GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

2018 FINANCIAL HIGHLIGHTS

- During the Reporting Period, the GMV of the Group from ME Shop increased by approximately 368%, GMV from new businesses such as home solution and integration of kitchen cabinets with electrical appliances increased by approximately 116%, GMV from smart products increased by approximately 89% and service GMV increased by approximately 51%, respectively, as compared with the corresponding period last year. The booming new business indicates that the Group's strategic transformation is progressing well
- Sales revenue of the Group was approximately RMB64,356 million, down 10.09% as compared with RMB71,575 million in the previous year
- Consolidated gross profit margin was approximately 16.80%, as compared with 18.26% in the previous year
- Loss attributable to owners of the parent was approximately RMB4,887 million, as compared with a loss of RMB450 million in the previous year
- Basic loss per share was RMB23.7 fen, as compared with a loss of RMB2.1 fen in the previous year
- As at 31 December 2018, cash and cash equivalents was approximately RMB10,143 million, up 9.73% as compared with RMB9,244 million in the previous year

The board of directors (the "Board") of GOME Retail Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
REVENUE	*6*	**64,356,031**	71,574,873
Cost of sales	*7*	**(54,616,715)**	(60,519,950)
Gross profit		**9,739,316**	11,054,923
Other income and gains	*6*	**1,070,069**	2,012,321
Selling and distribution expenses		**(9,707,689)**	(9,595,440)
Administrative expenses		**(2,583,320)**	(2,322,337)
Impairment losses on financial assets		**(40,622)**	–
Other expenses		**(3,154,892)**	(1,531,295)
Share of losses of associates		**(216,864)**	(19,976)
Loss before finance (costs)/income and tax		**(4,894,002)**	(401,804)
Finance costs	*8*	**(861,238)**	(691,860)
Finance income	*8*	**341,503**	294,803
LOSS BEFORE TAX	*7*	**(5,413,737)**	(798,861)
Income tax expense	*9*	**(80,142)**	(328,789)
LOSS FOR THE YEAR		**(5,493,879)**	(1,127,650)
Attributable to:			
Owners of the parent		**(4,886,895)**	(449,895)
Non-controlling interests		**(606,984)**	(677,755)
		(5,493,879)	(1,127,650)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
– Basic		**(RMB23.7 fen)**	(RMB2.1 fen)
– Diluted		**(RMB23.7 fen)**	(RMB2.1 fen)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	**2018** *RMB'000*	2017 *RMB'000*
LOSS FOR THE YEAR		**(5,493,879)**	(1,127,650)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments		**–**	(240,030)
Exchange differences on translation of foreign operations		**13,228**	(12,454)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**13,228**	(252,484)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets designated at fair value through other comprehensive income	*13*	**(303,314)**	–
Net other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods		**(303,314)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(290,086)**	(252,484)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(5,783,965)**	(1,380,134)
Attributable to:			
Owners of the parent		**(5,176,981)**	(702,379)
Non-controlling interests		**(606,984)**	(677,755)
		(5,783,965)	(1,380,134)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**6,541,780**	6,398,106
Investment properties		**907,044**	901,285
Goodwill	*12*	**11,924,919**	14,110,000
Other intangible assets		**342,632**	388,522
Investments in associates		**281,879**	201,684
Investment in a joint venture		**3,781**	3,781
Other investments	*13*	**–**	1,956,320
Financial assets designated at fair value through other comprehensive income	*13*	**550,285**	–
Financial assets at fair value through profit or loss	*14*	**851,668**	–
Lease prepayments and deposits		**2,061,231**	2,142,728
Entrusted loan		**–**	500,000
Deferred tax assets		**68,045**	48,789
Total non-current assets		**23,533,264**	26,651,215
CURRENT ASSETS			
Inventories		**8,221,237**	11,255,447
Trade receivables	*15*	**145,404**	186,370
Prepayments, other receivables and other assets		**5,807,707**	5,053,080
Entrusted loan		**500,000**	–
Due from related companies		**148,712**	349,953
Equity investments at fair value through profit or loss	*14*	**–**	3,748,709
Financial assets at fair value through profit or loss	*14*	**1,462,624**	–
Pledged deposits		**10,779,504**	6,735,401
Cash and cash equivalents		**10,143,339**	9,243,844
Total current assets		**37,208,527**	36,572,804
CURRENT LIABILITIES			
Trade and bills payables	*16*	**21,350,182**	22,838,893
Current portion of a finance lease payable		**12,863**	51,994
Other payables and accruals		**3,264,999**	4,296,710
Contract liabilities		**690,645**	–
Interest-bearing bank loans and other borrowings	*17*	**11,807,418**	3,025,262
Due to related companies		**108,407**	121,820
Tax payable		**1,053,301**	1,059,600
Current portion of bonds payable	*18*	**2,316,631**	3,949,387
Total current liabilities		**40,604,446**	35,343,666
NET CURRENT (LIABILITIES)/ASSETS		**(3,395,919)**	1,229,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,137,345**	27,880,353
NON-CURRENT LIABILITIES			
Bonds payable	18	**6,609,960**	8,165,796
Due to related companies		**1,672,006**	1,617,682
Deferred tax liabilities		**450,023**	460,765
Interest-bearing bank loans	17	**321,592**	96,938
Finance lease payable		**–**	12,946
Total non-current liabilities		**9,053,581**	10,354,127
Net assets		**11,083,764**	17,526,226
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**518,322**	518,322
Reserves		**13,559,325**	19,394,803
		14,077,647	19,913,125
Non-controlling interests		**(2,993,883)**	(2,386,899)
Total equity		**11,083,764**	17,526,226

Notes:

1. CORPORATE AND GROUP INFORMATION

GOME Retail Holdings Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

(b) realisation of certain investments or properties.

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any share-based payment transactions with net settlement features for withholding tax, and there is no modification of the terms and the conditions of the Group's cash-settled share-based payment transactions.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement		Reclassification		Revaluation	IFRS 9 measurement	
	Category	Amount	(i)	(ii)		Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets							
Financial assets designated at fair value through other comprehensive income	N/A	–	746,085	–	–	746,085	FVOCI[1] (equity)
Other investments	AFS[2]	1,956,320	(746,085)	(1,210,235)	–	–	N/A
Equity investments at fair value through profit or loss	AFS	3,748,709	–	(3,748,709)	–	–	N/A
Financial assets at fair value through profit or loss	N/A	–	–	4,958,944	33,464	4,992,408	FVPL[3] (mandatory)
Trade and bills receivables	L&R[4]	186,370	–	–	–	186,370	AC[5]
Financial assets included in prepayments, other receivables and other assets	L&R	1,877,562	–	–	–	1,877,562	AC
Due from related companies	L&R	349,953	–	–	–	349,953	AC
Entrusted loan	L&R	500,000	–	–	–	500,000	AC
Pledged deposits	L&R	6,735,401	–	–	–	6,735,401	AC
Cash and cash equivalents	L&R	9,243,844	–	–	–	9,243,844	AC
		24,598,159	–	–	33,464	24,631,623	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 FVPL: Financial assets at fair value through profit or loss
4 L&R: Loans and receivables
5 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous other investments as financial assets designated at fair value through other comprehensive income.

(ii) The Group has reclassified its unquoted investments and quoted stock investments to financial assets at fair value through profit or loss as these equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(b) (Continued)

Impairment

On the date of initial application of IFRS 9, the Group reconciled the opening impairment allowances under IAS 39 to the opening loss allowances as at 1 January 2018 determined in accordance with IFRS 9, and concluded the amendments have had no impact on the opening balance of loss allowances.

Impact on reserves and retained earnings

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	IAS 39	Reclassification	Revaluation	Tax effect	IFRS 9
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reserves					
Other investments revaluation reserve	**116,674**	**(116,674)**	**–**	**–**	**–**
Financial asset revaluation reserve	**–**	**116,674**	**–**	**–**	**116,674**
	116,674	**–**	**–**	**–**	**116,674**
Retained earnings	**5,912,632**	**–**	**33,464**	**(10,591)**	**5,935,505**

The effect resulting from this reclassification on the Group's retained earnings as at 1 January 2018 amounted to RMB22,873,000 after considering the income tax impact of RMB10,591,000.

