at a fixed coupon rate of 7% per annum with remaining term of 3 years.

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 2023, 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 2023, the net proceeds of US$99.11 million have been fully used to repay the debts and related interests of the Group.

As at 30 June 2023, the debt to total (deficit) equity ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to approximately RMB23,255 million over total deficit amounted to approximately RMB2,294 million, decrease from 5,252.54% as at 31 December 2022 to 1,013.73%. The debt ratio was 66.40% as compared with 60.81% as at 31 December 2022, which was expressed as a percentage of total borrowings over total assets amounted to approximately RMB35,020 million.

Charge on Group Assets

As at 30 June 2023, the Group's bills payable and interest-bearing bank loans and other loans were secured by the Group's time deposits amounted to approximately RMB388 million and related interests receivables amounted to approximately RMB57 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB9,696 million, the Group's investments in associates amounted to approximately RMB145 million, the Group's right of-use assets with a carrying value of approximately RMB294 million and the Group's inventories amounted to approximately RMB5 million. The Group's bills payable and secured interest bearing bank loans and other loans amounted to approximately RMB20,829 million in total.

HUMAN RESOURCES

Employee and Remuneration Policy

As at 30 June 2023, the Group employed a total of 3,609 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees, including Directors, is determined with reference to their performance and the prevailing salary levels in the market.

OUTLOOK AND PROSPECTS

The Group has experienced a downturn in the past years, nonetheless, the management is committed in formulating initiatives to turnaround. We target to regain our momentum in 2023, strive to reverse the situation and get out of the trough.

In the future, the Group will continue to implement its strategies, accelerate the deep integration of online and offline businesses, improve operational efficiency, promote business restructuring, optimise asset structure and rapidly improve its profitability. Through technological means, platform standards and user-focused approaches, the Group will continuously improve customer service experience.

In the future, the Group will continue to strategically focus on optimising and upgrading the new business model. On the online side, the frequency and quality of marketing methods, such as live streaming and short videos, will be continuously enhanced to achieve the standardisation of live streaming, that is, retail stores to broadcast everyday, while the branch headquarters to broadcast every week. The Group will promote the professionalisation of live streaming, improve the quality and variety of products, enhance the professionalism of live streamers and strengthen the scenarios of live streaming. In addition, the Group actively responded to the call of the country by launching the first 818 GOME Live Streaming Festival. The Group will continue to put more efforts on live streaming and explore opportunities for transformation. Furthermore, the Group will continue to strengthen the dissemination of marketing short videos, share information through communities, push hands and members, and provide consumers with a cross-channel and seamless experience through the integration and interoperability of products, members, transactions and marketing. In the offline aspect, the Group plans to use third – and fourth-tier cities as pilots to deeply integrate food, clothing, housing and transportation with home appliance scenarios, strengthen cross-industry cooperation, form a local life center, and realise independent profitability of stores by linking up stores and communities.

During the NPC and CPPCC sessions in 2023, in addition to proposing to boost the economy and restore confidence, the new-term government also specifically emphasised that "private entrepreneurs have to make a new entrepreneurial history". In July, the central government issued another important document to vigorously encourage the economic development of private-owned enterprises, which is a great encouragement and incentive for private-owned enterprises such as GOME. The management believes that with the strong support of national policies, market demand will be gradually restored. Coupled with the implementation of its strategies, the Group is expected to increase its profitability in the near future and re-establish its advantages in market competition. The management of the Company will continue to streamline its management, improve resource integration and business collaboration, and create direct operating contributions. In addition, it will continue to cooperate with more business partners to empower each other and jointly support the upgrade and transformation of the retail industry to meet the needs of domestic families for the pursuit of a better life.

INTERIM DIVIDEND AND DIVIDEND POLICY

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 so as to preserve capital for the funding needs of the Group.

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

1) On 9 January 2023, the company completed the issuance of 4,062,856,000 new shares at the issue price of HK$0.1023 to repay the debt owed by the group.

2) On 31 March 2023, the company completed the issuance of 4,347,826,000 shares and 3,632,713,000 new shares of the Company at the issue price of HK$0.115 to repay the debt owed by the group.

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 2023.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. For the six months ended 30 June 2023, 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 (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results of the Company, together with the internal control and financial reporting matters of the Group, which includes the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023.

PUBLICATION INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the websites of the Stock Exchange and the Company (www.gome.com.hk). The 2023 Interim Report will also be published on the websites of the Stock Exchange and the Company and will be despatched to the shareholders of the Company.

APPRECIATION

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

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

Hong Kong, 31 August 2023

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

* *For identification purpose only*