

GOME

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

(Incorporated in Bermuda with limited liability)

(Stock Code : 493)



2024
Interim Report

* For identification purpose only

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial Highlights

	First half of 2024	First half of 2023
	RMB million	RMB million
Revenue	169	415
Loss attributable to owners of the parent	(4,432)	(3,539)
Loss per share		
– Basic and diluted	(RMB9.4 fen)	(RMB8.2 fen)

Operational Highlights

- During the six months ended 30 June 2024 (the “**Reporting Period**”), the Group continued to focus on its core retail business, activate the “Home • Living” omni-retail ecosystem, actively and extensively explore a variety of procurement channels and methods, and focus on the retail of home appliances, consumer electronic products, groceries and various types of daily necessities. It also promoted offline upgrades and strengthened new operating methods such as online live streaming. In addition, it accelerated the development of franchising business and the GOME Automobile Experience Hall commenced its operation, creating new growth opportunities. In addition, it actively promotes product innovation, business transformation, cost reduction and efficiency enhancement and makes every effort to resolve its debt issues.
- Although the Group has experienced unprecedented difficulties in the past two years, the management has not given up. In the first half of the year, we have achieved the upgrading and transformation of the existing businesses, and the layout of the new businesses has also achieved preliminary results. In the second half of the year, we will continue to work hard and strive to turnaround the business as quickly as possible and pave a solid foundation to get out of the trough.

OVERVIEW

During the Reporting Period, GOME Retail Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**GOME**”) continued to focus on the retail and home service industries. Adhering to its mission and vision of “Better homes and lifestyles through GOME”, GOME is committed to satisfying all-round consumption and service needs of domestic families in this new era. In addition, it actively promotes product innovation, business transformation, cost reduction and efficiency enhancement and makes every effort to resolve its debt issues.

During the Reporting Period, the domestic economy was affected by the severe and complex international environment and adjustments of domestic policies. The recovery was still slow, while the real estate market declined significantly. The income growth of local governments and households slowed down. The economy entered a deleveraging cycle. Due to the declining willingness to consume, home appliances and other related industries were affected and the downturn continued. Compounded by the impact of its own debt issues, the revenue of the Group continued to decrease with loss increased during the Reporting Period. Although it is still in a difficult situation, the management has remained positive, insisting on promoting strategic focus and model innovation in the Group’s businesses. While consolidating its existing businesses, the Group is exploring new growth drivers. During the Reporting Period, the Group has made excellent progress in innovative business models such as franchising and GOME Automobile Experience Hall. In respect of dealing with its debt issues, the Group has continued to divest from serious loss-making businesses and non-core assets. Furthermore, it also disposed some of its long-term assets to settle debts, and actively negotiated with creditors for debt settlement solutions.

In the first half of 2024, the Group recorded sales revenue of approximately RMB169 million, decreased by 59.28% as compared with RMB415 million for the corresponding period last year. The gross profit was approximately RMB18 million, as compared with a gross loss of RMB120 million for the corresponding period last year. The operating expenses (including administrative expenses, selling and distribution expenses) of the Group amounted to approximately RMB747 million, as compared with RMB2,083 million for the corresponding period last year. Other expenses and losses of the Group amounted to approximately RMB1,926 million, as compared with RMB279 million for the corresponding period last year. Net finance costs were approximately RMB912 million, while the amount was RMB1,131 million in the corresponding period last year. Taking into account the above factors, the Group’s loss attributable to owners of the parent during the Reporting Period was approximately RMB4,432 million, increased by 25.23% as compared with RMB3,539 million for the corresponding period last year.

In the first half of 2024, the Group continued to focus on its core retail business, activate the “Home • Living” omni-retail ecosystem, actively and extensively explore a variety of procurement channels and methods, and focus on the retail of home appliances, consumer electronic products, groceries and various types of daily necessities. It also promoted offline upgrades and strengthened new operating methods such as online live streaming. In addition, it accelerated the development of franchising business and the GOME Automobile Experience Hall commenced its operation, creating new growth opportunities.

BUSINESS ENVIRONMENT

During the Reporting Period, the Russia-Ukraine conflict and the Palestine-Israel conflict have not yet ended. Given the postponement of the US dollar interest rate cut, the global economy struggled to recover, and certain developed economies have fallen into a “technical” recession. The World Bank even predicted that global economic growth will drop from 2.6% in 2023 to 2.4% in 2024, which the growth rate has already been slowed for three consecutive years. Being the election year of the United States that many geopolitical events and rising risks in the competition between China and the United States occurred, it will be full of uncertainties in the second half of the year, although external demand rebounded in the first half of the year. In China, it is expected that the uncertainty of external demand and the debt-deflation risk faced by domestic demand have an appearing adverse impact on economic recovery. According to the National Bureau of Statistics, despite the low base last year, China’s GDP grew by 5% year-on-year in the first half of 2024, representing a decrease of 0.5 percentage point from the corresponding period last year. In the second quarter, the economy growth was 4.7%, and the growth rate continued to decline. In the coming period, with the convening of the Third Plenary Session of the 20th Central Committee of the Communist Party of China, the central government has proposed to unswervingly achieve the economic and social development goals for the whole year. It is expected that more intensive stimulus policies will be introduced in the second half of the year to ensure that the economic growth rate is maintained at approximately 5% throughout the year. However, huge uncertainties caused by the US election and the opposition between China and the United States will still be the main factors disrupting the pace of economic recovery.

In respect of the industry, according to the National Bureau of Statistics, the national total retail sales of consumer goods fell to 3.7% in the first half of the year from 8.2% for the corresponding period last year, and the growth rate dropped significantly. Among which, household appliances and audio-visual equipment increased by 3.1% year-on-year, and the growth rate was also slowed down correspondingly. The home appliance industry has been affected by the sluggish real estate market, the slow recovery of domestic demand and other factors. The growth of retail sales of various types of home appliances slowed down in certain different extent in the first half of the year. According to Aowei Cloud, the retail volume of kitchen and bathroom appliances were 41.49 million units in the first half of the year, representing a year-on-year increase of 0.5%, with the retail sales amounted to RMB77.1 billion, representing a year-on-year decrease of 2.3%. In the first half of the year, the retail volume of the white appliance market were 77.74 million units, representing a year-on-year decrease of 3.6%, with the retail sales amounted to RMB231.9 billion, representing a year-on-year decrease of 7.0%. In the first half of the year, the retail volume of China’s TV market were 13.51 million units, representing a year-on-year decrease of 7.9%, with the retail sales amounted to RMB52.2 billion, representing a year-on-year increase of 7.1%, but the growth rate was only 2.4% in the second quarter.