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

There is no adjustment to the opening balance of retained earnings as at 1 January 2018 and the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** ***RMB'000***
Assets		
Inventories	*(i)*	**(96,660)**
Prepayments, other receivables and other assets	*(i)*	**96,660**
Total assets		**–**
Liabilities		
Other payables and accruals	*(i), (ii)*	**(690,906)**
Contract liabilities		**690,906**
Total liabilities		**–**
Net assets		**–**

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows or loss per share.

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Amounts prepared under		**Increase/**
	IFRS 15 ***RMB'000***	**Previous IFRS** ***RMB'000***	**(decrease)** ***RMB'000***
Revenue			
Sales of goods	**64,356,031**	**64,356,031**	**–**
Cost of sales	**(54,616,715)**	**(54,904,859)**	**288,144**
Other income			
Income from suppliers, net	**–**	**288,144**	**(288,144)**

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) (Continued)

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under IFRS 15 *RMB'000*	Previous IFRS *RMB'000*	Increase/ (decrease) *RMB'000*
Assets				
Inventories	*(i)*	**8,221,237**	**8,290,296**	**(69,059)**
Prepayments, other receivables and other assets	*(i)*	**5,807,707**	**5,738,648**	**69,059**
Total assets		**14,028,944**	**14,028,944**	**–**
Liabilities				
Other payables and accruals	*(i),(ii)*	**3,264,999**	**3,955,644**	**(690,645)**
Contract liabilities	*(i),(ii)*	**690,645**	**–**	**690,645**
Total liabilities		**3,955,644**	**3,955,644**	**–**

The Group's contracts with customers for the sale of products generally include one performance obligation except for the royalty points programme. The Group has concluded that revenue from the sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(i) Sale of products with variable consideration

Some contracts for the sale of products provide customers with a right of return and subject to the royalty points programme. Before adopting IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under IFRS 15, rights of return give rise to variable consideration which is determined using the expected value method.

Rights of return

For a contract that provides a customer with a right to return the goods within a specified period. Before the adoption of IFRS 15, the amount of revenue related to the expected returns was deferred and recognised as deferred revenue which was included in other payables and accruals in the statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of IFRS 15, the Group recognised a right-of-return asset which is included in prepayments, other receivables and other assets and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability, which is included in other payables and accruals, was recognised based on the amount that the Group expects to return to the customers using the expected value method. Accordingly, the Group reclassified deferred revenue of RMB114,316,000 to refund liabilities as included in other payables and accruals and reclassified inventories of RMB96,660,000 to right-of-return assets as included in prepayments, other receivables and other assets as at 1 January 2018. As at 31 December 2018, the adoption of IFRS 15 resulted in an increase in prepayments, other receivables and other assets and a decrease in inventories by RMB69,059,000 and refund liabilities were increased of RMB81,467,000 included in other payables and accruals.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

(c) (Continued)

Loyalty points programme

The Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points obtained. Prior to the adoption of IFRS 15, the loyalty points programme offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty points programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the loyalty points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The deferred revenue related to this loyalty points programme amounting to RMB207,846,000 and RMB170,422,000 were reclassified to contract liabilities as at 31 December 2018 and at 1 January 2018, respectively, under IFRS 15.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB482,799,000 and RMB520,484,000 from other payables and accruals to contract liabilities as at 31 December 2018 and 1 January 2018, respectively, in relation to the consideration received from customers in advance.

(iii) Consideration income from suppliers

Upon adoption of IFRS 15, income from suppliers with no distinct performance obligation identified was reclassified from other income to deduction of cost of sales.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of networks of retail stores of electrical appliances and consumer electronic products and online sales of electronic products in the PRC. The corporate office in Hong Kong does not earn revenues and is not classified as an operating segment.

Management monitors the results of the Group's operating segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance income, gains on equity investments at fair value through profit or loss, dividends income from financial assets at fair value through profit or loss, unallocated income, finance costs, losses on financial assets at fair value through profit or loss, share of losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude investments in associates, investment in a joint venture, other investments, financial assets designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, deferred tax assets, equity investments at fair value through profit or loss, entrusted loans, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans and other borrowings, tax payable, bonds payable and deferred tax liabilities as these liabilities are managed on a group basis.

	2018	2017
	RMB'000	*RMB'000*
Segment revenue		
Sales to external customers	**64,356,031**	71,574,873
Segment results	**(4,360,955)**	(395,416)
Reconciliation:		
Finance income	**341,503**	294,803
Gains on equity investments at fair value through profit or loss	**–**	213,594
Dividends income from financial assets at fair value through profit or loss	**5,447**	10,938
Unallocated income	**6,083**	6,309
Finance costs	**(861,238)**	(691,860)
Net loss on financial assets at fair value through profit or loss	**(93,021)**	–
Share of losses of associates	**(216,864)**	(19,976)
Corporate and other unallocated expenses	**(234,692)**	(217,253)
Loss before tax	**(5,413,737)**	(798,861)

4. OPERATING SEGMENT INFORMATION (Continued)

	2018	2017
	RMB'000	*RMB'000*
Segment assets	**36,100,666**	41,285,491
Reconciliation:		
Corporate and other unallocated assets	**24,641,125**	21,938,528
Total assets	**60,741,791**	63,224,019
Segment liabilities	**27,099,102**	28,940,045
Reconciliation:		
Corporate and other unallocated liabilities	**22,558,925**	16,757,748
Total liabilities	**49,658,027**	45,697,793
Other segment information		
Depreciation and amortisation	**834,693**	888,511
Capital expenditure*	**1,040,249**	1,039,269

* Capital expenditure consists of additions to property and equipment, investment properties and other intangible assets.

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**64,356,031**	71,574,873

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**21,751,050**	24,332,621
Hong Kong	**42,857**	37,920
Europe	**3,781**	3,781
United States of America	**265,578**	271,784
	22,063,266	24,646,106

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets, financial assets designated at fair value through other comprehensive income and financial assets at fair value through profit or loss.

5. BUSINESS COMBINATION

On 3 April 2018, the Group acquired 100% of the equity interests of 天津國美倉儲有限公司 (Tianjin GOME Warehousing Co. Ltd., or "Tianjin GOME Warehousing"), an unlisted company principally engaged in the business of warehousing services, at a cash consideration of RMB90 million.

Tianjin GOME Warehousing was ultimately controlled by Ms. Huang Xiu Hong, a close family member of Mr. Wong Kwong Yu ("Mr. Wong"), who is the controlling shareholder of the Group. Therefore, the Group accounted for this transaction as business combination by applying the acquisition method.

The carrying amounts of the assets and liabilities of Tianjin GOME Warehousing as at the date of acquisition were:

	Carrying amounts recognised on acquisition ***RMB'000***
Current assets	153
Buildings	94,601
Land use rights	63,290
Total liabilities	(68,434)
Total identifiable net assets at carrying amount	89,610
Satisfied by:	
Cash	89,610

An analysis of the cash flows in respect of the acquisition of Tianjin GOME Warehousing is as follows:

	RMB'000
Cash consideration	(89,610)
Cash and cash equivalents acquired	88
Net outflow of cash and cash equivalents	(89,522)

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Sale of electrical appliances and consumer electronic products	**64,356,031**	71,574,873
Other income		
Income from suppliers, net*	**–**	429,281
Other service fee income	**330,264**	356,218
Gross rental income	**264,467**	243,244
Income from installation	**116,612**	190,494
Government grants**	**102,807**	151,784
Other income from telecommunication service providers	**102,676**	94,673
Commission income from providing online platforms	**50,448**	77,933
Income from compensation	**16,069**	33,820
Income from financial products during the year	**11,974**	93,131
Dividends income from financial assets at fair value through profit or loss	**5,447**	10,938
Income from disposal of other investments	**–**	3,788
Others	**69,305**	85,294
	1,070,069	1,770,598
Gains		
Fair value gain on investment properties	**–**	28,129
Fair value gains, net:		
Equity investments at fair value through profit or loss	**–**	213,594
	1,070,069	2,012,321

* Upon adoption of IFRS 15, income from suppliers with no distinct performance obligation identified was reclassified from other income to deduction of cost of sales.

