

GOME

国美

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

(Incorporated in Bermuda with limited liability)

(Stock Code : 493)

2023  
Interim Report



\* For identification purpose only



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# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## Financial Highlights

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

## Operational Highlights

- During the six months ended 30 June 2023 (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, 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.

## OVERVIEW

During 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 consistently focus on our core business, consolidate our market position and further implement the grid-based model of “Home Living and Home Services”, which fulfilling 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, avoiding 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.

## BUSINESS ENVIRONMENT

During the Reporting Period, as the global economic recovery trend was impacted by both the Russia-Ukraine conflict and the competitions between China and the U.S., the growth of most economies was hindered with soaring inflation. As for the domestic market, the significant slowdown in external demand and the sluggish recovery of domestic demand have brought substantial negative impacts on economic growth. According to the National Bureau of Statistics, compared with the low base from the previous year, the national economy grew by 5.5% year-on-year in the first half of 2023 and 6.3% in the second quarter, both of which were below market expectations. In the foreseeable future, with the launch of intensive stimulus policies, the economic recovery is expected to accelerate. However, the China-U.S. rivalry will remain the primary source of uncertainty. With the possibility of increasing geopolitical risks, the pace of economic recovery may still be disrupted.

In respect of the industry, in the first half of the year, the total retail sales grew by 8.2% year-on-year, which was not surprising when compared with the low base of last year. Affected by the lacklustre real estate market and the slow recovery of domestic demand, the home appliance industry of China only witnessed a retail growth rate of 4.4% year-on-year in the first half of the year, which was far below the level of overall retail growth.

As for national policies, following the Central Economic Work Conference held at the end of last year, the Chinese government clearly stated that the policy focus for 2023 would be on the post-pandemic economic recovery, with promoting consumption and expanding domestic demand being the most importance goals. However, the stimulus policies in the first half of the year were not as intensive and aggressive as expected. A significant policy was introduced in June 2023 when the Ministry of Commerce and three other departments jointly issued the “Notice on the Promotion of Green Smart Home Appliances Consumption in 2023” 《關於做好2023年促進綠色智能家電消費工作的通知》, calling for nationwide coordination in organising promotional activities for green smart home appliances.

In general, the external environment in the first half of the year was not ideal for the Group’s business operations. However, with a slower-than-expected economic recovery, policies for stimulating domestic demand and promoting consumption are anticipated to be launched more frequently in the second half of the year. Currently, there have been major policies from the central government level that strongly encourage the development of the private economy. Following the launch of these policies, the National Development and Reform Commission also released 20 measures to restore and expand consumption. These measures included boosting consumption of home decoration and home furnishing and electronic products, strengthening digital consumption, and promoting the economic development of e-commerce and live-streaming. As housing policies has catered more to the specific needs of different cities, the management believes that the industry development in the second half of the year will benefit from more favourable policies.

## BUSINESS REVIEW

During the Reporting Period, the Group, on one hand, sought to resolve debt issues through various means. On the other, it continued to focus on core business, increasing revenue sources and reducing expenditure, optimising and upgrading its new business model strategies, expanding its light-asset franchise store model, and reducing costs. In addition, the Group also started to actively explore new businesses and new points of revenue growth.

### 1. Resolving Debt Issues

During the Reporting Period, the Group worked diligently to resolve debt issues. Measures taken included converting debt into equity and opening joint-management accounts, which enabled the Group to rebuild relationships with suppliers and payment service providers. Moreover, the Group negotiated with banks about proposals regarding loan buybacks, loan renewals and debt-to-equity conversions. Other initiatives included deferred convertible bonds (CB), asset offsets and converting debt into equity. Furthermore, the Group is also actively planning to dispose of certain property assets to strengthen its cash flow.