As for national policies, with the convening of the NPC and CPPCC sessions in March this year, a series of policies and measures to stimulate domestic demand began to be introduced intensively. In March, many ministries and commissions issued action plans to promote large-scale equipment updates and the replacement of old consumer goods, specifying 20 key tasks in five aspects. In May, the central bank and other ministries and commissions promulgated clear and effective deregulation policies for the real estate market, and the transaction volume of the real estate market in first-tier cities has stabilised and rebounded. In June, the National Development and Reform Commission and other departments issued the “Measures Regarding Creating New Consumption Scenarios and Cultivating New Growth Drivers for Consumption” to further cultivate and strengthen new growth drivers for consumption. It is difficult for such policies to be directly transmitted to the home appliance consumption in the short term, but in the long term, they will lay the foundation for a clear recovery of the industry.

In general, the external environment in the first half of the year has been relatively unfavourable for the Group’s business operations, and the positive policies have not yet shown their results. However, with the successful convening of the Third Plenary Session of the 20th Central Committee of the Communist Party of China, the central government has clearly stated that it will unswervingly achieve economic and social development goals throughout the year. With the goal of actively expanding domestic demand, and expressing more clear and positive encouragement for the private economy, coupled with the comprehensive relaxation of real estate regulations, the management believes that the industry development will improve in the second half of this year.

BUSINESS REVIEW

During the Reporting Period, on the one hand, the Group is committed to resolve its debt issues through various means. On the other hand, it continued to focus on its main business, optimise and upgrade new model business strategies, expand asset-light franchise models and reduce costs. In addition, during the Reporting Period, the Group also made progress in active exploration of new businesses and new growth drivers.

1. Resolving Debt Issues

During the Reporting Period, the Group worked diligently to resolve its debt issues, and continued to gradually rebuild relationships with its suppliers and payment service providers through negotiating debt-for-equity swaps and expanding franchise models. It continued to negotiate with banks about proposals regarding loan buybacks and loan renewals. The Group also relieved its cash flow pressure by selling and disposing of long-term assets such as logistics bases. During the Reporting Period, the Group has successfully repaid RMB145 million of convertible bonds, and will continue to promote the implementation of debt resolution tasks such as debt-for-equity swaps. The management has the determination and ability to gradually resolve the current debt issues.

2. Optimising and Upgrading New Business Model Strategies

During the Reporting Period, the Group's new model business strategy continued to be optimised and upgraded. On the one hand, it continued to use live streaming as the fulcrum to promote the development of its main business, explore new increments and consolidate online business through short videos, live streaming and other marketing models. On the other hand, it actively promoted the asset-light franchise joint venture cooperation model. During the Reporting Period, franchise joint venture cooperation entered the substantive stage of operation and achieved rapid development, attracting investors from all over the world. Dozens of contracts had been signed, and the signing process of nearly 100 companies was in progress.

3. Development and Progress of New Businesses

While promoting the transformation of its existing businesses, the Group has been actively considering reforms and making progress, exploring new opportunities and creating a new growth curve. During the Reporting Period, among the planned new businesses, GOME Automobile Experience Hall had entered the substantial operational stage and received good feedbacks from the market.



MANAGEMENT DISCUSSION AND ANALYSIS

(1) GOME Automobile Experience Hall

During the Reporting Period, after seven years of planning and preparation, GOME Automobile Experience Hall was completed and grand opened on 17 May 2024, becoming online-offline one-stop automobile selection, purchase and service platform with closed-loop empowerment capabilities. It brings an unprecedented automobile-purchasing experience to consumers, provides franchisees with comprehensive empowerment support, and offers OEMs with accessible marketing channels.

During the Reporting Period, GOME Automobile Experience Hall adopted a physical store expansion model to promote a deep penetration of the automobile market and stimulate its sales. While solving the problem of difficult and expensive purchases for individual automobile dealers, it also ensures that consumers in various regional markets can purchase new vehicles with low and transparent prices in clear channels. These practical business initiatives have also been recognised by many brands. Only two weeks after its opening, GOME Automobile Experience Hall received cooperation intentions in vehicle source channels from more than dozens of domestic and international well-known brands. Models of automobiles include popular new energy models, traditional luxury brand models and best-selling domestic/joint venture fuel vehicles. With its unique business model and eight major categories of related empowerments or supports including vehicle source channels, logistics and warehousing, finance and insurance, etc., the project has attracted many investors and business partners. During the Reporting Period, GOME Automobile Experience Hall has begun to cooperate with internationally renowned home and car audio brands such as Harman Kardon to develop automobile after-sales services and jointly launched customised and quality audio modification services to provide consumers with better driving experience.

The Nationwide Retail Network of the Group

As at 30 June 2024

	Total	GOME	China Paradise	Dazhong
City display stores	10	9	-	1
Flagship stores	22	16	6	-
Boutique stores	1	-	1	-
New retail stores	532	488	37	7
Total	565	513	44	8
Number of cities and towns accessed	393			
Of which: Primary market	18			
Secondary market	24			
Others	351			

Corporate Governance

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the “Board”) consists of three executive directors, one non-executive director 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 training 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 2024, the Group had a total of 1,293 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 59.28% to approximately RMB169 million during the Reporting Period, as compared with RMB415 million for the corresponding period last year.

Cost of sales and gross profit (loss)

During the Reporting Period, cost of sales for the Group was approximately RMB151 million. The Group's gross profit was approximately RMB18 million, as compared with a gross loss of RMB120 million for the corresponding period last year.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB224 million, representing an increase of approximately 70.99% as compared with RMB131 million for the corresponding period last year, mainly due to the liquidation gains from bankrupted and deregistered subsidiaries during the Reporting Period.

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB193 million, decreased by 85.15% as compared with RMB1,300 million for the corresponding period last year.