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

6. REVENUE, OTHER INCOME AND GAINS (Continued)

(i) Disaggregated revenue information

The following table shows the amounts of revenue from contract with customers:

	2018
	RMB'000
Sale of electrical appliances and consumer electronic products – offline	**60,412,074**
Sale of electrical appliances and consumer electronic products – online	**3,943,957**
	64,356,031

(ii) Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of the products where payment in advance is normally required. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**520,484**
Loyalty points programme	**160,954**
	681,438

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**679,098**
More than one year	**11,547**
	690,645

The remaining performance obligations expected to be recognised in more than one year relate to loyalty points programme that are to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

7. LOSS BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**54,616,715**	60,519,950
Depreciation	**753,267**	811,330
Amortisation of other intangible assets*	**45,890**	43,881
Amortisation of prepaid land lease payments	**35,536**	33,300
Loss on disposal of property and equipment ***	**23,486**	91,196
Net loss on financial assets at fair value through profit or loss	**93,021**	–
Minimum lease payments under operating leases	**4,408,910**	4,431,414
Impairment losses on property and equipment***	**87,566**	374,204
Impairment losses on goodwill***	**2,185,081**	214,966
Impairment losses on financial assets****	**40,622**	–
Foreign exchange differences, net	**140,836**	154,375
Auditors' remuneration		
– audit services	**7,700**	7,413
– non-audit services	**–**	1,834
Staff costs excluding directors' and chief executive's remuneration:		
Wages, salaries and bonuses	**3,097,856**	2,867,010
Pension scheme contributions**	**669,671**	649,434
Social welfare and other costs	**92,646**	95,940
Share award expense*****	**(8,370)**	9,011
	3,851,803	3,621,395
Net fair value loss/(gain) on investment properties	**6,649**	(28,129)

Notes:

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

** At 31 December 2018, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2017: Nil).

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

**** The item comprises the impairment losses on trade receivables amounting to RMB20,845,000 and impairment losses on prepayments, other receivables and other assets amounting to RMB19,777,000.

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

8. FINANCE (COSTS)/INCOME

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

	2018	2017
	RMB'000	*RMB'000*
Finance costs:		
Interest expense on bank loans	**(153,366)**	(37,389)
Interest expense on borrowing from related parties	**(82,371)**	(53,658)
Interest expense on bonds payable	**(666,614)**	(597,451)
Interest expense on bill discount	**(45,995)**	–
Interest expense on finance lease payable	**(1,589)**	(4,289)
Total interest expense on financial liabilities not at fair value through profit or loss	**(949,935)**	(692,787)
Less: Interest capitalised	**88,697**	927
	(861,238)	(691,860)
Finance income:		
Bank interest income	**341,503**	294,803

9. INCOME TAX EXPENSE

An analysis of the provision for tax in the financial statements is as follows:

	2018	2017
	RMB'000	*RMB'000*
Current income tax	**120,731**	303,660
Deferred income tax	**(40,589)**	25,129
Total tax charge for the year	**80,142**	328,789

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The determination of current and deferred income taxes was based on the enacted tax rates.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2017: 25%) on their respective taxable income. During the year, 78 entities (2017: 48 entities) 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.

The Group realised tax benefits during the year through applying the preferential corporate income tax rates and the corporate income tax exemptions. These preferential tax treatments were available to the Group pursuant to the enacted PRC tax rules and regulations and are subject to assessment by the relevant PRC tax authorities.

As the Group had assessable profits arising in Hong Kong for 2018, a provision for Hong Kong profits tax of RMB5,000 has been made for the year ended 31 December 2018 (2017: RMB46,000).

9. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the Group's effective tax rate, is as follows:

2018	**Hong Kong** *RMB'000*	**%**	**Mainland China** *RMB'000*	**%**	**Total** *RMB'000*	**%**
Loss before tax	**(470,654)**		**(4,943,083)**		**(5,413,737)**	
Income tax at the statutory tax rate	**(77,658)**	**16.5**	**(1,235,771)**	**25.0**	**(1,313,429)**	**24.3**
Tax effect of preferential tax rates	**–**		**(25,289)**		**(25,289)**	
Income not subject to tax	**(16,099)**		**(1,093)**		**(17,192)**	
Expense not deductible for tax	**93,762**		**609,506**		**703,268**	
Tax losses utilised from previous years	**–**		**(24,084)**		**(24,084)**	
Tax losses not recognised	**–**		**756,868**		**756,868**	
Tax charge at the Group's effective rate	**5**		**80,137**		**80,142**	

2017	Hong Kong *RMB'000*	%	Mainland China *RMB'000*	%	Total *RMB'000*	%
Loss before tax	(271,953)		(526,908)		(798,861)	
Income tax at the statutory tax rate	(44,872)	16.5	(131,727)	25.0	(176,599)	22.1
Tax effect of preferential tax rates	–		(38,025)		(38,025)	
Effect of reversed withholding tax at 5% on the distributable profits of the Group's subsidiaries in Mainland China	–		(25,189)		(25,189)	
Income not subject to tax	(27,952)		(2,372)		(30,324)	
Expense not deductible for tax	72,870		75,211		148,081	
Tax losses utilised from previous years	–		(46,790)		(46,790)	
Tax losses not recognised	–		497,635		497,635	
Tax charge at the Group's effective rate	46		328,743		328,789	

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

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 20,605,433,000 (2017: 21,390,244,000) in issue during the year.

The calculation of the diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted loss per share is the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2018 and 2017 as the impact of the warrants and share options outstanding had no dilutive effect on the basic loss per share amounts presented.

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

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

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculation	**(4,886,895)**	(449,895)

	Number of shares	
	2018	2017
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**20,605,433**	21,390,244

11. DIVIDENDS

Pursuant to the board of directors' resolution dated 29 March 2019, the board did not recommend the payment of a final dividend for the year ended 31 December 2018 so as to preserve capital for the funding needs of the Group.

12. GOODWILL

	2018	2017
	RMB'000	*RMB'000*
At 1 January:		
Cost	**14,373,742**	14,373,742
Accumulated impairment	**(263,742)**	(48,776)
Net carrying amount	**14,110,000**	14,324,966
Cost at 1 January, net of accumulated impairment	**14,110,000**	14,324,966
Impairment during the year	**(2,185,081)**	(214,966)
At 31 December	**11,924,919**	14,110,000
At 31 December:		
Cost	**14,373,742**	14,373,742
Accumulated impairment	**(2,448,823)**	(263,742)
Net carrying amount	**11,924,919**	14,110,000

12. GOODWILL (Continued)

Impairment testing of goodwill

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2018 *RMB'000*	2017 *RMB'000*
China Paradise Electronics Retail Limited ("China Paradise") 永樂（中國）電器銷售有限公司	**3,920,393**	3,920,393
Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances") 北京市大中家用電器連鎖銷售有限公司	**3,130,136**	3,130,136
Shaanxi Cellstar Telecommunication Retail Chain Company Limited 陝西蜂星電訊零售連鎖有限責任公司	**60,428**	60,428
Shenzhen GOME Electrical Appliances Company Limited ("Shenzhen GOME") and Guangzhou GOME Electrical Appliances Company Limited ("Guangzhou GOME") 深圳市國美電器有限公司和廣州市國美電器有限公司	**22,986**	22,986
Shandong Longji Island Construction Company Limited 山東龍脊島建設有限公司	**8,000**	8,000
Wuhan GOME Electrical Appliances Company Limited 武漢國美電器有限公司	**7,300**	7,300
Jiangsu Pengrun GOME Electrical Appliance Company Limited and Nanjing Pengze Investment Company Limited 江蘇鵬潤國美電器有限公司和南京鵬澤投資有限公司	**5,874**	5,874
Beijing Huihai Tianyun Commercial Consultancy Co., Ltd. ("Huihai") 北京匯海天韻商務諮詢有限公司	**15,790**	15,790
Artway Development Limited ("Artway") 藝偉發展有限公司	**6,987,869**	6,987,869
Tengda Technology Co., Ltd. ("Tengda") 江西騰達科技有限公司	**214,966**	214,966
	14,373,742	14,373,742
Impairment	**(2,448,823)**	(263,742)
	11,924,919	14,110,000

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections are prepared based on financial budgets as approved by management which cover a period of five years. The discount rate applied to the cash flow projections is 12.80% (2017: 13.60%).