### 2. Optimising and Upgrading New Business Model Strategies

During the Reporting Period, the Group continued to optimise and upgrade its new business model strategies with a focus on three main areas: **Firstly, the Group strived to develop its online business. Leveraging live streaming, the Group continued to concentrate on its core business.** During the Reporting Period, the Group established private data traffic for category-specific electronic products through influencers and live streaming, creating a niche e-commerce platform. This platform offers the latest and most trendy home appliances, integrated home appliances and holistic professional services to different age groups. **Secondly, efforts were made to upgrade its offline business, striking the balance between offline and online development.** During the Reporting Period, the Group attached equal importance to both online and offline business. In terms of online business, the Group developed an APP tailored more closely to the younger consumer base, bringing in new traffic through short videos and live streaming marketing models. In terms of offline business, the Group carried out a comprehensive optimisation and upgrade of its stores, integrating online and offline operations. New sales approaches such as scenario marketing, in-store live streaming sales, community influencer development and localised lifestyle centres, were applied to the operation and management of stores, creating localised lifestyle centres that feature local characteristics with a focus on scenarios and experiences. **Lastly, the Group prioritised the development of new technologies and new business models.** Capitalising on new technologies and business models like live streaming, short videos and the metaverse as the focal points, the Group continued to attract traffic and empower its various businesses, driving new profit growth. It also developed the S2B2C model in a cost-effective manner. Franchise models for both online and offline business were promoted under a light-asset model.

## 3. Exploring New Businesses

During the Reporting Period, the Group actively explored into four new types of business, which operate independently from the original appliance business and remained unaffected by its existing debts:

- (1) **Shared Retailing:** The shared retail platform is positioned as S2P2B2b2C, omni-chain, omni-channel, and is an open marketing and distribution system for retail supply chain. It mainly targets large and medium-sized enterprises while extensively serving various small and medium-sized merchants, assisting all types of merchants to compete fairly. Since its launch in 2022, more than 7,000 merchants have joined the shared retail platform, with over a million SKUs, creating a new model for the Group's purchasing and sales operations and further diversifying the supply chain. Since 2023, the service capability of the shared retail platform has been significantly enhanced. It has also systematically refined related agreements and product data, which enabled further standardisation and optimisation of business processes, as well as visible closed-loop liquidity management. As such, it was able to attract a wider range of products and brands.
- (2) **New Energy Vehicle Showroom:** The new energy vehicle showroom aims to build a centre focusing on new energy vehicle sales, delivery and after-sales services. It provides professional services and forms an “automobile + social + entertainment” ecosystem. The development goal is to establish 50 new energy vehicle showrooms, creating the largest new energy vehicle sales service platform in China. Currently, negotiations are underway for five commercial complexes in Shanghai and four in Beijing, with some projects already in substantial negotiations.
- (3) **Home Furnishing and Decoration:** The home furnishing and home decoration business aims to cover the entire closed-loop process of decoration design and construction. Its online service delivery system of home decoration SOP empowers offline transactions, achieving transparent transactions of home decoration. The system also allows the Group to gradually establish a home-living and social platform that combines home decoration, smart appliances and daily necessities for an immersive experience, consumption, sharing, services and after-sales support.
- (4) **GOME Showrooms:** The positioning of the GOME showrooms is for displaying experiences and the digitisation of local life. These showrooms aim to break retail boundaries and reactivate urban commercial spaces through online and offline integration as well as empowerment of sharing. The types of GOME showrooms include Urban Leisure City (城市店樂活城), Leisure World for Business District (商圈店樂活天地), Regional Leisure Complex (區域店樂活匯), Community Leisure Lane (社區店樂活里) and Community Leisure Station (社區驛站樂活集). The business format covers shared dining, shared retail, shared education, shared home, showrooms and combined business types. The business adopts an integrated **online and offline operation system**, where it integrates with the metaverse online to empower merchants with application scenario expansion under the “one city one webpage” and “one store one webpage” approaches to enhance user experience. In terms of offline operations, it adopts the innovative GM+N management standards, **achieving high quality and refined operation**. The expansion of GOME showrooms is mainly based on a light asset model, which covering light asset service cooperation, joint venture leasing, franchise service output, operation right merger and acquisition, and REITS.

## The Nationwide Retail Network of the Group

As at 30 June 2023

	Total	China		
		GOME	Paradise	Dazhong
City display stores	25	21	-	4
Flagship stores	97	77	15	5
Boutique stores	39	29	8	2
New retail stores	2,237	2,054	148	35
<b>Total</b>	<b>2,398</b>	<b>2,181</b>	<b>171</b>	<b>46</b>
Number of cities and towns accessed	1,146			
Of which: Primary market	38			
Secondary market	387			
Tier 3-6 cities and towns	721			

## 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”, with the support of technology and wisdom, the Group 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 its strategic development. By optimising the recruitment strategy and channels and organising a variety of trainings, the Group enhanced its operation efficiency with better staff composition, facilitating the implementation of strategies.

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 manager grade staff 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 2023, the Group had a total of 3,609 employees.

## 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.

Among which, 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, decreasing 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; decrease of depreciation expense 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, mainly as a result of increase in penalty interest on overdue bank borrowings and a forfeiture of past accrued interest income after bank notice to decrease the predetermined interest rate.

## **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, increasing 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 credit 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, increasing 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. Accumulated impairment for right-of-use assets and goodwill were RMB13,533 million and RMB3,959 million respectively (31 December 2022: RMB13,533 million and RMB3,959 million respectively).

### **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. It was mainly due to decrease in deposits after offset by trade payables and advance payments. No further provision for impairment losses was made given a relatively short timeframe from the finalisation of 2022 full year results with no major change in circumstances.

### **Due from related companies**

As at the end of the Reporting Period, due from related companies amounted to approximately RMB575 million, compared with RMB577 million as at the end of 2022. No further provision for impairment loss was made given a relatively short timeframe from the finalisation of 2022 full year results with no major change in circumstances.

### **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 inflows from financing activities were mainly due to recovery of pledged deposits for bank and other borrowings during the Reporting Period.

### **Interim Dividend**

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 funding needs of the Group.

### **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 in next page.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>Fixed rate</b>	<b>Floating rate</b>	<b>Total</b>
	RMB' 000	RMB' 000	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 negative 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 RMB384 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.

### **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, 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property and equipment	11	<b>6,308,610</b>	6,595,271
Investment properties		<b>4,629,887</b>	4,674,334
Right-of-use assets		<b>14,768,493</b>	15,451,082
Goodwill		<b>903,364</b>	903,364
Other intangible assets		<b>125,303</b>	146,195
Investment in associates		<b>593,121</b>	700,863
Investment in a joint venture		<b>3,781</b>	3,781
Financial assets at fair value through other comprehensive income		<b>17,475</b>	374,730
Financial assets at fair value through profit or loss		<b>2,173,105</b>	2,185,786
Deferred tax assets		<b>11,950</b>	12,181
Prepayments, other receivables and other assets		<b>158,735</b>	136,638
		<b>29,693,824</b>	31,184,225
<b>TOTAL NON-CURRENT ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories		<b>208,592</b>	432,639
Property under development		<b>682,904</b>	692,646
Trade receivables	12	<b>368,301</b>	134,294
Prepayments, other receivables, and other assets		<b>2,448,471</b>	3,274,560
Due from related companies	13	<b>574,611</b>	577,451
Financial assets at fair value through profit or loss		<b>328,863</b>	428,350
Pledged bank deposits and restricted cash	14	<b>567,354</b>	5,690,571
Cash and cash equivalents	14	<b>146,635</b>	169,713
		<b>5,325,731</b>	11,400,224
<b>TOTAL CURRENT ASSETS</b>			

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2023

		<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	15	<b>4,756,360</b>	5,887,555
Other payables and accruals		<b>6,149,860</b>	5,506,294
Due to related companies	13	<b>261,148</b>	866,573
Lease liabilities		<b>658,905</b>	1,413,781
Interest bearing bank and other borrowings	16	<b>23,254,700</b>	25,894,974
Derivate financial liabilities	17	-	87
Tax payable		<b>1,024,907</b>	1,024,908
<b>Total current liabilities</b>		<b>36,105,880</b>	40,594,172
<b>NET CURRENT LIABILITIES</b>		<b>(30,780,149)</b>	(29,193,948)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(1,086,325)</b>	1,990,277
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>668,769</b>	933,307
Deferred tax liabilities		<b>538,840</b>	563,664
<b>Total non-current liabilities</b>		<b>1,207,609</b>	1,496,971
<b>Net (liabilities) assets</b>		<b>(2,293,934)</b>	493,306
<b>(DEFICIT) EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>1,079,531</b>	814,144
Treasury shares		<b>(444,985)</b>	(444,985)
Reserves		<b>1,397,927</b>	4,394,069
<b>Non-controlling interest</b>		<b>(4,326,407)</b>	(4,269,922)
<b>Total (deficit) equity</b>		<b>(2,293,934)</b>	493,306

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent														Total equity RMB' 000
	Issued capital RMB' 000	Treasury share RMB' 000	Share premium RMB' 000	Contributed surplus RMB' 000	Capital reserve RMB' 000	Share base payment reserve RMB' 000	Asset revaluation reserve RMB' 000	Other reserve RMB' 000	Fair value reserve of financial asset at fair value through other comprehensive income RMB' 000	Reserve founts RMB' 000	Exchange fluctuation reserves RMB' 000	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interest RMB' 000	
At 1 January 2023 (audited)	814,144	(444,985)	35,164,654	657	(1,845,490)	10,633	420,249	85,744	(12,215)	1,738,024	1,659,933	(32,828,120)	4,763,228	(4,269,922)	493,306
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(3,538,956)	(3,538,956)	(56,485)	(3,595,441)
Other comprehensive expense for the period:															
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	(226,036)	-	-	-	(226,036)	-	(226,036)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	-	(166,935)	-	(166,935)	-	(166,935)
Total comprehensive expense for the period	-	-	-	-	-	-	-	-	(226,036)	-	(166,935)	(3,538,956)	(3,931,927)	(56,485)	(3,988,412)
Issue of shares	265,387	-	935,785	-	-	-	-	-	-	-	-	-	1,201,172	-	1,201,172
At 30 June 2023 (unaudited)	1,079,531	(444,985)	36,100,439	657	(1,845,490)	10,633	420,249	85,744	(238,251)	1,738,024	1,492,998	(36,367,076)	2,032,473	(4,326,407)	(2,293,934)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2023

	Attributable to owners of the parent														
	Issued capital RMB' 000	Treasury share RMB' 000	Share premium RMB' 000	Contributed surplus RMB' 000	Capital reserve RMB' 000	Share base payment reserve RMB' 000	Asset revaluation reserve RMB' 000	Other reserve RMB' 000	Fair value reserve of financial asset at fair value through other comprehensive income RMB' 000	Reserve funds RMB' 000	Exchange fluctuation reserves RMB' 000	Accumulated losses RMB' 000	Total RMB' 000	Non-controlling interest RMB' 000	Total equity RMB' 000
At 1 January 2022 (audited)	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 operation	-	-	-	-	-	-	-	-	-	-	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 CASH FLOWS

For the six months ended 30 June 2023

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited) RMB' 000</b>	(Unaudited) RMB' 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash used in operations	<b>(1,266,224)</b>	(19,717)
Interest received	<b>72,567</b>	76,248
Income tax paid	-	(1,178)
Net cash flows (used in) from operating activities	<b>(1,193,657)</b>	55,353
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment, investment properties and right-of-use assets	<b>(79,948)</b>	(161,002)
Net cash flows from changes in financial assets	<b>103,930</b>	257,644
Investment in an associate	-	(5,110)
Proceeds from disposal of property and equipment	<b>13,233</b>	18,963
Proceeds from disposal of right-of-use-assets	-	121,167
Other cash flows from investing activities	-	18,806
Net cash flows from investing activities	<b>37,215</b>	250,468
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	<b>(286,487)</b>	(793,078)
Net cash flows (used in) from changes in interest-bearing bank and other borrowings	<b>(2,404,526)</b>	2,057,463
Principal portion of lease payments	<b>(34,375)</b>	(395,489)
Repayment of corporate bonds	<b>(9,241)</b>	(2,579,503)
Decrease (increase) in pledged deposits for bank and other borrowings	<b>3,759,196</b>	(717,596)
Other cash flows from financing activities	<b>108,797</b>	73,249
Net cash flows from (used in) financing activities	<b>1,133,364</b>	(2,354,954)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(23,078)</b>	(2,049,133)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2023

		<b>For the six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Unaudited)
Notes		<b>RMB' 000</b>	RMB' 000
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(23,078)</b>	(2,049,133)
	Cash and cash equivalents at 1 January	<b>169,713</b>	4,378,423
	Effect of foreign exchange rate changes, net	-	80,046
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>146,635</b>	2,409,336
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
	Cash and bank balances	<b>146,635</b>	779,352
	Non-pledged time deposits with original maturity less than three months	-	1,629,984
		<b>146,635</b>	2,409,336



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 and for the year ended 31 December 2022.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 2. BASIS OF PREPARATION *(continued)*

### 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)*

### Going concern consideration *(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 payables.

#### **(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.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 2. BASIS OF PREPARATION *(continued)*

### Going concern consideration *(continued)*

#### **(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)*

### Going concern consideration *(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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

### Revenue from contracts with customers

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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) RMB' 000	(Unaudited) 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 other 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.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 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:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB' 000</b>	RMB' 000
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<b>(3,538,956)</b>	(2,965,788)
	<b>Number of shares for the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>' 000</b>	' 000
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<b>43,077,734</b>	33,060,519

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property and equipment at a total consideration of RMB79,948,000 (30 June 2022: RMB161,002,000).

Assets with a net carrying amount of RMB13,233,000 (six months ended 30 June 2022: RMB31,119,000) were disposed of by the Group during the six months ended 30 June 2023, resulting in a net loss on disposal of RMB933,000 (six months ended 30 June 2022: RMB12,156,000). Besides, property and equipment with a net carrying amount of RMB10,928,000 (six months ended 30 June 2022: RMB5,748,000) were written off as a result of the closure of retail stores.

## 12. TRADE RECEIVABLES

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

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:

	<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
Within 3 months	<b>190,733</b>	83,385
3 to 6 months	<b>89,601</b>	33,953
Over 6 months	<b>87,967</b>	16,956
	<b>368,301</b>	134,294

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 13. DUE FROM/TO RELATED COMPANIES

### Due from related companies

		<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
	Notes		
Advances to associates	<i>(i)</i>	<b>29,362</b>	33,695
Due from Anxun Logistics*	<i>(ii)</i>	<b>486,549</b>	449,361
Due from other related companies	<i>(i)</i>	<b>58,700</b>	94,395
		<b>574,611</b>	577,451

### Due to related companies

		<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
	Notes		
Due to GOME Ruidong*	<i>(i)</i>	<b>54,143</b>	51,792
Due to other related companies	<i>(i)</i>	<b>207,005</b>	814,781
		<b>261,148</b>	866,573

\* 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 substantial 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 2023

## 14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
Cash and bank balances	<b>329,529</b>	403,692
Time deposits	<b>384,460</b>	5,456,592
	<b>713,989</b>	5,860,284
Less: Pledged time deposits for bills payable	<b>(8,000)</b>	(1,189,127)
Pledged time deposits for interest-bearing bank and other borrowings	<b>(376,460)</b>	(4,267,465)
Restricted cash	<b>(182,894)</b>	(233,979)
	<b>(567,354)</b>	(5,690,571)
Cash and cash equivalents	<b>146,635</b>	169,713

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 15. TRADE AND BILLS PAYABLES

	<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
Trade payables	<b>4,727,360</b>	3,944,828
Bills payables	<b>29,000</b>	1,942,727
	<b>4,756,360</b>	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:

	<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
Within 3 months	<b>673,668</b>	1,134,518
3 to 6 months	<b>396,662</b>	2,514,064
6 to 12 months	<b>2,601,771</b>	2,061,805
Over 12 months	<b>1,084,259</b>	177,168
	<b>4,756,360</b>	5,887,555

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

- (i) the Group's certain pledged time deposits amounting to RMB8,000,000 (31 December 2022: RMB1,189,127,000) and related interest receivables amounting to RMB465,000 (31 December 2022: RMB67,789,000); and
- (ii) the Group's buildings which had an aggregate net carrying value at the end of the reporting period of nil (31 December 2022: RMB79,720,000).

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 2023

## 16. INTEREST BEARING BANK AND OTHER BORROWINGS

	30 June 2023			31 December 2022		
	Effective interest rate (%)	Maturity*	(Unaudited) RMB' 000	Effective interest rate (%)	Maturity*	(Audited) RMB' 000
<b>Current</b>						
Bank loans - secured	0.30-18.00	2023	13,801,262	0.30-18.00	2023	13,517,382
Bank loans - unsecured	5.90-7.00	2023	33,898	3.85-18.00	2023	109,260
Other loans - secured	5.80-8.35	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	7.80	2025	16,731	N/A	N/A	-
			<b>23,254,700</b>			<b>25,894,974</b>
				<b>30 June 2023 (Unaudited) RMB' 000</b>	<b>31 December 2022 (Audited) RMB' 000</b>	
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
			<b>20,723,306</b>			<b>23,393,006</b>
Other borrowings repayable:*						
Within one year			2,514,663			2,491,894
In second year			16,731			10,074
			<b>2,531,394</b>			<b>2,501,968</b>

Notes:

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

*Notes:*

- (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 RMB4,405,457,000 (31 December 2022: RMB3,094,281,000);
  - (b) certain of the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB17,243,000 (31 December 2022: RMB34,486,000);
  - (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 RMB4,590,887,000 (31 December 2022: RMB4,608,291,000);
  - (d) certain of the Group's properties under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB682,904,000 (31 December 2022: RMB692,646,000);
  - (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 RMB294,396,000 (31 December 2022: RMB197,735,000);
  - (f) certain of the Group's time deposits amounting to RMB376,460,000 (31 December 2022: RMB4,267,465,000) and related interest receivables amounting to RMB56,246,000 (31 December 2022: RMB119,343,000), respectively, at the end of the reporting period;
  - (g) certain of the Group's investments in associates amounting to approximately RMB144,646,000 (31 December 2022: RMB212,148,000);
  - (h) certain of the Group's inventories amounting to approximately RMB4,675,000 (31 December 2022: RMB4,759,000); and
  - (i) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value of nil (31 December 2022: RMB131,219,000).
- (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).

## 17. 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2023, 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 the six months ended 30 June 2023, there were no RSUs forfeited nor lapsed under the RSU Program. During the six months ended 30 June 2022, there were 7,534,000 RSUs and 220,872,000 RSUs forfeited and lapsed, respectively. No RSUs were outstanding under the RSU Program as at 30 June 2023.

## 18. SHARE BASED PAYMENTS *(continued)*

### Restricted Share Award Scheme *(continued)*

#### **Awarded shares**

During the six months ended 30 June 2023, no awarded shares, which have no vesting conditions, have been granted to employees and directors of the Group under the RSA Scheme (six months ended 30 June 2022: 701,510,000 awarded shares). 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 2023 was nil (six months ended 30 June 2022: RMB369,224,000).

#### **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.

On 14 July 2022, the Company granted an aggregate of 978,950,000 share options at the exercise price of HK\$0.60 per option share, a total of 34,000,000 options and 944,950,000 options were granted to 2 substantial shareholders, an executive director and 767 employees of the Group. The independent non-executive directors of the Company have approved the grant of the above options to the substantial shareholders and director of the Company.

During the six months ended 30 June 2023 and 2022, the Group has not recognised any options expense. On 14 July 2023, the Company and the grantees have mutually agreed to terminate and cancel the outstanding options granted.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 18. SHARE BASED PAYMENTS *(continued)*

### Share Option Scheme *(continued)*

The fair value of options granted during the year ended 31 December 2022 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	-
Expected volatility (%)	57.1
Historical volatility (%)	57.1
Risk free interest rate (%)	1.91
Expected life of RSUs (year)	3
Weighted average share price (HK\$ per share)	0.60

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

## 19. COMMITMENTS

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

	<b>30 June 2023 (Unaudited) RMB' 000</b>	31 December 2022 (Audited) RMB' 000
Contracted, but not provided for Property and equipment	<b>650,513</b>	648,047

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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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	
		2023	2022
		(Unaudited) RMB' 000	(Unaudited) RMB' 000
Transactions with GOME property:	(i)		
- Rental*	(iii)	-	72,282
Transactions with Beijing Xinhengii:	(i)		
- Rental***	(iv)	-	10,598
Transactions with Anxun logistics:	(i)		
- Service fee*		<b>2,223</b>	201,556
- Warehousing service income*		<b>15,304</b>	53,471
- Warehouse service expenses*		<b>544</b>	2,385
Transactions with Meiyunbao:	(i)		
- Supply of goods or service*		<b>206</b>	6,699
- Purchase of goods or service*		<b>46</b>	10,735
Transactions with GOME Shared Network:	(i)		
- Service fee return*		<b>123</b>	-
Transactions with associates:	(ii)		
- Purchase of goods**		<b>1,045</b>	3,719

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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)*

- (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”), 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 balance represented transactions with GOME Telecom Equipment Co., Ltd. and its subsidiary.
  - (iii) 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. 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.
  - (iv) The rent was charged at terms mutually agreed by the parties in respect of lease of a retail outlet. On 25 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.
- \* The transactions constitute continuing connected transactions under the Listing Rules.
- \*\* The transactions do not constitute continuing connected transactions under the Listing Rules.
- \*\*\* The transactions constitute connected transactions under the Listing Rules, but are exempted from all the reporting, announcement and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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	
	2023 (Unaudited) RMB' 000	2022 (Unaudited) RMB' 000
Fees	886	910
Other emoluments:		
Salaries, allowances, and other expense	3,527	4,454
Pension scheme contributions	146	117
	<b>4,559</b>	<b>5,481</b>

All the above related party transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2023 (Unaudited) RMB' 000	31 December 2022 (Audited) RMB' 000
<b>Finance assets</b>		
Financial assets at fair value through other comprehensive income	17,475	374,730
Financial assets at fair value through profit or loss	2,501,968	2,614,136
	Carrying amounts	
	30 June 2023 (Unaudited) RMB' 000	31 December 2022 (Audited) RMB' 000
<b>Financial Liabilities</b>		
Derivative financial liabilities	-	87

## 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 2023

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

For the fair value of the unlisted equity and debt 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.

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 2023 and 31 December 2022:

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted debt security	Market approach and Black Scholes Model	Risk-free rate	2.64% (31 December 2022: 2.84%)	5% increase (decrease) in risk-free rate would result in decrease (increase) in fair value by RMB11 million (31 December 2022: 12 million).
Other unquoted Investments	Market approach and enterprise value allocation model	LOMD*	20%-31% (31 December 2022: 23%-35%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB1 million (31 December 2022: 11 million).
		P/S	0.72-2.33 (31 December 2022: 0.87-2.00)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value by RMB16 million (31 December 2022: 22 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 2023

## 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 2023:

	Fair value measurement using			
		Significant unobservable inputs (Level 1) (Unaudited) RMB' 000	Significant Unobservable inputs (Level 2) (Unaudited) RMB' 000	Significant unobservable inputs (Level 3) (Unaudited) RMB' 000
Financial Assets at fair value through other comprehensive income	17,475	-	-	17,475
Financial assets at fair value through profit or loss	2,501,968	328,863	-	2,173,105
Total	2,519,443	328,863	-	2,190,580

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2022

	Fair value measurement using		
	Significant unobservable inputs (Level 1)	Significant Unobservable inputs (Level 2)	Significant unobservable inputs (Level 3)
Total (Audited)	(Audited)	(Audited)	(Audited)
RMB' 000	RMB' 000	RMB' 000	RMB' 000
Financial Assets at fair value through other comprehensive income	374,730	131,219	-
Financial assets at fair value through profit or loss	2,614,136	428,350	-
<b>Total</b>	<b>2,988,866</b>	<b>559,569</b>	<b>-</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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:

	<b>Financial assets at fair value through other comprehensive income RMB' 000</b>	<b>financial assets at fair value through profit or loss RMB' 000</b>	<b>derivatives financial instruments RMB' 000</b>
At 1 January 2023 (audited)	243,511	2,185,786	(87)
Net cash flows from changes in financial assets	-	(1,430)	-
Total (losses) gains recognised in the statement of profit or loss	-	(11,251)	87
Total gains recognised in other comprehensive income	(226,036)	-	-
At 30 June 2023 (unaudited)	17,475	2,173,105	-

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

### Fair value hierarchy (continued)

Liabilities measure at fair value:

As at 30 June 2023:

	<b>Significant unobservable inputs (Level 1) (Unaudited) RMB' 000</b>	<b>Significant Unobservable inputs (Level 2) (Unaudited) RMB' 000</b>	<b>Significant unobservable inputs (Level 3) (Unaudited) RMB' 000</b>
Derivative financial instruments	-	-	-

As at 31 December 2022:

	<b>Significant unobservable inputs (Level 1) (Audited) RMB' 000</b>	<b>Significant Unobservable inputs (Level 2) (Audited) RMB' 000</b>	<b>Significant unobservable inputs (Level 3) (Audited) RMB' 000</b>
Derivative financial instruments	87	-	87

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 2022: nil).

## 22. 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.

## 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 2023, the interests and short positions of the directors (the "Director(s)") of GOME Retail Holdings Limited (the "Company") and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Director/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % of shareholding
Huang Xiu Hong ( <i>Note 1</i> )	21,000,000	-	-	-	21,000,000	0.04
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:*

- 11,000,000 shares of the Company (the "Share(s)") issuable upon exercise of the Options granted to Ms. Huang Xiu Hong ("Ms. Huang") pursuant to the Share Option Scheme as was particularly described in the section headed "Share Option Scheme" below. These Options were held by Ms. Huang beneficially.

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

Save as disclosed above, as at 30 June 2023, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

### **(c) Particulars of the directors' service contracts**

As at 30 June 2023, 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 2023 (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 Kwong Yu ("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**

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.

During the six months ended 30 June 2023, no shares have been purchased by the Trustee for the Share Award Scheme and no awards have been granted during the period. As at 30 June 2023, an accumulated sum of approximately HK\$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 ordinary shares (with the last purchase made in 2020), representing approximately 3.15% 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 44 to 46.

## 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.

## ADDITIONAL INFORMATION

As at 30 June 2023, Options to subscribe for an aggregate of 438,600,000 Shares granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per Share HK\$	As at 1 January 2023	Number of Options			As at 30 June 2023 (Note 1)	Price of Shares for options exercised during the period (Note 6) HK\$
				Granted during the period	Exercised during the period	Lapsed during the period		
Substantial shareholders								
Wong Kwong Yu	14 July 2022	0.60	12,000,000	-	-	-	12,000,000	N/A
Du Juan	14 July 2022	0.60	11,000,000	-	-	-	11,000,000	N/A
Directors								
Huang Xiu Hong	14 July 2022	0.60	11,000,000	-	-	-	11,000,000	N/A
Other employees (Note 2)	14 July 2022	0.60	561,900,000	-	-	157,300,000 (Note 5)	404,600,000	N/A
Total			595,900,000	-	-	157,300,000	438,600,000	

The closing price of the Company's Shares immediately before 14 July 2022, being the date of grant of the Options, was HK\$0.34 per Share.

### Notes:

- Each Option has a 6.5 years exercise period and may be exercised from 1 January 2023 up to 30 June 2029.  
Each grantee may exercise up to 33.33%, 66.67% and 100% of the Options granted commencing from 1 January 2023, 1 January 2024 and 1 January 2025, respectively.
- 767 employees have been granted Options under the Share Option Scheme to acquire an aggregate of 944,950,000 Shares at HK\$0.60 per Share.

3. The fair value of Options granted on 14 July 2022 under the Share Option Scheme, determined by using the Binomial Model value model, was approximately RMB122.31 million. The significant inputs into the model were the exercise price of HK\$0.60, expected volatility and historical volatility of 57.1% and annual risk-free interest rate is 1.91%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.
4. The vesting period of these Options is from the date of grant until the commencement of the exercise period mentioned above.
5. 157,300,000 Options had been cancelled during the six months ended 30 June 2023.
6. The price of Shares disclosed for the Options exercised during the year is the weighted average of the closing price, quoted on the Stock Exchange immediately before the date of exercise of Options.
7. On 14 July 2023, the Company and the remaining grantees have mutually agreed to terminate and cancel the outstanding Options granted.

## 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 2023, 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	12,274,334,602	25.70
Ms. Du Juan <i>(Note 2)</i>	Interest in controlled corporation	12,274,334,602	25.70
Ever Ocean Investments Limited <i>(Note 3)</i>	Interest in controlled corporation	6,293,895,000	13.18
GOME Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	6,293,895,000	13.18
Power Charm Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	6,293,895,000	13.18
GOME Home Appliances (H.K.) Limited <i>(Note 3)</i>	Interest in controlled corporation	6,293,895,000	13.18
GOME Management Limited <i>(Note 3)</i>	Beneficial owner	6,293,895,000	13.18
Shinning Crown Holdings Inc. <i>(Note 4)</i>	Beneficial owner	4,349,832,938	9.11

## ADDITIONAL INFORMATION

### Notes:

1. These 12,274,334,602 Shares, 6,293,895,000 Shares held by GOME Management Limited, 4,349,832,938 Shares held by Shinning Crown Holdings Inc., 1,200,000,000 Shares held by Element Assets Management Limited, 160,000,000 Shares held by Hillwood Assets Management Limited, 246,706,664 Shares held by Smart Captain Holdings Limited (all the above companies are 100% beneficially owned by Mr. Wong, the substantial shareholder) in the capacity as trustee of a family trust established by Mr. Wong; and also include 12,000,000 Shares in the form of share options of the Company granted to Mr. Wong pursuant to the Share Option Scheme, and 11,000,000 Shares in the form of share options of the Company granted to Ms. Du Juan, the spouse of Mr. Wong, pursuant to the Share Option Scheme and 900,000 Shares held by Ms. Du Juan.
2. 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 2023, no other person (other than the Director or the Chief Executive of the Company), had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

## OTHER INFORMATION

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

- 1) 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 27 February 2023, the Group repaid the domestic bonds issued in 2019 in the PRC, with aggregate principal amount of RMB9,241,000.
- 3) 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.

### **CHANGES TO THE BOARD**

There were no change to the Board 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 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 2023.

### **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.

## 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

### AUDITOR

Elite Partners CPA Limited  
Registered Public Interest Entity Auditor

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### BRANCH SHARE REGISTRAR IN HONG KONG

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