Among which, staff related expenses decreased from RMB275 million for the corresponding period last year to approximately RMB60 million; depreciation expenses decreased from RMB550 million for the corresponding period last year to approximately RMB96 million; rental expenses decreased from RMB401 million for the corresponding period last year to approximately RMB5 million; water and electricity expense decreased from RMB33 million for the corresponding period last year to approximately RMB1 million; while advertising and promotion expenses increased from RMB12 million for the corresponding period last year to approximately RMB26 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB554 million, decreased by 29.25% as compared with RMB783 million for the corresponding period last year. Among which, staff related expenses decreased from RMB154 million for the corresponding period last year to approximately RMB48 million, mainly as a result of decrease in headcount; depreciation expenses decreased from RMB503 million for the corresponding period last year to approximately RMB375 million and accrued litigation fee of approximately RMB59 million during the Reporting Period.

Impairment losses on financial assets

During the Reporting Period, the Group made impairment losses on financial assets of approximately RMB927 million, mainly due to the Group recognised impairment losses on receivables from suppliers that were trade in nature with individually not significant amounts of approximately RMB579 million and on receivables from subsidiaries that were in liquidation procedures of approximately RMB188 million, as compared with RMB18 million for the corresponding period last year.

Other expenses and losses

During the Reporting Period, the Group recorded other expenses and losses of approximately RMB1,926 million as compared with RMB279 million for the corresponding period last year. Other expenses and losses mainly comprised of losses on joint and several liabilities from subsidiaries ruled bankrupt by the courts of approximately RMB1,502 million, fair value loss on financial assets of approximately RMB339 million and provision for penalty interest and liquidated damages from pending litigations of approximately RMB48 million incurred during the Reporting Period.

Impairment loss on interests in associates

During the Reporting Period, the Group made an impairment loss on interests in associates of approximately RMB124 million with reference to latest underlying performance and its quoted market price, as compared with nil for the corresponding period last year.

Loss before finance (costs) income and tax

During the Reporting Period, the Group's loss before finance (costs) income and tax was approximately RMB3,492 million, as compared with a loss of RMB2,477 million for the corresponding period last year.

Net finance (costs) income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB912 million, as compared with RMB1,131 million for the corresponding period last year.

Loss before tax

As a result of the above-mentioned factors, the Group's loss before tax was approximately RMB4,404 million during the Reporting Period, increased by 22.03% as compared with a loss of RMB3,609 million for the corresponding period last year.

Income tax (expense) credit

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

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 RMB4,432 million, increased by 25.23% as compared with a loss of RMB3,539 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was approximately RMB9.4 fen, as compared with basic loss per share of RMB8.2 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group was approximately RMB55 million, which was mainly denominated in Renminbi and the rest in HK dollars and other currencies, as compared with RMB66 million as at the end of 2023.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB181 million, down 10.40% as compared with RMB202 million as at the end of 2023. As a result of the decrease in sales revenue and cost of sales during the Reporting Period, inventory turnover days increased by 122 days from 109 days for the corresponding period last year to approximately 231 days.



MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB2,530 million, down 19.01% from RMB3,124 million as at the end of 2023. It was mainly due to the decrease in advances to suppliers, offset by the increase in deposits and other receivables and impairment allowance.

Due from related companies

As at the end of the Reporting Period, due from related companies amounted to approximately RMB402 million, compared with RMB548 million as at the end of 2023.

Trade payables

As at the end of the Reporting Period, trade payables of the Group amounted to approximately RMB5,759 million, up 18.47% as compared with RMB4,861 million as at the end of 2023. As a result of the decrease in sales revenue and cost of sales during the Reporting Period, turnover days of trade payables increased by 4,591 days from 1,801 days for the corresponding period last year to approximately 6,392 days.

Capital expenditure

During the Reporting Period, capital expenditure (relating to property and equipment) incurred by the Group amounted to approximately RMB7 million, representing an 91.25% decrease as compared with RMB80 million for the corresponding period last year.

Cash flows

During the Reporting Period, mainly due to, among others, the changes in trade receivables and due from related companies, the Group's net cash flows generated from operating activities was approximately RMB30 million, as compared with RMB1,194 million used for the corresponding period last year.

Net cash flows generated from investing activities were approximately RMB133 million, as compared with RMB37 million generated for the corresponding period last year.

During the Reporting Period, net cash flows used in financing activities amounted to approximately RMB175 million, as compared with RMB1,133 million generated for the corresponding period last year. The net cash outflows from financing activities were mainly due to repayment of interest-bearing 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 2024.

Contingent liabilities and capital commitments

As at the end of the Reporting Period, the Group had capital commitments of approximately RMB585 million and the Group did not make any third party guarantee.

The principal amount of the Group's overdue interest-bearing bank and other borrowings (including bonds payable) as at the end of the Reporting Period amounted to approximately RMB18.8 billion. The Group was involved in a total of 1,435 pending lawsuits, amounted to approximately RMB13 billion in aggregate, of which, the pending cases with banks and financial institutions amounted to approximately RMB10.6 billion 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 subsidiaries (liquidated and deregistered).

As at 30 June 2024, 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:

	Fixed rate	Floating rate	Total
	RMB' 000	RMB' 000	RMB' 000
Denominated in RMB	18,062,286	2,431,795	20,494,081

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 would be entitled to adjust the coupon rate, the investors would be entitled to sell the outstanding bonds back to the Group at the end of the second year, and due 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 in 2023 in the aggregate principal amount of US\$200 million issued in April 2020. As at 30 June 2024, the outstanding principal amount of the bonds was US\$200 million and 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 in 2023 in the aggregate principal amount of US\$100 million issued in June 2020. As at 30 June 2024, the outstanding principal amount of the bonds was US\$73.74 million and 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 2024, the debt to total deficit ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to approximately RMB23,052 million over total deficit amounted to approximately RMB13,412 million, decrease from negative 264.28% as at 31 December 2023 to negative 171.88%. The debt ratio was 82.54% as compared with 81.63% as at 31 December 2023, which was expressed as a percentage of total borrowings over total assets amounted to approximately RMB27,928 million.