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2017: 3%).

During 2018, in view of the underperformance of China Paradise and Artway, impairment losses of RMB1,206,682,000 and RMB978,399,000 were recognised for the goodwill in relation to the cash-generating unit with a carrying amount of RMB3,920,393,000 and RMB6,987,869,000, respectively.

As at 31 December 2018, the impairment was mainly related to China Paradise, Artway, Tengda, Shenzhen GOME and Guangzhou GOME and Huihai in the amount of RMB1,206,682,000, RMB978,399,000, RMB214,966,000, RMB22,986,000 and RMB15,790,000, respectively.

12. GOODWILL (Continued)

Key assumptions used in the value in use calculations

The following describes the key assumptions of the cash flow projections.

Store revenue:	the basis used to determine the future earnings potential are historical sales and average and expected growth rates of the retail market in the PRC.
Gross margins:	the gross profit margins are based on the historical margin achieved in the past.
Expenses:	the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.
Discount rates:	the discount rates used are after tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for each unit, regard has been given to the applicable borrowing rate of the Group in the current year.

Sensitivity to changes in assumptions

With regards to the assessment of the value in use of the respective cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the respective carrying values, including goodwill, of the cash-generating units to exceed the respective recoverable amounts.

13. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ OTHER INVESTMENTS

	Notes	**31 December 2018** ***RMB'000***	31 December 2017 *RMB'000*
Financial assets designated at fair value through other comprehensive income			
Quoted equity shares, at fair value			
Investment in Gome Telecom	*(i)*	**406,865**	–
Investment in MTC	*(ii)*	**143,420**	–
		550,285	–
Other investments			
Quoted equity shares, at fair value			
Investment in Gome Telecom	*(i)*	**–**	475,851
Investment in MTC	*(ii)*	**–**	270,234
Unquoted equity investments, at cost		**–**	1,210,235
		–	1,956,320

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Revaluation reserve RMB116,674,000 was reclassified from other investment reserve to financial asset revaluation reserve for the opening balances in equity at 1 January 2018.

13. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ OTHER INVESTMENTS (Continued)

Notes:

(i) During 2018, the Group further purchased 10,492,065 shares of 國美通訊設備股份有限公司 ("Gome Telecom Equipment Co., Ltd." or "Gome Telecom") with a cash consideration of RMB107,514,000. The balance as at 31 December 2018 represented the fair value of the Group's investments in 50,479,465 shares, representing approximately 19.99% of the outstanding issued shares of Gome Telecom. Gome Telecom is a company established in the PRC and listed on the Shanghai Stock Exchange. Upon adoption of IFRS 9, the Group reclassified the investment from other investments to financial assets designated at fair value through other comprehensive income recognised as a separate component of equity.

Of the seven directors of Gome Telecom, two were nominated by the Group as at 31 December 2018 (31 December 2017: two). With reference to Gome Telecom's memorandum and articles of association and by taking into account the current shareholding structure of Gome Telecom, the directors of the Company consider that the Group has no absolute right to determine the composition of the board of directors of Gome Telecom or appoint directors to Gome Telecom and thus the Group does not have control or significant influence over Gome Telecom.

As at 31 December 2018, the fair value of this investment was based on the quoted market price, which was RMB8.06 (31 December 2017: RMB11.90) per share. During 2018, the loss in respect of this investment recognised in other comprehensive income amounted to RMB176,500,000 (2017: RMB209,534,000).

(ii) During 2016, the Group subscribed 30,193,814 shares of 深圳兆馳股份有限公司 ("Shenzhen MTC Co., Ltd." or "MTC") with a consideration of RMB370,780,000, representing approximately 1.67% of the issued shares. MTC is a company established in the PRC and listed on the Shenzhen Stock Exchange. Upon adoption of IFRS 9, the Group reclassified the investment from other investments to financial assets designated at fair value through other comprehensive income recognised as a separate component of equity.

On 8 June 2017, MTC declared and paid a cash dividend of RMB0.25 for every 10 shares and a stock dividend of 15 shares for every 10 shares held by the shareholders. As at 31 December 2018, the Group held 75,484,535 shares, which represented 1.67% of the issued shares of MTC.

As at 31 December 2018, the fair value of this investment was based on the quoted market price, which was RMB1.90 (31 December 2017: RMB3.58) per share.

During the year ended 31 December 2018, the loss in respect of this investment was recognised in other comprehensive income amounted to RMB126,814,000 (2017: RMB30,496,000).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
Financial assets at fair value through profit or loss			
Quoted equity shares investment, at fair value			
Investment in Hillhouse-MTN	*(i)*	**812,103**	–
Other quoted shares investments		**650,521**	–
Total current		**1,462,624**	–
Unquoted investments, at fair value	*(ii)*	**851,668**	–
Total non-current		**851,668**	–
Equity investments at fair value through profit or loss			
Quoted equity shares investment, at fair value		**–**	3,748,709
Total		**2,314,292**	3,748,709

Notes:

(i) The Group acts as a limited partner Hillhouse MTN-III Co-Invest Holdings L.P. ("Hillhouse-MTN"), which is a private equity fund since 29 November 2017. Hillhouse-MTN made an investment in Internet Plus Holding Ltd., which was well recognized as "Meituan", a leading service e-commerce platform in China. The fair value of the investment in Hillhouse-MTN as at 1 January 2018 was estimated by using the prior transaction method with reference to the recent financing of Meituan. On 20 September 2018, Meituan went to listing on the Hong Kong Stock Exchange. The fair value of the investment was estimated by using the quoted price since then. The investment with carrying value of RMB812,103,000 was pledged as security for other borrowings (note 17) as at 31 December 2018.

(ii) As at 31 December 2018, unquoted investments with a carrying amount of RMB851,668,000 were stated at fair value through profit or loss.

15. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**166,249**	186,370
Impairment	**(20,845)**	–
	145,404	186,370

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Management considers that there is no significant concentration of credit risk. The balances are unsecured and non-interest-bearing.

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

	2018	2017
	RMB'000	*RMB'000*
Outstanding balances, aged:		
Within 3 months	**134,571**	140,556
3 to 6 months	**10,069**	45,358
6 months to 1 year	**764**	456
	145,404	186,370

15. TRADE RECEIVABLES (Continued)

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables as at 31 December 2018:

	12-month ECLs *RMB'000*	**Lifetime ECLs – not credit impaired financial assets** *RMB'000*	**Lifetime ECLs-credit impaired financial assets** *RMB'000*	**Total** *RMB'000*
At the beginning of year	**–**	**–**	**–**	**–**
Impairment losses	**3,402**	**–**	**17,443**	**20,845**
	3,402	**–**	**17,443**	**20,845**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Current	**Less than 3 months**	**Past due 3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.35%**	**0.35%**	**14.18%**	**100.00%**	**2.29%**
Gross carrying amount (RMB'000)	**134,572**	**10,069**	**1,475**	**2,690**	**148,806**
Expected credit losses (RMB'000)	**468**	**35**	**209**	**2,690**	**3,402**

Impairment under IAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	70,278
Less than 3 months past due	92,957
Over 3 months past due	23,135
	186,370

16. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**5,955,199**	8,040,453
Bills payable	**15,394,983**	14,798,440
	21,350,182	22,838,893

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**11,114,288**	12,208,312
3 to 6 months	**8,575,334**	8,939,643
Over 6 months	**1,660,560**	1,690,938
	21,350,182	22,838,893

The Group's bills payable are secured by the pledge of certain of the Group's assets as follows:

(i) time deposits;

(ii) buildings; and

(iii) investment properties.