Charge on and seize of group assets

The Group's secured interest-bearing bank and other borrowings and trade payables amounted to approximately RMB20,345 million and approximately RMB531 million, respectively. As at 30 June 2024, certain of the Group's interest-bearing bank loans and other loans were secured by certain of the Group's property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB8,515 million, the Group's investments in associates amounted to approximately RMB48 million, the Group's right-of-use assets with a carrying value of approximately RMB192 million. Certain of the Group's trade payables were secured by the Group's properties with a net carrying value of approximately RMB237 million. Besides charged assets, certain of the Group's property and equipment and right-of-use assets amounted to approximately RMB411 million and approximately RMB80 million have been seized by the courts, respectively.

Outlook and Prospects

Although the Group has experienced unprecedented difficulties in the past two years, the management has not given up. In the first half of the year, we have achieved the upgrading and transformation of the existing businesses, and the layout of the new businesses has also achieved preliminary results. In the second half of the year, we will continue to work hard and strive to turnaround the business as quickly as possible and pave a solid foundation to get out of the trough.

In the future, the Group will continue to actively resolve its debt issues and focus on the development of new growth drivers. In respect of debt issues, we will continue to further implement debt resolution proposals such as debt-for-equity swaps. In respect of new businesses, GOME Automobile Experience Hall will continue to uphold the business vision of "empowering the industry, serving customers, activating the market and creating value", and achieve horizontal expansion and vertical penetration across the country, so as to promote innovation and transformation of the automobile retail model, and integrate quality channel resources to empower the industry and to create a win-win situation with our partners.

In July 2024, the Third Plenary Session of the 20th Central Committee of the Communist Party of China put forward requirements for economic growth throughout the year, re-emphasised the active expansion of domestic demand, and historically proposed equal treatment of the public and non-public economies. With clear and positive encouragement on the private economy, it also further clarified the comprehensive relaxation of real estate regulations. Subsequently, the meeting of the Political Bureau of the Central Committee proposed that "macro-economic policies must continue to be vigorous and more effective", "more efforts should be made to promote large-scale equipment updates and the replacement of old bulk durable consumer goods", and emphasised that "we must concentrate on boosting consumption to expand domestic demand, and the focus of economic policies must shift more to benefiting people's livelihood and promoting consumption". The management expects that more active policies will be introduced in the second half of the year to support a stable recovery of the economy, and industry development will also bottom out and rebound. The external environment for the Group's business development is expected to be improved. The Company's management will pay close attention in capturing these favourable opportunities by continue to refine itself, integrate its resources and improve business collaboration, in order to create direct operational contributions. In addition, we also look forward to continuing to cooperate with more business partners to empower each other and facilitate the upgrading and iteration of the retail industry to meet the demand of Chinese families in pursuit for better lives.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 (Unaudited) RMB' 000	2023 (Unaudited) RMB' 000
Revenue	5	169,160	414,763
Cost of sales	6	(151,200)	(534,745)
Gross profit (loss)		17,960	(119,982)
Other income and gains	5	224,233	130,971
Selling and distribution expenses		(193,050)	(1,299,648)
Administrative expenses		(553,852)	(783,496)
Impairment losses on financial assets		(927,064)	(17,945)
Other expenses and losses		(1,925,792)	(279,456)
Impairment loss on interests in associates		(123,811)	-
Share of losses of associates		(10,136)	(107,742)
Loss before finance (costs) income and tax		(3,491,512)	(2,477,298)
Finance costs	7	(917,838)	(1,030,560)
Finance income	7	5,599	(100,929)
LOSS BEFORE TAX	6	(4,403,751)	(3,608,787)
Income tax (expense) credit	8	(12,585)	13,346
LOSS FOR THE PERIOD		(4,416,336)	(3,595,441)
Attributable to:			
Owners of the parent		(4,431,909)	(3,538,956)
Non-controlling interests		15,573	(56,485)
		(4,416,336)	(3,595,441)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10		
Basic		(RMB9.4 fen)	(RMB8.2 fen)
Diluted		(RMB9.4 fen)	(RMB8.2 fen)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
LOSS FOR THE PERIOD	(4,416,336)	(3,595,441)
OTHER COMPREHENSIVE INCOME (EXPENSE)		
Other comprehensive income (expense) that may be reclassified to profit or expense in subsequent periods:		
Exchange differences on translation of foreign operations	84,240	(166,935)
Other comprehensive income (expense) that will not be reclassified to profit or expense in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	34,389	(226,036)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF TAX	118,629	(392,971)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(4,297,707)	(3,988,412)
Attributable to:		
Owners of the parent	(4,313,280)	(3,931,927)
Non-controlling interests	15,573	(56,485)
	(4,297,707)	(3,988,412)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
	Notes		
NON-CURRENT ASSETS			
Property and equipment	11	4,665,413	4,771,754
Investment properties		4,518,062	4,828,588
Right-of-use assets		11,536,578	11,922,187
Goodwill		62,208	62,208
Other intangible assets		43,038	52,302
Investment in associates		223,477	452,031
Financial assets at fair value through other comprehensive income		95,591	12,988
Financial assets at fair value through profit or loss		1,960,993	2,185,681
Deferred tax assets		9,441	11,718
Prepayments, other receivables and other assets		149,977	173,534
		23,264,778	24,472,991
CURRENT ASSETS			
Inventories		181,318	202,077
Property under development		688,737	688,129
Trade receivables	12	531,821	129,796
Prepayments, other receivables and other assets		2,529,906	3,123,761
Due from related companies	13	401,975	548,265
Financial assets at fair value through profit or loss		181,900	303,171
Pledged bank deposits and restricted cash	14	92,972	443,215
Cash and cash equivalents	14	54,585	66,247
		4,663,214	5,504,661