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

17. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		2018	2017
		RMB'000	*RMB'000*
Current:			
Bank loan – secured	*(i)(ii)(iv)(v)(vi)(vii)*	**11,077,696**	3,025,262
Bank loan – unsecured	*(viii)(ix)*	**423,051**	–
Other borrowings	*(iii)*	**306,671**	–
		11,807,418	3,025,262
Non-current:			
Bank loans – secured		**321,592**	96,938
		12,129,010	3,122,200

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and other borrowings		
Within one year or on demand	**11,807,418**	3,025,262
In the second year	**17,500**	–
In the third to fifth years, inclusive	**92,754**	–
Beyond five years	**211,338**	96,938
	12,129,010	3,122,200

17. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (Continued)

The current bank loans as at 31 December 2018 comprised:

i) a bank loan of EUR$258,937,000 (equivalent to RMB2,032,632,000) bearing interest at 1 year EURIBOR plus 1% per annum, which was secured by the pledged deposits of RMB2,118,060,000;

ii) a bank loan of US$244,000,000 (equivalent to RMB1,673,923,000) bearing interest at 3-month LIBOR plus 1.2% per annum, which was secured by pledged deposits of RMB1,632,360,000;

iii) a loan of HK$350,000,000 (equivalent to RMB306,671,000) bearing interest at the higher of 9% and 3-month HIBOR plus 7% per annum, which was secured by the shares of a subsidiary of the Group, and the Group's financial assets at fair value through profit or loss with carrying amount of RMB812,103,000 (note 14);

iv) bank loans of EUR22,070,000 (equivalent to RMB172,310,000) bearing interest at 4.8% per annum which were guaranteed by a subsidiary of the Group;

v) bank loans of RMB620,000,000 bearing interests at 4.35% to 6.12% per annum, which were secured by the Group's investment properties and buildings with carrying amount of RMB579,195,000;

vi) bank loans of RMB653,000,000 bearing interests at 4.30% to 5.87% per annum, which were guaranteed by certain subsidiaries of the Group;

vii) discount of bills receivables from various banks with carrying amount of RMB5,925,831,000 bearing interests at 2.04% to 5.37% per annum, which were secured by the pledged deposits of RMB1,701,447,000;

viii) discount of trade receivables from various banks with carrying amount of RMB419,957,000 bearing interests at 5.82% to 5.95% per annum; and

ix) a bank loan of JPY50,000,000 (equivalent to RMB3,094,000) bearing a fixed interest at 0.53% per annum.

The non-current bank loans as at 31 December 2018 comprised bank loans of RMB321,592,000 at a 5-year benchmark interest rate of the People's Bank of China were secured by the Group's prepaid land lease payments with carrying amount of RMB1,136,997,000. During the year, the interest of RMB10,311,000 was capitalised in construction in progress of the consolidated statement of financial position.

The carrying amounts of the bank loans approximate to their fair values.

18. BONDS PAYABLE

On 7 January 2016, 28 January 2016 and 10 May 2016, the Group issued bonds at par values of RMB3,000 million ("the first tranche in 2016"), RMB300 million ("the second tranche in 2016") and RMB1,700 million ("the third tranche in 2016") on the Shanghai Stock Exchange, which are repayable on 7 January 2022, 28 January 2022 and 10 May 2022, respectively. These bonds could be redeemed by the holder and the earliest repayment dates are 7 January 2019, 28 January 2019 and 10 May 2019, respectively. These bonds bore interests at 4%, 4% and 4.5%, respectively, per annum. The net proceeds after deducting the transaction cost of RMB105,232,000 was RMB4,894,768,000. The interests are paid on an annual basis.

As at 31 December 2018, the Group had completed the renewal of the first tranche in 2016 with the bond holders. The original coupon rate of the outstanding aggregate principal amount of RMB2,660,210,000 was adjusted to 7.6% since 8 January 2019 and the earliest repayment date will be 7 January 2021.

On 8 December 2016, the Group issued non-public bonds at par values of RMB4,000 million, which is repayable on 8 December 2022. The bonds could be redeemed by the holder and the earliest repayment date is 8 December 2018. These bonds bore interests at 5.67% per annum. The net proceeds after deducting the transaction cost of RMB60,000,000 was RMB3,940,000,000. The interests are paid on an annual basis. On 8 December 2018, these bonds were redeemed by the holder and the Group repaid the principal amount of RMB4,000 million.

On 10 March 2017 and 23 June 2017, the Group issued overseas bonds in an aggregate principal amount of US$400 million (equivalent to RMB2,777,143,000) and US$100 million with bonds premium of US$625,000 (equivalent to RMB686,735,000), respectively. These two sets of bonds form a single series which is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The net proceeds after deducting the transaction cost of RMB40,833,000 was RMB3,423,045,000. These bonds bore interest from 10 March 2017 at 5.0% per annum payable semi-annually in arrears on 10 March and 10 September of each year, beginning 10 September 2017. Unless previously redeemed, purchased or cancelled, these bonds will be redeemed at their principal amount on 10 March 2020. The Group may redeem all, but not less than all, of these bonds at a price equal to their principal amount plus accrued and unpaid interest upon certain changes in the tax laws of certain jurisdiction.

Upon the occurrence of certain conditions as described in the announcements dated on 14 March 2017 and 27 June 2017, the Group must make an offer to repurchase all bonds outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but excluding) the date of repurchase. On 18 December 2018, the Group repurchased the overseas bonds in the aggregate principal amount of US$4,000,000 (equivalent to RMB27,441,000).

On 21 December 2018, the Group issued bonds at par values of RMB600 million ("the first tranche in 2018") on the Shanghai Stock Exchange, which are repayable on 21 December 2024. These bonds could be redeemed by the holder and the earliest repayment date is 21 December 2020. These bonds bore interests at 7.8% per annum. The net proceeds after deducting the transaction cost of RMB3,600,000 was RMB596,400,000. The interests are paid on an annual basis.

18. BONDS PAYABLE (Continued)

After initial recognition, these bonds are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate. The interest expense calculated based on the effective interest rate was RMB666,614,000, of which RMB588,228,000 was included in finance costs of the consolidated statement of profit or loss and RMB78,386,000 was capitalised in construction in progress of the consolidated statement of financial position.

The movements of bonds payable during the year are as follows:

	RMB'000
Carrying amount as at 1 January 2018	12,115,183
Interest reclassified to current portion in previous year	243,327
Additions	596,400
Interest expenses during the year	666,614
Interest paid during the year	(598,611)
Principal paid during the year	(4,027,441)
Exchange differences	168,678
	9,164,150
Less: Interest to be paid within one year	(237,559)
Current portion included in current liabilities	(2,316,631)
Included under non-current liabilities as at 31 December 2018	6,609,960

19. EVENTS AFTER THE REPORTING PERIOD

(i) On 7 January 2016, the Group issued bonds at par values of RMB3,000 million ("the first tranche in 2016") on the Shanghai Stock Exchange (note 18). On 24 December 2018, the first tranche in 2016 with aggregate principal amount of RMB2,660,210,000 were renewed, while the remaining amount of RMB339,790,000 were redeemed and then resold on 29 January 2019. The original coupon rate for the first tranche in 2016 was adjusted from 4% to 7.6% since 8 January 2019.

(ii) On 28 January 2016, the Group issued bonds at par values of RMB300 million ("the second tranche in 2016") on the Shanghai Stock Exchange (note 18). On 17 January 2019, the second tranche in 2016 with aggregate principal amount of RMB256,657,000 were renewed, while the remaining amount of RMB43,343,000 were redeemed and then resold on 1 March 2019. The original coupon rate for the second tranche in 2016 was adjusted from 4% to 7.6% since 29 January 2019.

(iii) On 28 February 2019, the Group issued bonds at par values of RMB500 million ("the first tranche in 2019") on the Shanghai Stock Exchange, which are repayable on 28 February 2025. These bonds could be redeemed by the holder and the earliest repayment date is 28 February 2021. These bonds bore coupon rate at 7.8% per annum and the interests are paid on an annual basis.

(iv) On 13 September 2018, the Group entered into an agreement with 鵬潤控股有限公司("Pengrun Holdings Co., Ltd.") pursuant to which the Group has conditionally agreed to acquire all the equity interests in 國美控股集團廣州有限公司("GOME Holdings Group Guangzhou Co., Ltd." or "the Target Company", a company incorporated in the PRC with limited liability). The Target Company and its wholly-owned subsidiary, owns a property development project in Guangzhou, PRC. On 25 January 2019, the transaction was completed and the Target Company became a wholly-owned subsidiary of the Group and its financial statements are consolidated with the accounts of the Group since then. No goodwill was recognised as the consideration was approximate to the fair value of the identifiable net assets.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2018 (the "Reporting Period"), GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "GOME") actively embarked on a path to a new retail era with GOME's characteristics and through the integration of GOME APP, physical stores and the ME Shop, the Group strives to transform itself into an integrated home solution, service solution and supply chain provider based on its strategy of "Home • Living". Leveraging on its logistics and after-sales service capabilities, the Group is committed to becoming the largest logistics, installation and maintenance service provider on home appliances and bulky household items in China. The Group is building a new retail ecosystem by virtue of its self-operated product and service capabilities.

There had been a steady development in the Group's new market, new business and new technology during the Reporting Period. The Group recorded an increase in gross merchandise volume ("GMV") of 116% for its new businesses such as home solution and integration of kitchen cabinets with electrical appliances as compared with the corresponding period last year. The Group is also a pioneer in the industry in developing the self-operated cabinet business model through a partnership with IXINA, a top kitchen cabinet chain store brand in Europe. While persistently exploring new types of stores, the Group continues its strategic development of large-scale integrated flagship stores and home decoration material stores in the first- and second-tier cities, and expedite its county-level stores network in the third- to sixth-tier cities. In 2018, the Group opened 602 new stores in total. Leveraging on the continuous optimized middle-end data platform and big data technology, the Group continues to provide its consumers with lifecycle service solutions of merchandise and to expand its smart home solutions business. The Group started to provide services to both its customers and third-party partners through GOME House Manager and warehousing services. Currently, the contribution of service income to consolidated gross profit has been improved. The booming new business indicates that the strategic transformation is progressing well.

During the Reporting Period, the total GMV of the Group for both online and offline operations remained stable as compared with the corresponding period last year, among which GMV from ME Shop grew by 368%, while service GMV and GMV from smart products grew by 51% and 89%, respectively, as compared with the corresponding period last year. The consolidated gross profit margin maintained at a high level for the industry of approximately 16.80% as compared with 18.26% in the corresponding period last year. As of 31 December 2018, the Group had sufficient capital with cash and cash equivalents of approximately RMB10,143 million.

During the Reporting Period, the Group's traditional business was affected by a sluggish macro-economy. The sales revenue for 2018 was approximately RMB64,356 million, decreased by 10.09% as compared with RMB71,575 million in the corresponding period last year, resulting in a decrease in the consolidated gross profit from RMB13,067 million in the corresponding period last year to approximately RMB10,809 million. The total operating expenses (including the impairment losses on goodwill discussed below) was approximately RMB15,446 million, increased by 14.85% as compared with RMB13,449 million in the corresponding period last year. The financial costs still stood at a relatively high level of approximately RMB861 million as compared with RMB692 million in the corresponding period last year. In addition, to be conservative and comply with the applicable accounting standards, the Group has provided a goodwill impairment amounted to approximately RMB2,185 million on some businesses which did not meet expectations. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period was approximately RMB4,887 million, as compared with a loss of RMB450 million for the corresponding period last year.

Currently, with the Group's strategic transformation has entered a critical stage, the Group's new business began to take its initial shape. The Group is positive to inaugurate a new retail era with GOME's characteristics. The Group will also take physical stores and ME Shop as the core of its low-cost traffic gateways, making the GOME APP as a centralized platform for traffic collection and distribution, in order to have the three terminals to share traffic, tools and scenarios with each other. The Company leverages the internet model to accomplish its transformation and realize online and offline integration. With the new market, new business and new technology as the important pillars of its growth, the Group is committed in pursuing better shareholder value.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the macro-economy was sluggish with the Group's strategic transformation entering into a critical stage, the Group's traditional business was affected. The Group's revenue was approximately RMB64,356 million, down 10.09% from RMB71,575 million in 2017.

During the Reporting Period, aggregate sales of 1,381 comparable stores of the Group was approximately RMB53,202 million, down 13.78% from RMB61,702 million for the corresponding period in 2017. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted for approximately 33% of the total revenue, as compared with 34% for the corresponding period last year, representing a decrease in revenue contributed from the first-tier market. In addition, the proportion of revenue from county-level stores has increased to 4.06% of total revenue while the revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) has increased to 4.70% of total revenue.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB54,617 million in the Reporting Period, accounted for 84.87% of the revenue, similar with 84.55% for the corresponding period in 2017. With the decrease in revenue, gross profit was approximately RMB9,739 million, down 11.90% from RMB11,055 million for the corresponding period last year. The gross profit margin was approximately 15.13%, decreased by 0.32 percentage point as compared with 15.45% for the corresponding period last year. The gross profit margins of each product category remained relatively stable as compared with the corresponding period last year.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB1,070 million, representing a decrease of 46.82% as compared with RMB2,012 million in 2017. The reduction in other income and gains was mainly due to the Group have adopted IFRS15 in 2018. Upon adoption of IFRS15, income from suppliers with no distinct performance obligation identified was reclassified from other income to deduction of cost of sales. The reclassified amount in 2018 was approximately RMB288 million. In addition, no gains on equity investments at fair value through profit or loss was recorded during the Reporting Period, as compared with gains of RMB214 million for the corresponding period last year.

Summary of other income and gains:

	2018	2017
As a percentage of sales revenue:		
Income from suppliers, net	**–**	0.60%
Income from installation	**0.18%**	0.27%
Gross rental income	**0.41%**	0.34%
Government grants	**0.16%**	0.21%
Other service fee income	**0.51%**	0.50%
Gains on equity investments at fair value through profit or loss	**–**	0.30%
Others	**0.40%**	0.59%
Total	**1.66%**	2.81%

Consolidated gross profit margin

During the Reporting Period, with the decrease in the gross profit margin and other income and gains margin, the Group's consolidated gross profit margin decreased by 1.46 percentage points from 18.26% for the corresponding period last year to 16.80%, and it still maintained at a high level for the the industry.

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

Operating expenses

During the Reporting Period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB15,446 million as compared with RMB13,449 million for the corresponding period last year. The expenses ratio was approximately 24.00%, up by 5.21 percentage points as compared with 18.79% for the corresponding period in 2017. The increase in the operating expenses, among others, was mainly due to the increase in the non-operating items as further discussed in the paragraph headed "other expenses" below.

Summary of operating expenses:

	2018	2017
As a percentage of sales revenue:		
Selling and distribution expenses	**15.08%**	13.41%
Administrative expenses	**4.01%**	3.24%
Other expenses	**4.91%**	2.14%
Total	**24.00%**	18.79%

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses increased slightly by 1.18% from RMB9,595 million in the corresponding period last year to approximately RMB9,708 million. The selling and distribution expenses ratio was 15.08%, increased by 1.67 percentage points as compared with 13.41% for the corresponding period in 2017. The increase in selling and distribution expenses ratio was mainly due to the rental expenses as a percentage of sales revenue increased by 0.59 percentage point from 5.77% in the corresponding period last year to 6.36%, the salaries as a percentage of sales revenue increased by 0.40 percentage point from 3.32% in the corresponding period last year to 3.72%, and the advertising expenses as a percentage of sales revenue increased by 0.33 percentage point from 1.27% in the corresponding period last year to 1.60%. Overall, the Group's selling and distribution expenses ratio increased as a result of decrease in the sales revenue, however the amount of expenses still remained at a relatively stable level.

Administrative expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB2,583 million, higher than that of RMB2,322 million for the corresponding period in 2017 by 11.24%. The expenses ratio was 4.01%, increased by 0.77 percentage point as compared with 3.24% for the corresponding period in 2017, mainly due to the Group increased expenses on research and development to upgrade the GOME APP and ME Shop (Shenzhou middle-end Data Platform Project), enhance its application on big data and the management function of the information system during the year. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses ratio at a relatively low level in the industry.

Other expenses

During the Reporting Period, other expenses of the Group mainly comprised, among others, business tax, bank charges, impairment losses on goodwill and impairment losses on property and equipment, which increased from RMB1,531 million for the corresponding period in 2017 to approximately RMB3,155 million. The increase was mainly due to the impairment losses on goodwill and property and equipment for the Group's under-performing businesses amounted to approximately RMB2,185 million and RMB88 million, respectively. As a result, the other expenses over revenue ratio was approximately 4.91%, up 2.77 percentage points as compared with 2.14% for the corresponding period in 2017.