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2024

		30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
	Notes		
CURRENT LIABILITIES			
Trade payables	15	5,759,346	4,860,606
Other payables and accruals		10,479,652	7,694,453
Due to related companies	13	297,890	294,393
Lease liabilities		152,398	118,318
Interest-bearing bank and other borrowings	16	22,852,541	24,266,291
Tax payable		984,999	1,025,233
Total current liabilities		40,526,826	38,259,294
NET CURRENT LIABILITIES		(35,863,612)	(32,754,633)
TOTAL ASSETS LESS CURRENT LIABILITIES		(12,598,834)	(8,281,642)
NON-CURRENT LIABILITIES			
Lease liabilities		77,736	212,385
Interest-bearing bank and other borrowings	16	199,766	205,403
Deferred tax liabilities		535,606	560,092
Total non-current liabilities		813,108	977,880
Net liabilities		13,411,942	9,259,522
DEFICIT			
Deficit attributable to owners of the parent			
Issued capital		1,082,460	1,079,531
Treasury shares		(444,985)	(444,985)
Reserves		(9,761,286)	(5,590,365)
Non-controlling interests		(4,288,131)	(4,303,703)
Total deficit		(13,411,942)	(9,259,522)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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 based payment reserve RMB' 000	Asset revaluation reserve RMB' 000	Other reserve RMB' 000	Fair value reserve of financial assets 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 2024 (audited)	1,079,531	(444,985)	36,100,439	657	(1,867,496)	-	425,664	85,744	(179,707)	1,738,024	991,673	(42,885,363)	(4,955,819)	(4,303,703)	(9,259,522)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(4,431,909)	(4,431,909)	15,573	(4,416,336)
Other comprehensive income for the period:															
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	56	-	-	-	34,333	-	-	-	34,389	-	34,389
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	-	84,240	-	84,240	-	84,240
Total comprehensive income (loss) for the period	-	-	-	-	56	-	-	-	34,333	-	84,240	(4,431,909)	(4,313,280)	15,573	(4,297,707)
Issue of shares	2,929	-	142,358	-	-	-	-	-	-	-	-	-	145,287	-	145,287
At 30 June 2024 (unaudited)	1,082,460	(444,985)	36,242,797	657	(1,867,440)	-	425,664	85,744	(145,374)	1,738,024	1,075,913	(47,317,272)	(9,123,812)	(4,288,130)	(13,411,942)

	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 based payment reserve RMB' 000	Asset revaluation reserve RMB' 000	Other reserve RMB' 000	Fair value reserve of financial assets 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 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 CASH FLOWS

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 (Unaudited) RMB' 000	2023 (Unaudited) RMB' 000
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from (used in) operations	47,719	(1,266,224)
Interest received	430	72,567
Income tax paid	(17,710)	-
Net cash flows from (used in) operating activities	30,439	(1,193,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, investment properties and right-of-use assets	(7,230)	(79,948)
Proceeds from disposal of financial assets at fair value through profit or loss	7,956	103,930
Proceeds from disposal of property and equipment	130	13,233
Proceeds from disposal of subsidiaries	131,842	-
Net cash flows from investing activities	132,698	37,215
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(6,385)	(286,487)
Net cash flows used in repayment of interest-bearing bank and other borrowings	(516,672)	(2,404,526)
Principal portion of lease payments	(420)	(34,375)
Repayment of corporate bonds	-	(9,241)
Decrease in pledged deposits for bank and other borrowings	323,729	3,759,196
Other cash flows from financing activities	25,180	108,797
Net cash flows (used in) from financing activities	(174,568)	1,133,364
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	66,247	169,713
Effect of foreign exchange rate changes, net	(231)	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	54,585	146,635
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	14	54,585
		146,635



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 dollar (“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 2023.

2. BASIS OF PREPARATION *(continued)*

Going concern consideration

The Group incurred a loss of RMB4.4 billion for the six months ended 30 June 2024, the Group's current liabilities exceeded its current assets by RMB35.9 billion as at 30 June 2024. The Group's current liabilities amounted to RMB40.5 billion, of which RMB22.9 billion represented interest-bearing bank and other borrowings as at 30 June 2024. Nevertheless, the Group had cash and cash equivalents amounted to RMB55 million as at 30 June 2024. In addition, certain loan payables to financial institutions were overdue. Such overdue loan payables entitled the lenders the 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 assets preservation orders to restrict the disposition of certain assets and the withdrawal of bank deposits during the year. Moreover, the Group was involved in a number of pending civil claims or lawsuits filed by the civil litigants as at 30 June 2024. Further, due to the suspension of supply of goods from certain major suppliers, the revenue of the Group significantly decreased in the reporting period, which resulted in significant impacts on the Group's operations. These conditions indicate the existence of a material uncertainty which cast significant doubt on the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group is taking steps and measures to mitigate its liquidity pressure and improve its financial position. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which are subject to multiple uncertainties, and are set out as follows:

(1) Restructure of bank and other borrowings

The Group has been actively negotiating with relevant banks and related entities for, including but not limited to, change of borrowing terms and extension of repayment terms with a view to reach mutually agreed arrangements. With coordination from certain local governments, the Group committed 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.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

2. BASIS OF PREPARATION *(continued)*

Going concern consideration *(continued)*

(2) Restructure of trade payables

The Group has been actively negotiating with suppliers and service providers for settlements of the overdue balances. The Group has obtained the consents from 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 through the debt-to-equity swap.

(3) Reopen closed stores and recover the 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 reopen closed stores and recover the seized inventories and re-activate the provision of services to the Group. The Group has obtained the consents from certain landlords and service providers to reopen closed stores and recover the seized inventories and re-activate the existing provision of services by converting the overdue lease liabilities or other payables into ordinary shares of the Company through debt-to-equity swap. In addition, the Group will negotiate with other landlords and service providers to convert the overdue lease liabilities and other payables into ordinary shares through the debt-to-equity swap.

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

The Group and the convertible bond holders have actively been negotiating on the repayment of overdue bonds with aggregated principal amounts of US\$274 million (equivalent to RMB1.95 billion) plus accrued and unpaid interests through various options, including but not limited to, extension of repayment terms, swap of certain portion of the outstanding principal amount to shares of the Company and exchange of certain properties.

On 27 December 2023, the Group entered into an agreement with one of the Bondholders in relation to the partial settlement of the bonds payable. Pursuant to the agreement, the Group sold the 21.6495% equity interest in 深圳十分到家服務科技有限公司 (“Shenzhen Shifen Daojia Service Technology Co., Ltd.” or “Shenzhen Shifen Daojia”), a subsidiary of the Group and a limited liability company established in the PRC, to the Bondholder at a consideration of RMB105,000,000. On 23 January 2024, the equity interest of Shenzhen Shifen Daojia was transferred to the Bondholder. In addition, the Bondholder has converted total amounts of the Bonds equivalent to RMB145,000,000 into shares of the Company. Based on the adjusted conversion price of HK\$1.24, an aggregate of 128,640,000 Conversion Shares has been issued to the Bondholder on 28 May 2024.

2. BASIS OF PREPARATION *(continued)*

Going concern consideration *(continued)*

(5) Sale of properties

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

(6) Other fund-raising

The Group has been actively exploring various fund-raising opportunities, including but not limited to placement of shares, negotiation with strategic investors, and the development of the Group's core businesses. The Group is seeking professional advice from financial advisors and consultants in pursuing these fund-raising initiatives in order to best serve the interest of the Group.

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 financial statements on a going concern basis. Notwithstanding the above, since the execution of the above plans and measures by the Group are in progress and related written contractual agreements are not yet finalised as at the date of the approval for issuance of the consolidated financial statements of the Group, material uncertainties exist as to whether 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 equity exercises; (ii) the ability of 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 to restructure 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 on reactivating 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; and (viii) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

2. BASIS OF PREPARATION *(continued)*

Going concern consideration *(continued)*

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 financial statements.

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 2023, 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 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

During the six months ended 30 June 2023 and 2024, all revenue of the Group was derived from customers in Mainland China and over 99% 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 and 2024, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB' 000	2023 (Unaudited) RMB' 000
Revenue from contracts with customers	169,160	414,763
Other income		
Gross rental income from investment property operating leases	60,495	95,062
Government grants*	232	15,315
Commission income from providing online platforms	4,967	1,438
Income from store display services	-	702
Income from compensation	1,660	340
Realised income from wealth management financial products	1,766	1,980
Income from warehousing services	23,641	-
Others	8,590	7,889
	101,351	122,726
Gains		
Gains on disposal of financial assets at fair value through profit or loss	-	6,148
Gains on disposal of assets	10,405	2,097
Gains on disposal of subsidiaries (liquidated and deregistered)	99,719	-
Gains on lease modification	12,758	-
	122,882	8,245
	224,233	130,971

* 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 2024

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

Revenue from contracts with customers

	For the six months ended 30 June	
	2024 (Unaudited) RMB' 000	2023 (Unaudited) RMB' 000
Type of goods or services		
Sale of electrical appliances and consumer electronic products	169,160	414,763
Geographical market		
Mainland China	169,160	414,763
Timing of revenue recognition		
Goods transferred at a point in time	169,160	414,763
	169,160	414,763

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited) RMB' 000	(Unaudited) RMB' 000
Cost of inventories sold	172,426	557,930
Reversal of provision against inventories	(21,226)	(23,185)
Cost of sales	151,200	534,745
Depreciation of property and equipment	96,535	270,092
Depreciation of right-of-use assets	374,286	782,138
Amortisation of other intangible assets	9,264	20,891
Research and development costs	267	10,554
Losses on disposal of property and equipment*	450	933
(Gains) losses on lease modifications*	(12,758)	16,032
Fair value losses, net:		
Financial assets at fair value through profit or loss*	338,943	16,689
Derivative financial instruments embedded in the convertible bonds issued*	-	(87)
Foreign exchange differences, net*	5,477	70,270
Impairment losses on financial assets	927,064	17,945
Losses on joint and several liabilities from subsidiaries ruled bankrupt by the courts*	1,501,701	-

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 2024

7. FINANCE (COSTS) INCOME

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Finance costs:		
Interest on bonds payable	(88,180)	(54,428)
Interest on bank borrowings	(70,816)	(180,145)
Interest on lease liabilities	(6,518)	(42,708)
Penalty interest on bank borrowings	(752,324)	(753,279)
	(917,838)	(1,030,560)
Finance income:		
Bank interest income	2,521	8,334
Forfeiture of past accrued interest income	-	(110,872)
Interest income from loans to third parties	3,078	1,609
	5,599	(100,929)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

8. INCOME TAX (EXPENSE) 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% (2023: 25%) on their respective taxable income. During the period, 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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, 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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Under-provision in respect of prior years	(18,679)	(119)
Deferred	6,094	13,465
Total tax (expense) credit for the period	(12,585)	13,346

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 30 August 2024, the board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 and 2024.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

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 47,205,472,000 (six months ended 30 June 2023: 43,077,734,000) 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 2024 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:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(4,431,909)	(3,538,956)
Number of shares for the six months ended 30 June		
	2024	2023
	' 000	' 000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	47,205,472	43,077,734

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property and equipment at a total consideration of RMB8,608,000 (30 June 2023: RMB79,948,000).

Assets with a net carrying amount of RMB21,358,000 (six months ended 30 June 2023: RMB13,233,000) were disposed of by the Group during the six months ended 30 June 2024, resulting in a net gain on disposal of RMB69,000 (six months ended 30 June 2023: net loss of RMB933,000). Besides, property and equipment with a net carrying amount of RMB519,000 (six months ended 30 June 2023: RMB10,928,000) were written off as a result of the closure of retail stores.

12. TRADE RECEIVABLES

	30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Trade receivables	619,259	207,478
Impairment	(87,438)	(77,682)
	531,821	129,796

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

	30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Within 3 months	170,904	110,017
3 to 6 months	359,709	3,804
Over 6 months	1,208	15,975
	531,821	129,796

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

13. DUE FROM/TO RELATED COMPANIES

Due from related companies

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	Notes	RMB' 000	RMB' 000
Advances to associates	<i>(i)</i>	-	16,347
Due from Anxun Logistics*	<i>(i)</i>	334,484	471,225
Due from other related companies	<i>(i)</i>	67,491	60,693
		401,975	548,265

Due to related companies

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	Notes	RMB' 000	RMB' 000
Due to GOME Ruidong*	<i>(i)</i>	54,176	54,139
Due to other related companies	<i>(i)</i>	243,714	240,254
		297,890	294,393

* 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.