(1) Impairment loss on goodwill of Artway Group

On 31 March 2016, the Group acquired 100% of the equity interests of Artway Development Limited and its subsidiaries (the "Artway Group"), a non-listed group principally engaged in the retail sale of electrical appliances and consumer electronic products under the trademark "GOME Electrical Appliances" and related operations mainly in cities other than the designated cities in the PRC which the Group already operates. A goodwill of approximately RMB6,988 million was recorded upon acquisition. According to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the acquisition constitutes a major and connected transaction for the Company which requires the approval of the independent shareholders. Independent shareholders of the Company approved such acquisition at the special general meeting of the Company held on 22 January 2016.

As of 31 March 2016, Artway Group's 556 stores were primarily located in regions distinct from the Group, which were highly complementary to the Group's existing retail store network and supported the expansion of the Group's business into lower-tier cities. The acquisition strengthened the Group's leading position in the retail market of electrical appliances and consumer electronic products in the PRC, and further captured the growing potentials of the industry.

Upon the acquisition, the Group's regional layout was strengthened. Artway Group has achieved outstanding results in 2016. In 2017, the performance of the stores of Artway Group still met expectations under the impact of e-commerce competition. In 2018, the Group continued to promote its "Home • Living" strategy and the integration of its online and offline businesses. During the course of the strategic transformation, the Group was adversely affected by the turmoil in the macro market environment and multiple impacts of e-commerce competition, resulting in a 10.09% decrease in overall sales of the Group. Of which, sales from Artway Group's stores recorded a year-on-year decrease of 8.8% and the operating profit decreased by 89%. The Group optimized the stores network of Artway Group and closed certain underperformed stores and the number of original Artway Group's stores decreased from 556 in 2016 to 517 at the end of 2018. Upon the completion of various optimization works, the management made corresponding adjustments to the future outlook based on the whole year performance of the Artway Group in the fourth quarter of 2018, and performed impairment testing according to the requirement of IAS 36 with the recoverable amount lower than the carrying amount. As a result, impairment loss in the amount of approximately RMB978 million was recognized in the fiscal year ended 31 December 2018.

Going forward, one of the strategic focuses of the Artway Group is to continue the expansion of its store network in the third- to sixth-tier cities in which the development of internet is relatively lagging behind with less impact being made by e-commence.

(2) ***Impairment loss on goodwill of China Paradise***

The financial statements of China Paradise Electronics Retail Limited ("China Paradise") has been consolidated to the Group since 2006. Through a series of acquisitions, the Group completed the acquisition of the entire equity interest of China Paradise in 2009 and a goodwill of approximately RMB3,920 million was recorded upon the completion of the acquisition. According to the Listing Rules, the acquisition constitutes a major transaction for the Group which requires the approval of the shareholders of the Company. Shareholders of the Company approved such acquisition at the special general meeting of the Company held on 18 September 2006.

The principal activity of China Paradise is the retailing of electrical appliances and consumer electronic products in the PRC. China Paradise has grown to become one of the top three electrical appliances retail chain operators in China in 2005, with a market leading position in Shanghai in terms of sales. The purpose of the acquisition of China Paradise was to expand the scale of the Group and to become a leader in the retail market with strongholds in key regions including both Beijing and Shanghai. 181 stores of China Paradise have been added to the Group at the end of 2006.

The acquisition of China Paradise is an important initiative of establishing the Group to become a market leader in the electrical appliance retail market in China and China Paradise has been in sound operation for more than 10 years. The key coverage area of China Paradise is the first-tier cities especially in the Shanghai region. However, first-tier cities were significantly affected by the e-commerce and the sales of China Paradise's stores recorded a year-on-year decrease of 23.2% with operating profit decreased by 48.2% in 2018. The Group also optimized the store network of China Paradise and closed 14 underperformed stores in 2018. Upon the completion of various optimization works, the management made corresponding adjustments to the future outlook based on the whole year performance of the China Paradise in the fourth quarter of 2018, and performed impairment testing according to the requirement of IAS 36 with the recoverable amount lower than the carrying amount. As a result, impairment loss in the amount of approximately RMB1,207 million was recognized in the fiscal year ended 31 December 2018.

Going forward, adhering to the Group's transformation strategy, China Paradise will enhance its large-scale integrated flagship stores in the first- and second-tier cities as well as expanding its store network into third- to sixth-tier cities.

(3) Impairment losses on property and equipment

As mentioned above, the Group's strategic transformation process was adversely affected by the macro-economic environment turmoil and the diversity impact of e-commerce, resulting in a decline in overall revenue and a loss incurred by the Group in 2018. In the fourth quarter of 2018, the management adjusted the outlook for some of the underperforming business units, mainly due to the unsatisfactory performance of the Artway Group and China Paradise as discussed above, the Group's impairment test conducted in accordance with IAS 36 indicates that the recoverable amount of some of the store's leasehold improvements are lower than the carrying amount. Accordingly, impairment losses of approximately RMB88 million was recognized in 2018.

The Group has engaged an independent external valuer to prepare the valuation report for the Artway Group and China Paradise. The key parameters used in the valuation are as follows: the discount rate applied to the cash flow projections was 12.8%. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3%. Details of the impairment losses on goodwill are set out in note 12 to the financial statements of this announcement.

Loss before finance (costs)/income and tax

As a result of the decrease in revenue and hence the decrease in consolidated gross profit, while non-operating expenses such as impairment losses on goodwill increased, the Group recorded a loss before finance (costs)/income and tax amounted to approximately RMB4,894 million, as compared with a loss of RMB402 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 RMB520 million, increased by 30.98% as compared with a net finance costs of RMB397 million in 2017, mainly due to the Group increased its interest-bearing bank loans and other borrowings from RMB3,122 million as at end of 2017 to approximately RMB12,129 million as at 31 December 2018 in order to maintain strong capital and promote its "Home • Living" strategy. As a result, the finance costs increased from RMB692 million in the corresponding period last year to approximately RMB861 million.

Loss before tax

As a result of the above factors, during the Reporting Period, the Group recorded a loss before tax of approximately RMB5,414 million, as compared with a loss of RMB799 million in 2017.

Income tax expense

During the Reporting Period, the Group's income tax expense decreased from RMB329 million in 2017 to approximately RMB80 million as a result of increase in loss before tax. The management considers the effective tax rate applied to the companies of the Group for the Reporting Period is reasonable.

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

During the Reporting Period, the loss attributable to the owners of the parent was approximately RMB4,887 million as compared with a loss of RMB450 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share were RMB23.7 fen, as compared with RMB2.1 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, the Group had sufficient capital. Cash and cash equivalents held by the Group were approximately RMB10,143 million, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies, and representing an increase of 9.73% as compared with RMB9,244 million as at the end of 2017. The increase was mainly attributable to the net cash flows generated from the Group's investing activities during the year which amounted to approximately RMB1,306 million.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB8,221 million, representing a decrease of 26.96% as compared with RMB11,255 million as at the end of 2017. The inventory turnover period decreased by 4 days from 69 days in 2017 to 65 days in 2018. The decrease in inventories was mainly attributable to the Group's large-scale promotion activities at the end of 2018 and the accelerated frequency of procurement and settlement by the Group with its suppliers during the Reporting Period, which also improved the efficiency of inventory turnover.

Prepayments, other receivables and other assets

As at the end of the Reporting Period, prepayments, other receivables and other assets of the Group amounted to approximately RMB5,808 million, increased by 14.94% from RMB5,053 million as at the end of 2017. Prepayments are mainly for general operating needs, including, among others, the prepaid rentals for the stores and offices amounted to approximately RMB1,238 million and advances to suppliers amounted to approximately RMB2,100 million.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB21,350 million, decreased by 6.52% from RMB22,839 million as at the end of 2017. Trade and bills payables turnover days were approximately 148 days, increased by 7 days from 141 days in 2017.

Capital expenditure

During the Reporting Period, the capital expenditure incurred by the Group amounted to approximately RMB1,040 million, remained flat as compared with RMB1,039 million in 2017. The capital expenditure during the year was mainly for opening of new stores, remodelling of stores, development of logistic centers and upgrading the information system of the Group.

Cash flows

During the Reporting Period, the Group's net cash flows used in operating activities amounted to approximately RMB1,068 million, as compared with RMB1,156 million used in 2017. The decrease in cash outflows was mainly due to, among others, the decrease in inventories.

Mainly due to the Group sold most of its financial assets at fair value through profit or loss bought in precious years for a net cash inflow of approximately RMB2,677 million during the year, the Group's net cash flows generated from investing activities amounted to approximately RMB1,306 million, as compared with RMB5,575 million used in 2017.

The Group's net cash flows generated from financing activities amounted to approximately RMB515 million as compared with RMB2,816 million generated in 2017. The net cash inflows this year was mainly attributable to the increase in net proceeds from the bank loans amounted to approximately RMB9,027 million, less the repayment of corporate bonds amounted to approximately RMB4,027 million, payment for pledged deposits for bank loans amounted to approximately RMB3,458 million and interest paid amounted to approximately RMB942 million.

Contingent liabilities and capital commitment

At the end of the Reporting Period, the Group has no material contingent liabilities, while there were capital commitments of approximately RMB1,040 million.

Foreign currencies and treasury policy

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

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

Financial resources and gearing ratio

During the Reporting Period, the Group's working capital, capital expenditure and cash for investments were mainly funded by cash on hand, cash generated from operations, interest-bearing bank loans, loans due to related companies and bonds.

As at 31 December 2018, the total borrowings of the Group comprised interest-bearing bank loans, loans due to related companies, corporate bonds and overseas bonds.

The current interest-bearing bank loans comprised:

1) a bank loan of approximately EUR$259 million (equivalent to approximately RMB2,033 million) bearing interest at floating rate;

2) a bank loan of approximately US$244 million (equivalent to approximately RMB1,674 million) bearing interest at floating rate;

3) a loan of approximately HK$350 million (equivalent to approximately RMB307 million) bearing interest at floating rate;

4) bank loans of approximately EUR22 million (equivalent to approximately RMB172 million) bearing interest at fixed rates;

5) bank loans of approximately RMB620 million bearing interest at floating rates;

6) bank loans of approximately RMB653 million bearing interests at floating rates;

7) discount of bills receivables from various banks with carrying amount of approximately RMB5,926 million bearing interests at fixed rates;

8) discount of trade receivables from various banks with carrying amount of approximately RMB420 million bearing interests at fixed rates; and

9) a bank loan of approximately JPY50 million (equivalent to approximately RMB3 million) bearing interest at a fixed rate.

The above interest-bearing bank loans were repayable within 1 year.

The non-current interest-bearing bank loans comprised:

(1) A bank loan of approximately RMB18 million, bearing interest at floating rate and repayable in the second year;

(2) A bank loan of approximately RMB93 million, bearing interest at floating rate and repayable in the fifth year; and

(3) A bank loan of approximately RMB211 million, bearing interest at floating rate and repayable beyond 5 years.

The loans due to related companies comprised:

Loans amounted to approximately RMB1,672 million in aggregate, bearing interest at a fixed rate and repayable within 3 years.

The corporate bonds comprised:

(1) corporate bonds issued in 2016 with an aggregate nominal value of RMB5,000 million issued at fixed coupon rates ranged from 4.00% to 4.50% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rates and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the third year; and

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

The overseas bonds comprised:

Bonds issued in 2017 with an aggregate principal amount of US$500 million and with 5% coupon rate due 2020. The outstanding balance of the overseas bonds as at 31 December 2018 was US$496 million.

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

As at 31 December 2018, the Group's debt to total equity ratio, which was expressed as a percentage of total borrowings amounting to approximately RMB22,728 million over total equity amounting to approximately RMB11,084 million, increased from 96.45% as at 31 December 2017 to 205.05%. The debt ratio was 37.42% as compared with 26.74% as at 31 December 2017, which was expressed as a percentage of total borrowings over total assets amounting to approximately RMB60,742 million.

Charge on group assets

As at the end of 2018, the Group's bills payables and interest-bearing bank loans and other borrowings were secured by the Group's time deposits amounting to approximately RMB10,608 million, certain buildings and investment properties of the Group with a carrying value of approximately RMB1,883 million, the Group's financial assets with a carrying amount of approximately RMB812 million and prepaid land lease payments with carrying amount of approximately RMB1,137 million. The Group's bills payables and interest-bearing bank loans and other borrowings amounted to approximately RMB27,524 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group employed a total of 42,269 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees, including directors of the Company (the "Directors"), is determined with reference to their performance and the prevailing salary levels in the market.

OUTLOOK AND PROSPECTS

Enhancing store network

Looking forward, GOME will continue to focus on major large-scale integrated flagship store projects in the first- and second-tier cities in an effort to provide one-stop comprehensive household solution, from home appliance to decoration, construction and household services. The Group expects to open 16 large-scale integrated flagship stores and 200 home decoration materials and home furnishing in-store shops in 2019. GOME will step up the output of its supply chain service in the third- to sixth-tier cities to achieve swift development of store coverage in county-level cities, with an emphasis on franchising. It is expected that 500 franchise "new retail stores" and 200 self-operating county-level stores will be opened in 2019.

Focusing on new businesses to become comprehensive solutions provider

From product to service, GOME provides comprehensive solutions ranging from home decoration, integrated cabinets and electrical appliances, cozy home (central air-conditioning, heating and ventilation, etc.) and kitchen product showcases. The Group has had strategic partnerships with top brands of kitchen cabinets and expects more than 100 stores to be equipped with integrated cabinet service in 2019. In addition, GOME is also running its own integrated cabinet business in order to provide integrated professional kitchen services by integrating the cabinet business with GOME's expertise in home appliances.

Empowered with interconnected smart home appliances, big data and internet of things (IoT) systems, GOME is also offering open comprehensive solutions for smart living.

Increase service GMV and achieve full product life-cycle service

Pertaining to the transformation into the "Home•Living" service provider, GOME will continue to construct a comprehensive service system through the commoditization of services, professionalization of service teams and full life-cycle services, providing our customers with hassle-free experiences. GOME's service products covered a wide variety of categories such as appliance installation, cleaning, repair and recycling. GOME will also continue to provide enhanced experiences to customers with "Installations with Delivery," "bulk delivery for packaged products," "same-day delivery" in the first-tier cities, "next-day delivery" for county-level cities, "money back for late delivery" and so on.

Rich potential in retail market

Going forward, it will become a norm for the retail industry to be data-driven and apply technology in its operations. On the back of consumption upgrade, the industry prepares for the advent of a new era of consumption. New business opportunities will emerge with the rise of new consumer groups, uncovering the consumption potential of third- to sixth-tier cities, together with the continued rapid development of business infrastructure and the Internet. Moreover, the potential of the retail industry further expands with supportive state policies for private enterprises, subsidies for home appliance spending and the innovation of retail technology along with 5G developments.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2018, the Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made due and careful enquiry, the Company confirms that all Directors have complied with the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. LEE Kong Wai, Conway and LIU Hong Yu (being the independent non-executive directors of the Company) and YU Sing Wong (being the non-executive director of the Company). The Audit Committee assists the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2018 and the draft auditors' report thereon and submitted its reports to the Board.

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

During December 2018, the Company made on-market repurchases of the overseas bonds in the aggregate principal amount of approximately US$4,000,000. After the repurchase, the outstanding principal amount of the overseas bonds was approximately US$496,000,000.

In December 2018, the Group issued the first tranche of the 2018 domestic bonds with an aggregate principal amount of approximately RMB600,000,000 at coupon rate of 7.8% per annum in the PRC. Such domestic bonds have a term of 6 years.

In December 2018, the Group has completed the renewal of the 2016 domestic bonds, the bond holders holding 2016 domestic bonds with the outstanding aggregate principal amount of approximately RMB2,660,210,000 have continued to hold the 2016 domestic Bonds, and the original coupon rate of the 2016 domestic bonds of 4% per annum has been adjusted to 7.6% per annum with remaining term of 3 years.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2018.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 so as to preserve capital for the funding needs of the Group.

DIVIDEND POLICY

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

ANNUAL GENERAL MEETING

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

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

This announcement will be published on the websites of the Stock Exchange and the Company (www.gome.com.hk). The 2018 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

APPRECIATION

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

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

Hong Kong, 29 March 2019

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

* *For identification purpose only*