Note:

(i) These balances were interest-free, unsecured and have no fixed terms of repayment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Cash and bank balances	147,047	179,122
Time deposits	510	330,340
	147,557	509,462
Less: Pledged time deposits for interest-bearing bank and other borrowings	-	(329,720)
Restricted cash	(92,972)	(113,495)
	(92,972)	(443,215)
Cash and cash equivalents	54,585	66,247

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

15. TRADE PAYABLES

	30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Trade payables - unsecured	5,228,224	4,860,606
Trade payables - secured	531,122	-
	5,759,346	4,860,606

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

	30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Within 3 months	1,208,028	819,564
3 to 6 months	182,984	296,673
6 to 12 months	651,793	874,306
Over 12 months	3,716,541	2,870,063
	5,759,346	4,860,606

Notes:

- (i) Certain of the Group's trade payables are secured by buildings with a net carrying amount of approximately RMB236,945,000 (31 December 2023: nil); and
- (ii) The trade 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 2024

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024			31 December 2023		
	Effective interest rate (%)	Maturity*	(Unaudited) RMB' 000	Effective interest rate (%)	Maturity*	(Audited) RMB' 000
Current						
Bank loans – secured	4.55-6.00	2024-2025	502,833	3.85-6.00	2024	1,425,784
Other loans – secured	5.00	2024	58,200	5.00	2024	58,200
Other loans – unsecured	-	2024-2025	114,087	-	2024	123,064
Bonds payable – unsecured	7.80-8.00	2022-2023	2,351,493	7.80-8.00	2022-2023	2,502,366
Bank loans – secured	3.75-18.00	2022-2024	15,084,853	3.75-18.00	2022-2023	14,464,384
Bank loans – unsecured	8.85-10.50	2022-2023	34,923	8.85-10.50	2022-2023	34,923
Other loans – secured	5.27-18.00	2022-2023	2,539,404	3.80-18.00	2022-2023	3,061,511
Bonds payable – unsecured	7.80	2025	6,967	N/A	N/A	N/A
Bank loans – secured	4.55-5.87	2025-2031	2,107,072	4.00-8.10	2025-2042	2,543,350
Other loans – secured	10.00	2026	52,709	10.00	2026	52,709
			22,852,541			24,266,291
Non-current						
Bonds payable – unsecured	7.00	2026	199,766	7.00-7.80	2025-2026	205,403
			30 June 2024 (Unaudited) RMB' 000			31 December 2023 (Audited) RMB' 000
Analysed into:						
Bank loans repayable:*						
Within one year			15,622,609			15,925,091
In the second year			313,700			75,000
In the third to fifth years, inclusive			1,106,770			1,611,503
Beyond five years			686,602			856,847
			17,729,681			18,468,441
Other borrowings repayable:*						
Within one year			5,070,151			5,745,141
In second year			252,475			5,743
In the third to fifth years, inclusive			-			252,369
			5,322,626			6,003,253

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 2024

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

- (i) As at 30 June 2024, 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 RMB3,344,783,000 (31 December 2023: RMB3,026,036,000);
 - (b) certain of the Group's aircraft with a net carrying amount at the end of the reporting period of nil (31 December 2023: nil);
 - (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 RMB4,481,829,000 (31 December 2023: RMB4,792,611,000);
 - (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 RMB688,737,000 (31 December 2023: RMB688,129,000);
 - (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 RMB191,505,000 (31 December 2023: RMB194,086,000);
 - (f) certain of the Group's time deposits and related interest receivables at the end of the reporting period amounted to nil and nil (31 December 2023: RMB329,720,000 and RMB9,363,000), respectively; and
 - (g) certain of the Group's investments in associates amounted to approximately RMB48,028,000 (31 December 2023: RMB125,354,000).
- (ii) Except for the bonds payable and related interest payable denominated in USD with carrying amounts RMB2,223,929,000 (31 December 2023: RMB2,392,280,000), 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 2024, the Group redeemed corporate bonds of nil (31 December 2023: RMB9,241,000) upon its maturity and renewed amount to nil (31 December 2023: RMB206,970,000).

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 of the convertible bonds was HK\$1.215 per share. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new shares of the Company would be allotted and issued. The issuance of the convertible bonds 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 of the convertible bonds was adjusted 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 of the convertible bonds was HK\$1.255 per share. Assuming that the conversion rights have been exercised in full, 621,513,944 new shares of the Company would be allotted and issued. The issuance of the convertible bonds 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 of the convertible bonds was adjusted 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 2024 and 31 December 2023, the fair value of the derivative embedded was nil.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

17. CONVERTIBLE BONDS *(continued)*

On 27 December 2023, the Group entered into an agreement with one of the Bondholders in relation to the partial settlement of the bonds payable. Pursuant to the agreement, the Group sold 21.6495% of the equity interest in Shenzhen Shifen Daojia to the Bondholder at a consideration of RMB105,000,000. On 23 January 2024, the equity interest of Shenzhen Shifen Daojia was transferred to the Bondholder. In addition, the Bondholder has converted total amounts of the Bonds equivalent to the amount of RMB145,000,000 into shares of the Company. Based on the adjusted conversion price of HK\$1.24, an aggregate of 128,640,000 Conversion Shares has been issued to the Bondholder on 28 May 2024.

For further details of the CBs, please refer to the related announcements of the Company dated 19 April 2020, 28 April 2020, 28 May 2020, 30 June 2020, 29 April 2021, 28 April 2023, 30 June 2023, 27 December 2023, 29 December 2023 and 28 May 2024.

18. COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 June 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Contracted, but not provided for property and equipment	584,728	566,315

In relation to contingent liabilities, the principal amount of the Group's overdue interest-bearing bank and other borrowings (including bonds payable) as at the end of the reporting period amounted to approximately RMB18.8 billion. The Group was involved in a total of 1,435 pending lawsuits, amounted to approximately RMB13 billion in aggregate, of which, the pending cases with banks and financial institutions amounted to approximately RMB10.6 billion as at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

19. 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	
		2024 (Unaudited) RMB' 000	2023 (Unaudited) RMB' 000
Transactions with Anxun Logistics:	(i)		
- Service fee*		717	2,223
- Warehousing service income*		7,424	15,304
- Warehouse service expenses*		-	544
Transactions with Meiyunbao:	(i)		
- Supply of goods or service*		-	206
- Purchase of goods or service*		-	46
Transactions with GOME Finance Technology:	(i)		
- Rental income***		817	-
Transactions with GOME Shared Network:	(i)		
- Service fee*		1	123
Transactions with associates:	(ii)		
- Purchase of goods and rental**		3,795	1,045

Notes:

- (i) These companies represent 安迅物流有限公司及其附屬公司("Anxun Logistics Co., Ltd." or "Anxun Logistics" and its subsidiaries), 美雲保(北京)科技服務有限公司("Meiyunbao Beijing Tech Service Co., Ltd." or "Meiyunbao"), 國美金融科技有限公司及其附屬公司("GOME Finance Technology Co., Ltd." or "GOME Finance Technology" and its subsidiaries) and 國美共享網絡科技(北京)有限公司("GOME Shared Network Tech Beijing Co., Ltd." or "GOME Shared Network").
- (ii) The balance represented transactions with GOME Telecom Equipment Co., Ltd. and its subsidiaries.
- * 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 2024

19. RELATED PARTY TRANSACTION AND TRANSACTIONS WITH INVESTEES *(continued)*

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB' 000	2023 (Unaudited) RMB' 000
Fees	1,176	1,240
Other emoluments:		
Salaries, allowances, and other expense	5,700	3,173
Pension scheme contributions	163	146
	7,039	4,559

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.

20. 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 2024 (Unaudited) RMB' 000	31 December 2023 (Audited) RMB' 000
Financial assets		
Financial assets at fair value through other comprehensive income	95,591	12,988
Financial assets at fair value through profit or loss	2,142,893	2,488,852
Total	2,238,484	2,501,840

20. 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 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 earnings ("P/E") multiple and price to sales ("P/S") multiple, 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 2024

20. 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 2024 and 31 December 2023:

	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	2.21% (31 December 2023: 2.56%)	5% increase (decrease) in risk-free rate would result in decrease (increase) in fair value by RMB9 million (31 December 2023: RMB11 million).
Other unquoted investments	Market approach and enterprise value allocation model	LOMD*	25%-36% (31 December 2023: 18%-32%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB3 million (31 December 2023: RMB4 million).
		P/S	0.60-1.77 (31 December 2023: 0.69-2.09)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value by RMB8 million (31 December 2023: RMB11 million).

* The discount for lack of marketability ("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 2024

20. 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 2024:

	Fair value measurement using			
	Total (Unaudited) RMB' 000	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	95,591	-	-	95,591
Financial assets at fair value through profit or loss	2,142,893	181,900	-	1,960,993
Total	2,238,484	181,900	-	2,056,584

As at 31 December 2023:

	Fair value measurement using			
	Total (Audited) RMB' 000	Significant unobservable inputs (Level 1) (Audited) RMB' 000	Significant unobservable inputs (Level 2) (Audited) RMB' 000	Significant unobservable inputs (Level 3) (Audited) RMB' 000
Financial assets at fair value through other comprehensive income	12,988	-	-	12,988
Financial assets at fair value through profit or loss	2,488,852	303,171	-	2,185,681
Total	2,501,840	303,171	-	2,198,669

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

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

	Financial assets at fair value through other comprehensive income RMB' 000	financial assets at fair value through profit or loss RMB' 000
At 1 January 2024 (audited)	12,988	2,185,681
Net cash flows from changes in financial assets	-	(2,868)
Total losses recognised in the statement of profit or loss	-	(221,820)
Total gains recognised in other comprehensive income	82,603	-
At 30 June 2024 (unaudited)	<u>95,591</u>	<u>1,960,993</u>

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 2023: nil).

21. EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events taking place subsequent to 30 June 2024.

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 2024, 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
Wang Gao	1,000,000	-	-	-	1,000,000	0.00

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

Save as disclosed above, as at 30 June 2024, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



ADDITIONAL INFORMATION

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

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

(c) Particulars of the directors' service contracts

As at 30 June 2024, 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 2024 (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

Mr. Zou Xiao Chun no longer served as an independent non-executive director of Beijing Worldia Diamond Tools Co., Ltd. (a company listed on the Shanghai Stock Exchange) since March 2024. Save as disclosed above, there were no material supplements to the directors' profile during the Reporting Period.

RESTRICTED SHARE AWARD SCHEME

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

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

During the six months ended 30 June 2024, 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 2024, 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.

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.

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 share options to the substantial shareholders and directors of the Company. On 14 July 2023, the Company and the grantees have mutually agreed to terminate and cancel the above options granted. During the six months ended 30 June 2024, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding as at 30 June 2024.

ADDITIONAL INFORMATION

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 2024, 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 (Note 1)	Interest in controlled corporation	4,923,506,602	10.28
Ms. Du Juan (Note 2)	Interest in controlled corporation	4,923,506,602	10.28
Shinning Crown Holdings Inc. (Note 3)	Beneficial owner	3,315,899,938	6.92

Notes:

1. These 4,923,506,602 Shares, 3,315,899,938 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 900,000 Shares held by Ms. Du Juan, the spouse of Mr. Wong.
2. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.
3. 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 2024, 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 28 May 2024, the Company completed the issuance of 128,640,000 conversion shares to a bondholder at HK\$1.24 per share for the partial settlement of the bonds held by the bondholder in the principal amount of RMB145,000,000.

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 2024.

CHANGES TO THE BOARD

Mr. Liu Yin Hong was appointed as an independent non-executive director of the Company commencing from 1 January 2024. In addition, Mr. Song Lin Lin and Ms. Dong Xiao Hong resigned as an executive director and a non-executive director of the Company with effect from 14 May 2024, respectively. Save as disclosed above, there were no change to the Board during the six months ended 30 June 2024.

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance practices. Following the resignation of Ms. Dong Xiao Hong and until the appointment of Ms. Wei Ting on 30 August 2024, the Company has a single gender board which does not meet the diversity requirement under Rule 13.92 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed above, for the six months ended 30 June 2024, the Company was in compliance with the code provisions of the Corporate Governance Code contained in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 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 2024.

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 2024.



CORPORATE INFORMATION

DIRECTORS

Executive Directors

ZOU Xiao Chun
DING Jiang Ning
WEI Ting

Non-executive Directors

ZHANG Da Zhong (*Chairman*)

Independent Non-executive Directors

WANG Gao
LUI Wai Ming
LIU Yin Hong

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

REGISTERED OFFICE

Victoria Place
1st Floor
31 Victoria Street
Hamilton HM10
Bermuda

HEAD OFFICE

Suite 2915, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong