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 2022 RESUMPTION OF TRADING

2022 FINANCIAL HIGHLIGHTS

- Sales revenue of the Group was approximately RMB17,444 million during the year ended 31 December 2022 (the "Reporting Period"), as compared with RMB46,484 million for the corresponding period last year
- Consolidated gross profit margin was approximately 17.13%, up 2.73 percentage points as compared with 14.40% in the previous year
- Loss attributable to owners of the parent was approximately RMB19,956 million, as compared with RMB4,402 million in the previous year
- Basic loss per share was RMB58.6 fen, as compared with RMB17.8 fen in the previous year
- Net cash flows from operating activities achieved approximately RMB821 million during the year as compared with RMB649 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" or "GOME") for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	NOTES	**2022** **RMB'000**	2021 *RMB'000*
Revenue	*5*	**17,444,480**	46,483,804
Cost of sales	*6*	**(15,625,097)**	(40,976,894)
Gross profit		**1,819,383**	5,506,910
Other income and gains	*5*	**1,169,345**	1,187,780
Selling and distribution expenses		**(4,726,477)**	(7,337,256)
Administrative expenses		**(2,913,233)**	(2,568,352)
Impairment loss on goodwill	*11*	**(9,214,521)**	(71,603)
Impairment losses on financial assets		**(574,091)**	(23,045)
Impairment loss on right-of-use assets		**(3,958,633)**	–
Other expenses and losses		**(263,256)**	(79,110)
Share of results of associates		**(90,279)**	(17,048)
Loss before finance income (costs) and tax		**(18,751,762)**	(3,401,724)
Finance costs	*7*	**(1,703,331)**	(1,945,890)
Finance income	*7*	**169,596**	619,119
Loss before tax	*6*	**(20,285,497)**	(4,728,495)
Income tax credit (expense)	*8*	**79,194**	(44,440)
Loss for the year		**(20,206,303)**	(4,772,935)
Attributable to:			
Owners of the parent		**(19,955,982)**	(4,402,037)
Non-controlling interests		**(250,321)**	(370,898)
		(20,206,303)	(4,772,935)
Loss per share attributable to ordinary equity holders of the parent	*10*		
Basic		**(RMB58.6 fen)**	(RMB17.8 fen)
Diluted		**(RMB58.6 fen)**	(RMB17.8 fen)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
Loss for the year	**(20,206,303)**	(4,772,935)
Other comprehensive income (expense)		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax that will not be reclassified to profit or loss in subsequent periods	**(20,755)**	(47,394)
Gains on asset revaluation for change in use from owner-occupied properties to investment properties, net of tax that will not be reclassified to profit or loss in subsequent periods	**114,493**	–
Exchange differences on translation of financial statements that may be reclassified to profit or loss in subsequent periods	**1,982,103**	(167,405)
Other comprehensive income (expense) for the year, net of tax	**2,075,841**	(214,799)
Total comprehensive expense for the year	**(18,130,462)**	(4,987,734)
Attributable to:		
Owners of the parent	**(17,880,141)**	(4,616,836)
Non-controlling interests	**(250,321)**	(370,898)
	(18,130,462)	(4,987,734)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	NOTES	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**6,595,271**	6,715,459
Investment properties		**4,674,334**	4,081,961
Right-of-use assets		**15,451,082**	24,880,236
Goodwill	*11*	**903,364**	10,117,885
Other intangible assets		**146,195**	205,219
Interest in associates		**700,863**	629,892
Interest in a joint venture		**3,781**	3,781
Financial assets at fair value through other comprehensive income		**374,730**	393,628
Financial assets at fair value through profit or loss		**2,185,786**	2,447,831
Deferred tax assets		**12,181**	13,098
Prepayments, other receivables and other assets		**136,638**	633,150
Total non-current assets		**31,184,225**	50,122,140
Current assets			
Inventories		**432,639**	6,351,971
Properties under development		**692,646**	640,609
Trade receivables	*12*	**134,294**	1,437,103
Prepayments, other receivables and other assets		**3,274,560**	3,228,681
Due from related companies		**577,451**	153,630
Financial assets at fair value through profit or loss		**428,350**	941,976
Pledged bank deposits and restricted cash		**5,690,571**	13,668,326
Cash and cash equivalents		**169,713**	4,378,423
Total current assets		**11,400,224**	30,800,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2022

	NOTES	**2022**	2021
		RMB'000	*RMB'000*
Current liabilities			
Trade and bills payables	*13*	**5,887,555**	18,891,459
Other payables and accruals		**5,506,294**	5,952,574
Due to related companies		**866,573**	312,045
Lease liabilities		**1,413,781**	3,897,862
Interest-bearing bank and other borrowings	*14*	**25,894,974**	22,060,980
Derivative financial liabilities		**87**	–
Tax payable		**1,024,908**	1,034,878
Total current liabilities		**40,594,172**	52,149,798
Net current liabilities		**(29,193,948)**	(21,349,079)
Total assets less current liabilities		**1,990,277**	28,773,061
Non-current liabilities			
Lease liabilities		**933,307**	4,322,886
Interest-bearing bank and other borrowings	*14*	**–**	6,139,252
Derivative financial liabilities	*15*	**–**	130,685
Deferred tax liabilities		**563,664**	595,356
Total non-current liabilities		**1,496,971**	11,188,179
Net assets		**493,306**	17,584,882
Equity			
Equity attributable to owners of the parent			
Issued capital		**814,144**	772,338
Treasury shares		**(444,985)**	(935,431)
Reserves		**4,394,069**	21,767,576
		4,763,228	21,604,483
Non-controlling interests		**(4,269,922)**	(4,019,601)
Total equity		**493,306**	17,584,882

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 the registered office is Cumberland House 7th Floor, 1 Victoria Street, Hamilton HM11, Bermuda and principal place of business is Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

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

2. BASIS OF PREPARATION

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

2.1 Going concern consideration

The Group incurred a loss of approximately RMB20.2 billion during the year ended 31 December 2022, the Group's current liabilities exceeded its current assets by RMB29.2 billion as at 31 December 2022. The Group's current liabilities amounted to RMB40.6 billion, of which RMB25.9 billion represented interest-bearing bank and other borrowings as at 31 December 2022. Nevertheless, the Group had cash and cash equivalents amounted to approximately RMB170 million as at 31 December 2022. In addition, certain loan payables to financial institutions were overdue. The overdue of these loan payables entitled the lenders a right to demand immediate repayment of the loan payables from the Group. Certain banks have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received property preservation orders to restrict the disposition of certain assets and the withdrawal of bank deposits during the year. Moreover, the Group involved in a number of pending civil claims or lawsuits filed by the civil litigants as at 31 December 2022. Further, due to the suspension of supply of goods from certain major suppliers, the revenue significantly decreased subsequent to the end of the reporting period, which bring significant impacts on the Group's operations.

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

(1) Restructure of bank and other borrowings

The Group has been actively negotiating with all of the lenders for renewal and extension for repayments of the overdue borrowings. Under the coordination from certain local governments, the management is of the view that the Group is able to obtain the consents from the banks to (i) renew or extend the repayment due date to year 2024 for existing secured bank borrowings; (ii) convert existing unsecured bank borrowings by way of the government-directed debt-to-equity swap to ordinary shares of the Company; and (iii) pledge certain of the Group's assets or properties as collaterals in order to obtain additional funds or banking facilities to support the Group's working capital needs. As of 31 December 2022, the book value of the total non-current assets and net assets of the Group amounted to approximately RMB31.2 billion and RMB493 million, respectively.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern consideration (Continued)

(2) Restructure of trade payables

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

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

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

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

The Group has obtained the consents from the convertible bond holders which have undertaken not to request the Group to repay an aggregated principal amounts of approximately US$300 million (equivalent to RMB2.1 billion) due to them until the Group has sufficient liquidity to finance its operations. Moreover, the Group is actively negotiating with the convertible bond holders to convert certain portion of the principal amounts to ordinary shares of the Company through debt-to-equity swap.

(5) Sale of properties

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

(6) Enhance the cash inflow from operations of the Group

The Group is taking measures to streamline the operation mode, and is adopting a series of effective measures to reduce costs and enhance efficiency, such as closing inefficient stores, significantly reducing online advertising costs and sales subsidies, as well as dealing with staff redundancy with the aim to attain gross profit and positive operating cash flow. In terms of business strategy, the Group focused on main home appliance retail business by adjusting the online/offline business structure in a timely manner, avoiding investments in loss-making businesses. In addition, the Group is considering to lease to external parties its self-owned property and right-of-use assets to enhance cash flow.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern consideration (Continued)

(7) Debt capitalisation of amounts due to related companies

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

(8) Other fund-raising

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

Based on the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, since the execution of the above plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issuance of the consolidated financial statements, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as mentioned above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the followings: (i) the successful resumption of trading of share of the Company at Stock Exchange; (ii) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the abovementioned equity exercises; (iii) the ability of the suppliers, service providers, landlords, banks and convertible bond holders or other creditors to honour their commitment in converting their debt to shares of the Company after the resumption of trading of the Company's stock; (iv) the convertible bond holders' ability to honour their undertakings to the Group; (v) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (vi) the successful negotiation with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants; (vii) the successful negotiation with the major suppliers and service providers for re-activating the existing credit limit and resumption of the supply of goods; (viii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants; (ix) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity; and (x) the successful implementation of measures in streamlining the operation mode and tightening cost controls.

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

2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income or expense are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income or expense is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)")

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

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

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

In addition, the Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-Current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of these new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full category of online sales network in Mainland China through self-operated and platform models. The corporate office in Hong Kong does not earn revenue and is not classified as an operating segment. Accordingly, no segment information by profit, assets and liabilities is presented.

Geographical information

All (2021: all) revenue of the Group was derived from customers in Mainland China and over 99% (2021: 95%) of the Group's non-current assets, other than financial instruments and deferred tax assets, were situated in Mainland China.

Information about major customers

During the year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**17,444,480**	46,483,804
Other income		
Income from installation	**15,156**	39,617
Income on extended warranty service	**83,663**	85,723
Income on the net investment in finance leases	**6,424**	14,587
Gross rental income from investment property operating leases	**109,051**	168,786
Government grants*	**59,673**	109,654
Commission income from telecommunications service providers	**18**	24,147
Commission income from providing online platforms	**34,455**	7,718
Income from compensation	**7,099**	9,340
Realised income from wealth management financial products	**6,328**	20,925
Income from product display	**118,768**	–
Others	**108,045**	101,465
	548,680	581,962
Gains		
Gains on subleasing of right-of-use assets	**–**	9,479
Gains on lease modification	**193,045**	21,421
Foreign exchange gain	**97,270**	238,243
Fair value gains on investment properties	**153,160**	53,147
Fair value gains on financial instruments, net:		
Financial assets at fair value through profit or loss	**–**	71,659
Derivative financial instruments embedded in the convertible bonds	**137,270**	211,869
Gains on disposal of right-of-use assets	**39,920**	–
	620,665	605,818
	1,169,345	1,187,780

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Total revenue from contracts with customers from sale of electrical appliances, consumer electronic products and general merchandise	**17,444,480**	46,483,804
Geographical market		
Mainland China	**17,444,480**	46,483,804
Timing of revenue recognition		
Goods transferred at a point in time	**17,444,480**	46,483,804

6. LOSS BEFORE TAX

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

	NOTES	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**15,059,891**	41,098,968
Provision (reversal of provision) against inventories		**565,206**	(122,074)
Cost of sales		**15,625,097**	40,976,894
Depreciation of property and equipment		**482,753**	641,581
Depreciation of right-of-use assets		**2,576,005**	2,526,553
Amortisation of other intangible assets*		**45,709**	59,939
Research and development costs		**67,636**	114,300
Impairment losses on property and equipment***		**513,782**	3,307
Losses on disposal of property and equipment***		**3,425**	22,622
Gains on lease modifications***		**(193,045)**	(21,421)
Lease payments not included in the measurement of lease liabilities		**468,624**	522,577
Fair value (gains) losses on investment properties, net***		**(153,160)**	(53,147)
Fair value (gains) losses on financial instruments, net:			
Financial assets at fair value through profit or loss***		**426,330**	(71,659)
Derivative financial instruments embedded in the convertible bonds***		**(137,270)**	(211,869)
Foreign exchange differences, net***		**(97,270)**	(238,243)
Impairment losses on goodwill	*11*	**9,214,521**	71,603
Impairment loss on right-of-use assets***		**3,958,633**	–
Gain on disposal of right-of-use assets***		**(39,920)**	–
Impairment losses on other intangible assets		**13,315**	–
(Reversal of impairment losses) impairment losses on trade receivables, net	*12*	**(8,581)**	26,775
Impairment losses (reversal of impairment losses) on financial assets included in prepayments, other receivables and other assets, net		**495,385**	(3,730)
Impairment losses on due from related companies***		**87,287**	–
Losses (gains) on subleasing of right-of-use assets***		**34,418**	(9,479)
Auditor's remuneration		**5,150**	4,380
Staff costs excluding Directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**2,154,566**	2,420,707
Pension scheme contributions**		**269,814**	259,149
Social welfare and other costs		**39,032**	81,891
Share award expense		**377,264**	74,557
		2,840,676	2,836,304

6. LOSS BEFORE TAX (CONTINUED)

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 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

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

7. FINANCE (COSTS) INCOME

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

	2022 ***RMB'000***	2021 *RMB'000*
Finance costs:		
Interest on bonds payable	**(305,032)**	(428,976)
Interest on bank borrowings	**(1,043,754)**	(1,079,510)
Interest on lease liabilities	**(416,229)**	(554,787)
Total interest expense on financial liabilities not at fair value through profit or loss	**(1,765,015)**	(2,063,273)
Less: Interest capitalised	**61,684**	117,383
	(1,703,331)	(1,945,890)

	2022 ***RMB'000***	2021 *RMB'000*
Finance income:		
Bank interest income	**163,071**	612,963
Interest income from loans to third parties	**6,525**	6,156
	169,596	619,119

8. INCOME TAX CREDIT (EXPENSES)

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

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022	2021
	RMB'000	*RMB'000*
Current tax credit (charge) for the year	**2,102**	(6,280)
Deferred tax credit (charge) for the year	**77,092**	(38,160)
Total tax credit (charge) for the year	**79,194**	(44,440)

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 14 July 2023, the board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil) so as to preserve capital for funding needs of the Group.

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

The calculation of the basic loss per share amount 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 34,080,936,000 (2021: 24,694,090,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of convertible bonds outstanding and awarded shares granted had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2022	2021
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(19,955,982)**	(4,402,037)

	Number of shares	
	2022	2021
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**34,080,936**	24,694,090

11. GOODWILL

	2022	2021
	RMB'000	*RMB'000*
At 1 January		
Cost	**14,435,951**	14,435,951
Accumulated impairment	**(4,318,066)**	(4,246,463)
Net carrying amount	**10,117,885**	10,189,488
Cost at 1 January, net of accumulated impairment	**10,117,885**	10,189,488
Impairment recognised during the year	**(9,214,521)**	(71,603)
At 31 December	**903,364**	10,117,885
At 31 December		
Cost	**14,435,951**	14,435,951
Accumulated impairment	**(13,532,587)**	(4,318,066)
Net carrying amount	**903,364**	10,117,885

Impairment testing of goodwill

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

	2022	2021
	RMB'000	*RMB'000*
Artway Development Limited ("Artway")	**6,987,869**	6,987,869
China Paradise Electronics Retail Limited ("China Paradise")	**3,920,393**	3,920,393
Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances")	**3,130,136**	3,130,136
Others	**397,553**	397,553
	14,435,951	14,435,951
Accumulated impairment	**(13,532,587)**	(4,318,066)
	903,364	10,117,885

As at 31 December 2022, the recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections prepared based on financial budgets as approved by management which cover a period of five years. The pre-tax discount rates applied to the cash flow projections is ranging from 13.52% to 13.97% (2021: 11.71%). The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2021: 3%).

During the year ended 31 December 2022, in view of the underperformance of Artway, China Paradise and Dazhong Appliances cash-generating units, impairment losses of RMB4,649,158,000, RMB2,276,383,000 and RMB2,288,980,000, were recognised for the goodwill in relation to these cash-generating units.

As at 31 December 2022, the accumulated impairment losses were related to Artway, China Paradise, Dazhong Appliances and other cash-generating units in the amounts of RMB6,987,869,000 (2021: RMB2,338,711,000), RMB3,920,393,000 (2021: RMB1,644,010,000), RMB2,288,980,000 (2021: Nil) and RMB335,345,000 (2021: RMB335,345,000), respectively.

12. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**172,246**	1,483,636
Impairment	**(37,952)**	(46,533)
	134,294	1,437,103

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. The credit period is generally one to three months. 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 Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables 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 and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**83,385**	1,316,952
3 to 6 months	**33,953**	87,706
Over 6 months	**16,956**	32,445
	134,294	1,437,103

13. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**3,944,828**	7,078,816
Bills payable	**1,942,727**	11,812,643
	5,887,555	18,891,459

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**1,134,518**	11,964,630
3 to 6 months	**2,514,064**	6,264,925
6 to 12 months	**1,999,129**	590,999
Over 12 months	**239,844**	70,905
	5,887,555	18,891,459

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

(i) the Group's certain pledged time deposits amounting to RMB1,189,127,000 (2021: RMB4,142,580,000) and related interest receivables amounting to RMB67,789,000 (2021: RMB50,215,000);

(ii) the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB79,720,000 (2021: RMB1,442,304,000); and

(iii) the Group's investment properties situated in Mainland China which had an aggregate fair value of nil (2021: RMB99,307,000).

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate *(%)*	**Maturity***	***RMB'000***	Effective interest rate *(%)*	Maturity*	*RMB'000*
Current						
Bank loans – secured	**0.30-18.00**	**2023**	**13,517,382**	0.05-6.09	2022	17,107,031
Bank loans – unsecured	**3.85-18.00**	**2023**	**109,260**	2.00-7.00	2022	2,325,394
Other loans – secured	**5.60-8.35**	**2023**	**144,853**	6.09-8.35	2022	135,142
Bonds payable – unsecured	**7.44-7.87**	**2023**	**2,283,212**	7.44-7.87	2022	2,493,413
Bank loans – secured	**3.65-18.00**	**2022**	**3,527,431**	N/A	N/A	–
Bank loans – unsecured	**5.90-18.00**	**2022**	**3,700,337**	N/A	N/A	–
Other loans – secured	**8.35**	**2022**	**63,829**	N/A	N/A	–
Bank loans – secured	**3.80-5.87**	**2024-2034**	**2,538,596**	N/A	N/A	–
Other loans – secured	**6.09**	**2024**	**10,074**	N/A	N/A	–
			25,894,974			22,060,980
Non-current						
Bank loans – secured	**N/A**	**N/A**	**–**	4.90-5.50	2023-2034	4,083,983
Other loans – secured	**N/A**	**N/A**	**–**	6.09	2023-2024	48,898
Bonds payable – unsecured	**N/A**	**N/A**	**–**	4.79-8.03	2023-2026	2,006,371
			–			6,139,252

	2022 ***RMB'000***	2021 *RMB'000*
Analysed into:		
Bank loans repayable:*		
Within one year	**20,854,410**	19,432,425
In the second year	**46,500**	1,861,316
In the third to fifth years, inclusive	**100,000**	1,175,840
Beyond five years	**2,392,096**	1,046,827
	23,393,006	23,516,408
Other borrowings repayable:*		
Within one year	**2,491,894**	2,628,555
In second year	**10,074**	1,731,409
In the third to fifth years, inclusive	**–**	124,852
Beyond five years	**–**	199,008
	2,501,968	4,683,824

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(i) Certain of the Group's bank and other borrowings are secured by:

(a) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB3,094,281,000 (2021: RMB1,551,905,000);

(b) certain of the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB34,486,000(2021: RMB68,889,000);

(c) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of approximately RMB4,608,291,000 (2021: RMB3,497,616,000);

(d) certain of the Group's property under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB692,646,000 (2021: RMB640,609,000);

(e) certain of the Group's right-of-use assets situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB197,735,000 (2021: RMB206,647,000);

(f) certain of the Group's time deposits amounting to RMB4,267,465,000 (2021: RMB9,520,128,000) and related interest receivables amounting to RMB119,343,000 (2021: RMB340,130,000), respectively, at the end of the reporting period; and

(g) certain of the Group's investments in associates amounting to approximately RMB212,148,000 (2021: RMB207,728,000);

(h) certain of the Group's inventories amounting to approximately RMB4,759,000 (2021: Nil);

(i) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value as of RMB131,219,000 (2021: Nil).

(ii) Except for the bank loans and bonds payable denominated in EUR and USD with carrying amounts of RMB1,123,027,000 (2021: RMB2,546,946,000) and RMB2,055,861,000 (2021: RMB1,691,845,000) respectively, all the Group's bank and other borrowings are denominated in RMB at the end of the reporting period.

(iii) During the year ended 31 December 2022, the Group has redeemed certain corporate bonds of RMB2,579,503,000 (2021:RMB2,546,390,000) upon its maturity and no renewal (2021: RMB953,610,000).

15. CONVERTIBLE BONDS

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

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

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

At the issuance date, the liability components, and the above-mentioned conversion options, extension option and redemption options (collectively the "embedded derivatives") of the CBs were measured at fair value. The liability components are presented as interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from the liability components, and presented as derivative financial liabilities at fair value. As at 31 December 2022, the fair value of the derivative embedded was RMB87,000 (2021: RMB130,685,000).

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

16. SUBSEQUENT EVENTS

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

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

On 31 March 2023, the Company and GOME Management Limited have mutually agreed to terminate the framework agreement entered on 11 October 2021 for the provision of management services, and the relevant option to acquire up to 30% interests has also lapsed. As the management services have minimal contribution to the revenue of the Group, the Directors are of the view that the termination of the abovementioned agreement will not have any adverse effect on the financial position and operations of the Group.

Convertible bonds with principal amounts of US$200,000,000 and US$100,000,000 have become due and payable on 28 April 2023 and 30 June 2023, respectively. The Company has not made payment to the principal amount, accrued and unpaid interest, etc. as the Company is in active discussions with the bond holders.

On 13 June 2023, the Company announced that the Group's overdue and undue debts as at 31 May 2023 amounted to approximately RMB16.16 billion and RMB5.51 billion, respectively. The Group was involved in a total of 1,294 pending lawsuits, amounted to approximately RMB10.37 billion in aggregate as at 31 May 2023. Moreover, the Group's frozen funds amounted to approximately RMB166 million as at 31 May 2023.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the twelve months ended 31 December 2022 (the "Reporting Period"), taking into consideration the economic and social functions of retailing, GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "GOME") adhered to the "Home• Living" strategy with an aim to lower retail cost and enhance efficiency of the industry. In addition, in response to the changes in the market environment, the Group shifted the focus of its operation development to its core business in an effort to improve operation efficiency and further implement the grid-based model of "Home Living and Home Services", which continued to meet the demands of users for higher quality and lower prices.

During the Reporting Period, with the recurring outbreaks of the pandemic in China, the highly-contagious Omicron variant resulted in more frequent and persistent pandemic prevention and control measures across the country. This had a significant impact on the economy of China, especially for offline commerce, which experienced considerable sales losses due to extensive and recurring lockdowns and reduction in footfall. Nevertheless, the Group remained committed to fulfilling its social responsibility by securing stable supply and prices in our outlets and online platforms in China during the pandemic. The Group also deployed sufficient supplies to regions severely affected, playing a pivotal role as a leading retail enterprise.

In 2022, the Group recorded sales revenue of approximately RMB17,444 million, decreased by 62.47% as compared with RMB46,484 million for the corresponding period last year. The consolidated gross profit margin was approximately 17.13%, increased by 2.73 percentage points as compared with 14.40% for the corresponding period last year. To address the declining market demand, the Group adjusted its online/offline business structure, avoided inputs in loss-making business and implemented a series of cost-cutting measures such as closing inefficient stores, significantly reducing advertising expenses and applying for sales subsidies. During the Reporting Period, the Group recorded an impairment loss on goodwill of approximately RMB9,215 million (2021: RMB72 million) and an impairment loss on right-of-use assets of approximately RMB3,959 million (2021: Nil) as compared with RMB72 million for the corresponding period last year. The other expenses were approximately RMB263 million as compared with RMB79 million for the corresponding period last year. The financial costs were approximately RMB1,703 million, decreased by 12.49% as compared with RMB1,946 million for the corresponding period last year. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period was approximately RMB19,956 million billion, increased by 353.34% as compared with a loss of RMB4,402 million for the corresponding period last year.

However, if certain non-operational expenses, such as goodwill impairment, right-of-use assets impairment, other assets impairment, penalties on overdue loans, losses of closing stores, confirmation expenses on share-based payments, staff layoff costs and losses on financial assets at fair value through profit or loss are excluded, the Group's operating loss attributable to owners of the parent during the Reporting Period would be approximately RMB4,825 million (2021: RMB4,787 million).

In 2022, the Group continued to empower its digital transformation with technology and improve consumer service experience throughout the process. It also enjoyed higher operation efficiency due to the restructuring of its business segments and the optimisation of its asset structure. In the first half of the year, the Group's strategic cooperation with Huawei and Tencent expedited the digital and intelligent transformation of its stores in China, enabling it to achieve low-cost traffic and precise marketing. In the second half of the year, aligning with the market changes, the vertical model will be utilised to focus on the deepening, penetration and proper implementation of retail sales of household appliances and consumer electronic products as the core businesses of the Company.

FINANCIAL REVIEW

Revenue

During the Reporting Period, major tier-1 cities were materially affected by the recurring outbreaks of the pandemic in China. Offline business was significantly disrupted by various lockdown and control measures at most regions, and online business was also hit hard as a result of the disruptions to the logistics service from lockdown and control measures. As a result, sales revenue decreased by 62.47% to approximately RMB17,444 million during the Reporting Period, as compared with RMB46,484 million for the corresponding period last year. Among that the proportion of revenue from county-level stores was 8.83% of total revenue, as compared with 12.79% for the corresponding period last year, while the revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) increased from 6.81% for the corresponding period last year to 7.06% of total revenue.

Cost of sales and gross profit

During the Reporting Period, cost of sales for the Group was approximately RMB15,625 million, accounting for approximately 89.57% of the total sales revenue, as compared with 88.15% for the corresponding period in 2021. The Group's gross profit was approximately RMB1,819 million, decreased by 66.97% as compared with RMB5,507 million for the corresponding period last year. Gross profit margin (excluding other income and gains) was approximately 10.43%, decreased by 1.42 percentage points as compared with 11.85% for the corresponding period last year. The decrease in gross profit margin was mainly due to price competition in the market during the Reporting Period.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB1,169 million, representing an decrease of approximately 1.60% as compared with RMB1,188 million for the corresponding period in 2021, mainly due to, among others, the increase in fair value gains on investment properties and stone display service income, offset by less exchange gain during the Reporting Period.

Summary of other income and gains:

	2022	2021
As a percentage of sales revenue:		
Income from installation	**0.09%**	0.09%
Other service fee income	**0.48%**	0.19%
Gross rental income	**0.62%**	0.36%
Government grants	**0.34%**	0.24%
Fair value gains on derivative financial instruments embedded in the convertible bonds	**0.79%**	0.46%
Fair value gains on investment properties	**0.88%**	0.11%
Gains on lease modifications	**1.11%**	0.05%
Foreign exchange gain	**0.56%**	0.51%
Store display service income	**0.68%**	–
Gains from disposal of right-of-use assets	**0.23%**	–
Others	**0.92%**	0.55%
Total	**6.70%**	2.56%

Consolidated gross profit margin

Due to the significant increase in other income and gains from 2.56% for the corresponding period last year to approximately 6.70% during the Reporting Period, the consolidated gross profit margin for the Group increased by 2.73 percentage points from 14.40% for the corresponding period last year to approximately 17.13% during the Reporting Period.

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

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to approximately RMB4,726 million, decreased by 35.59% as compared with RMB7,337 million for the corresponding period last year. The decrease in selling and distribution expenses was mainly due to salaries decreased from RMB1,761 million for the corresponding period last year to approximately RMB1,474 million; advertising and promotion expenses decreased from RMB1,134 million for the corresponding period last year to approximately RMB152 million; depreciation decreased from RMB2,414 million for the corresponding period last year to approximately RMB1,749 million; delivery expenses decreased from RMB847 million for the corresponding period last year to approximately RMB243 million; payment processing expense decreased from RMB364 million for the corresponding period last year to approximately RMB110 million. A total decrease of approximately RMB2,792 million was recorded during the Reporting Period from the above items.

The selling and distribution expenses as a percentage over sales revenue was 27.09%, increased by 11.31 percentage points as compared with 15.78% for the corresponding period in 2021.

Administrative expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB2,913 million, increased by 13.43% as compared with RMB2,568 million for the corresponding period last year. Among which, salaries increased from RMB1,085 million for the corresponding period last year to approximately RMB1,371 million, mainly as a result of the share options granted to certain employees; depreciation increased from RMB775 million for the corresponding period last year to approximately RMB1,069 million. The proportion over sales revenue was 16.70%, increased by 11.18 percentage points as compared with 5.52% for the corresponding period in 2021.

Impairment loss on goodwill

During the Reporting Period, the Group recorded impairment loss on goodwill of approximately RMB9,215 million as compared with RMB72 million for the same period last year.

Due to the continuous effect of the COVID-19 pandemic, sales revenue from Artway, China Paradise and Dazhong Appliances recorded year-on-year decrease of 74.81%, 70.83% and 67.90%, respectively. The Group optimised the stores networks of Artway, China Paradise and Dazhong Appliances and closed 540, 123 and 59 underperformed stores in 2022, respectively. Upon the completion of various optimisation works, the management made corresponding adjustments to the future outlook based on the whole year performance of Artway, China Paradise and Dazhong Appliances in the fourth quarter of 2022, and performed impairment testing according to the requirement of IAS 36 with the recoverable amounts lower than the carrying amounts. As a result, impairment losses of approximately RMB4,649 million, RMB2,276 million and RMB2,289 million were recognised for the fiscal year ended 31 December 2022, respectively.

Going forward, the Group will continue to impel the strategic focus and utilise the vertical model to focus on the deepening, penetration and proper implementation of our core businesses i.e. the retail sales of household appliances and consumer electronic products. The management of the Company will take cost reduction and efficiency enhancement as the main strategic goal, and strive to realise the improvement of the Company's operation capacity by shutting down inefficient stores, reorganising business segments and optimising the organisational structure, etc. The Company will utilise technology to facilitate our digital transformation and improve the consumer service experience throughout the process.

Impairment losses on financial assets

During the Reporting Period, the Group recorded impairment losses on financial assets of RMB574 million as compared with RMB23 million for the corresponding period last year. It was mainly due to further provision made on financial assets.

Impairment loss on right-of-use assets

During the Reporting Period, the Group recorded impairment loss on right-of-use assets of RMB3,959 million (2021: Nil).

The Group's business was continuously affected by the COVID-19 pandemic, resulting in a decline in the overall revenue and the Group recorded a loss in 2022. As affected by the overall domestic economic situation, the downward pressure on the leasehold property market is getting serious. In the fourth quarter of 2022, taking into consideration of above factors and cashflow position of the Group, the management revisited the future assumptions, including but not limit to self-use and lease, for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building (collectively, the "Properties"), and conducted impairment tests in accordance with IAS 36 which indicates that the recoverable amounts of the right-of-use assets in relation to the Properties are lower than the carrying amounts. Accordingly, impairment losses on right-of-use assets of approximately RMB3,959 million in aggregate were recognised in 2022.

Other expenses and losses

During the Reporting Period, the Group recorded other expenses and losses of approximately RMB263 million as compared with RMB79 million in the same period last year.

Loss before finance (costs)/income and tax

During the Reporting Period, mainly affected by the increase in impairment losses on goodwill and right-of-use assets as mentioned above, the Group's loss before finance (costs)/income and tax was approximately RMB18,752 million, as compared with a loss of RMB3,402 million for the corresponding period in 2021.

Net finance (costs)/income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB1,534 million, as compared with RMB1,327 million for the corresponding period of 2021.

Loss before tax

As a result of the above-mentioned factors, the Group's loss before tax was approximately RMB20,285 million during the Reporting Period, increased by 329.04% as compared with a loss of RMB4,728 million for the corresponding period in 2021.

Income tax credit/(expense)

During the Reporting Period, the Group's income tax credit amounted to approximately RMB79 million, as compared with RMB44 million of income tax expense for the corresponding period in 2021.

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

During the Reporting Period, the Group's loss attributable to owners of the parent was approximately RMB19,956 million, increased by 353.34% as compared with a loss of RMB4,402 million for the corresponding period last year. During the Reporting Period, the Group's basic loss per share was approximately RMB58.6 fen, as compared with basic loss per share of RMB17.8 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were approximately RMB170 million, which was mainly denominated in Renminbi and the rest in HK dollars and other currencies, as compared with RMB4,378 million as at the end of 2021. The decrease in the cash and cash equivalents position was mainly due to the Group having repaid its borrowings during the Reporting Period.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB433 million, down 93.18% as compared with RMB6,352 million as at the end of 2021. As a result of the decrease in sales revenue and cost of sales during the Reporting Period, inventory turnover days increased by 13 days from 66 days in 2021 to approximately 79 days in 2022.

Prepayments, other receivables and other assets (current)

As at the end of the Reporting Period, prepayments, other receivables and other assets (current) of the Group amounted to approximately RMB3,275 million, up 1.42% from RMB3,229 million as at the end of 2021. The increase was mainly due to the increase in deposits and other receivables during the Reporting Period. These amounts included trade balances with related companies which are subject to credit terms agreed.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB5,888 million, down 68.83% as compared with RMB18,891 million as at the end of 2021. As a result of the decrease in sales revenue and cost of sales during the Reporting Period, turnover days of trade and bills payables increased by 114 days from 175 days for the corresponding period in 2021 to approximately 289 days.

Capital expenditure

During the Reporting Period, capital expenditure (relating to property and equipment) incurred by the Group amounted to approximately RMB610 million, representing an 61.80% increase as compared with RMB377 million for 2021. The capital expenditure during the period was mainly for the development of logistic centers and upgrading the information system of the Group.

Cash flows

During the Reporting Period, mainly due to, among others, the changes in inventories, trade receivables and trade and bills payables, the Group's net cash flows generated from operating activities was approximately RMB821 million, as compared with net cash flows generated of RMB649 million for the corresponding period last year.

As a result of inclusion of non-recurring purchases of financial assets at fair value through other comprehensive income amounted to approximately RMB1,510 million in 2021, net cash flows used in investing activities were approximately RMB168 million, as compared with RMB1,975 million used in 2021.

During the Reporting Period, net cash flows used in financing activities amounted to approximately RMB4,727 million, as compared with RMB3,871 million used in 2021. The net cash outflows from financing activities were mainly due to the repayment of its domestic bonds, bank loans and interest payments during the Reporting Period.

Dividend and dividend policy

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 so as to preserve capital for funding needs of the Group.

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

Contingent liabilities and capital commitments

As at the end of the Reporting Period, the Group had capital commitments of approximately RMB648 million and the Group did not make any third party guarantee.

The Group's overdue and undue debts as at 31 May 2023 amounted to approximately RMB16.16 billion and RMB5.51 billion, respectively. The Group was involved in a total of 1,294 pending lawsuits, amounted to approximately RMB10.37 billion in aggregate as at 31 May 2023.

Foreign Currencies and Treasury Policy

The majority of the Group's income and its expenses and cash and cash equivalents were denominated in Renminbi. The Group has adopted effective measures to reduce its foreign exchange risks. The Group's treasury policy is that it will only manage such exposure (if any) when it posts significant potential financial impact on the Group. The management of the Group estimates that less than 10% of the Group's current purchases are imported products and the transactions are mainly denominated in Renminbi.

Financial resources and gearing ratio

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

As at 31 December 2022, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds.

The interest-bearing bank loans and other loans comprised:

	Fixed rate	**Floating rate**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in EUR	1,123,027	–	1,123,027
Denominated in RMB	421,403	22,067,332	22,488,735
	1,544,430	22,067,332	23,611,762

The corporate bonds comprised:

(1) corporate bonds issued in 2018, renewed in 2020 with an aggregate nominal value of RMB102 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 4 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second year;

(2) corporate bonds issued in 2019, renewed in 2021 with an aggregate nominal value of RMB16 million issued at a fixed coupon rate of 7.8% per annum with remaining term of 4 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second year; and

(3) corporate bonds issued in 2020 with an aggregate nominal value of RMB200 million issued at a fixed coupon rate of 7% per annum with a term of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the third year.

Convertible bonds comprised:

(1) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US$200 million issued in April 2020. As at 31 December 2022, the net proceeds of US$196.80 million have been fully used to repay the debts and related interests of the Group; and

(2) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US$100 million issued in June 2020. As at 31 December 2022, the net proceeds of US$99.11 million have been fully used to repay the debts and related interests of the Group.

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

As at 31 December 2022, the debt to total equity ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to approximately RMB25,895 million over total equity amounted to approximately RMB493 million, increase from 160.36% as at 31 December 2021 to 5,252.54%. The debt ratio was 60.81% as compared with 34.85% as at 31 December 2021, which was expressed as a percentage of total borrowings over total assets amounted to approximately RMB42,584 million.

Charge on group assets

As at the end of 2022, the Group's bills payable and interest-bearing bank loans and other loans were secured by the Group's time deposits amounted to approximately RMB5,457 million and related interests receivables amounted to approximately RMB187 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB8,509 million, the Group's investments in associates amounted to approximately RMB212 million, the Group's right-of-use assets with a carrying value of approximately RMB198 million the Group's financial assets at fair value through other comprehensive income of RMB131 million and the Group's inventories amounted to approximately RMB5 million. The Group's bills payable and secured interest-bearing bank loans and other loans amounted to approximately RMB21,745 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 12,431 (2021: 32,278) 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

Although the Group experienced a downturn in 2022, the management expects to rebound in the near future. The Group will continue to implement the "Home• Living" strategy, accelerate the deep integration of online and offline businesses, and further enhance operational efficiency based on market changes. In the coming period, the Group will continue to strategically focus on the core business, comprehensively enhance store operation and optimise store network layout by reorganising business segments, streamlining asset structure and strengthening technology empowerment, so as to improve consumer service experience throughout the entire process, mitigate the impact of unfavourable market factors such as the pandemic as soon as possible, and restore the profitability of the listed group.

In the future, the Group's new model of business strategy will continue to be optimised and upgraded by focusing on online live streaming and short video with an aim to achieve a comprehensive online and offline layout. Online APPs will be consolidated into an integrated platform that caters to the preferences of young consumers, while offline stores will be created as a local lifestyle centre with localised features. In addition, we will develop new technologies and new business models, so as to continuously attract and empower various businesses which drive new profit growth. Shared Retail is positioned to provide retail supply chain marketing and distribution characterised by omni-linkage, omni-channel and openness. This platform will not only bring about a new model for the Group's procurement and marketing, but will also diversify our supply chain. The automobile showroom aims to serve as sales centre, delivery centre and after-sales centre for new energy vehicles, providing professional services within an "automobile + social + entertainment" ecosystem. The Group will also synchronise the development of its home furnishing business and home appliance business in an effort to build a closed-loop business that covers the entire process of design and decoration. LOHAS Home showcases the digitisation of display experience and local life. Through the integration of online and offline channels and the empowerment of sharing, these projects aim to break retail boundaries and make better use of urban commercial spaces.

With the recovery of the economy and the stimulation of policies after gradual alleviation of the pandemic, the management believes that market demand will be restored with certainty. During the NPC and CPPCC sessions in 2023, in addition to proposing to boost the economy and restore confidence, the new-term government also specifically emphasised that "private entrepreneurs have to make a new entrepreneurial history", which will greatly motivate and encourage private-owned enterprises and companies. The management of the Company will also strive to seize the precious opportunities brought from the prevailing policies, streamline the management, improve resource integration and business collaboration, and achieve value enhancement for the Group's core business through synergistic empowerment and create direct operating contributions. In addition, it will cooperate with more business partners to carry out closer and more in-depth cooperation, continue to empower each other in terms of goods, services, traffic and technology, and jointly help the retail industry to upgrade and iterate to meet the demand of domestic families for a better life. Subsequent to 31 December 2022, the Group has re-activated the operation with certain suppliers for supply of goods. Furthermore, as the Group is actively liaising with other suppliers and service providers on resumption of the operations. It is expected that the Group will be able to re-activate the past credit limits and resume the supply of goods.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2022, 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 2022.

SCOPE OF WORK OF MESSRS. ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 14 July 2023. The work performed by Messrs. Elite Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Elite Partners CPA Limited on the preliminary announcement.

FURTHER INFORMATION IN RELATION TO CHANGE OF AUDITOR

Reference is made to the announcements of the Company dated 21 April 2023, 28 April 2023 and 23 June 2023 in relation to the change of auditor of the Company.

As disclosed in the announcement of the Company dated 21 April 2023, the Company appointed Elite Partners CPA Limited ("Elite Partners") as the new auditor of the Company to fill the casual vacancy following the resignation of the former auditor of the Company, Shinewing (HK) CPA Limited ("Shinewing").

The Company would like to provide further information raised by Shinewing in its resignation letter. In its resignation letter, Shinewing referred to a letter dated 30 March 2023 and 12 April 2023 to the Board and the audit committee of the Board (the "Audit Committee") which claimed that it has not received certain information (the "Outstanding Matters") to enable it to complete its audit procedures for the Company's financial statements for the year ended 31 December 2022 ("FY2022").

The Board was of the view that Shinewing raised the Outstanding Matters as a result of: (1) Mainland China was severely affected by the COVID-19 outbreak during the early part of 2023, which made travelling and logistical arrangement difficult for the Group to retrieve audit required information for Shinewing; (2) the audit scope and audit procedures have been largely expanded compared with previous years as a result of increased audit risk identified from the liquidity and going concern assessment. As such, the Group has further difficulties to manage increased audit information requirements from Shinewing in pre-determined time frame.

The details of the Outstanding Matters and the audit plan of Elite Partners are set out in the announcements of the Company dated 23 June 2023.

Elite Partners conducted its audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") on the Consolidated Financial Statements, including but not limited to:

- identified and assessed the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for its opinion;

- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures adopted by the Group; and

- obtained sufficient appropriate audit evidence for Elite Partners to form an opinion on the Consolidated Financial Statements as a whole.

Elite Partners carried out the following audit procedures to address the Outstanding Matters:

Bank confirmations

- issued bank confirmation letters;

- performed alternative procedures for non-replies, including but not limited to (i) cross-checking to bank account setup documents, bank statements, deposit slips, bank loan agreements, credit report generated from Credit Reference Centre of People's Bank of China and other supporting documents; (ii) conducting interview with Shinewing to understand their confirmation sending procedures and confirming the borrowing and guarantee information from the replied bank confirmations that they previously received; and (iii) conducting interviews with banks directly on the completeness of bank accounts, facilities and guarantee information of the Group; and

- followed up the reply status of the outstanding bank confirmation letters previously raised by Shinewing.

Prepayments and account receivables from and current accounts with related parties

- in relation to prepayment made to supplier, discussed with management to understand the business background of the relevant transactions and understand that the Group, as consistent with past years, commits bulk sales orders before confirms its purchase orders with suppliers. Ningbo Ruimao International Trade Co., Ltd. ("NRITCL"), an independent third party, is one of the Group's exclusive agents to liaise with the Group's relevant suppliers in the past. The outstanding balance with NRITCL represented mainly the prepayment made to suppliers, since certain sales transactions were subsequently cancelled with no new sales transactions to match the prepayments made, the outstanding balance was not yet settled/utilised as at 31 December 2022. The transaction amount with NRITCL during the year ended 31 December 2022 was substantially larger than the outstanding balance.

- in relation to amounts due from related companies, discussed with management to understand the business background of the relevant transactions and understand that the Group, as consistent with past years, engages related parties on connected party transactions including purchases, sales, warehousing, logistics and after-sales services. The outstanding balances represented unsettled amounts as at 31 December 2022.

- reviewed relevant contracts, invoices and other supporting documents with third parties and related parties;

- discussed with management to understood business rationale of the relevant transactions and performed interviews with NRITCL, relevant third party customers, third party suppliers and related parties;

- reviewed the expected credit loss assessments performed by independent valuers to ascertain the level of provision required; and

- reviewed the subsequent settlement status from the relevant customers and suppliers and related parties and the subsequent refund or utilisation of the corresponding amounts.

Stock take process and inventories level

- obtained an inventory list that show the status of each store/warehouse and obtained a complete list of the inventories being seized with the corresponding accounting treatment include the assessment of the net realisable value of the inventories;

- collaborated with management on their marketing plan, and performing analytical procedures on the physical stores and warehouses that was being seized or shut down; and understood the corresponding settlement agreement with the landlords on the closed stores or seized inventories and obtain relevant contracts when necessary;

- performed a new round of stock take;

- performed physical inspection and analysis on closed shops or seized inventories;

- tailored audit procedures and performed audit works on the opening balance; and

- obtained from the management the stock rolling information from the opening balance and performed test on the rolling information.

Sustainability of the Group

- obtained from the management the Group's latest future cash flow forecast and relevant supporting documents; and

- conducted corresponding audit procedures to assess the going concern review of the Group and considered the disclosure of the management's assumption of continuous operation in accordance with the Hong Kong Standard on Auditing 570.

Valuation of non-current assets

- obtained from the management the valuation reports issued by independent valuers; and

- conducted corresponding audit procedures to assess the impairment assessments of the Group's goodwill and certain properties.

Litigations

- conducted internet and litigation searches on litigations;

- sent legal letters to lawyers;

- interviewed the Group's in-house legal experts; and

- conducted corresponding audit procedures to assess the sufficiency of provision and adequacy of the disclosure.

AUDIT OPINION

The consolidated financial statements have been audited by the Group's auditor, Messrs. Elite Partners CPA Limited. The independent auditor has issued a disclaimer of opinion with a basis of multiple uncertainties relating to going concern in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022 which has included a disclaimer of opinion:

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a loss of approximately RMB20.2 billion during the year ended 31 December 2022, the Group's current liabilities exceeded its current assets by RMB29.2 billion. The Group's current liabilities amounted to RMB40.6 billion, of which RMB25.9 billion represented interest-bearing bank and other borrowings as at 31 December 2022. Nevertheless, the Group had cash and cash equivalents amounted to approximately RMB170 million as at 31 December 2022. In addition, certain loan payables to financial institutions were overdue. The overdue of these loan payables entitled the lenders a right to demand immediate repayment of the loan payables from the Group. Certain banks have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received property preservation orders to restrict the disposition of certain assets and the withdrawal of bank deposits during the year. Moreover, the Group involved in a number of pending civil claims or lawsuits filed by the civil litigants as at 31 December 2022. Further, due to the suspension of supply of goods from certain major suppliers, the revenue was significantly decrease subsequent to the end of the reporting period, which bring significant impacts on the Group's operations. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including: (i) the successful resumption of trading of share of the Company at Stock Exchange; (ii) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the abovementioned equity exercises; (iii) the ability of the suppliers, service providers, landlords, bank and convertible bond holders or other creditors to honour their commitment in converting their debt to shares of the Company after the resumption of trading of the Company's stock; (iv) the convertible bond holders' ability to honour their undertakings to the Group; (v) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (vi) the successful negotiation with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants; (vii) the successful negotiation with the major suppliers and service providers for re-activating the existing credit limit and resumption of supply of goods; (viii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants; (ix) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity; and (x) the successful implementation of measures in streamlining the operation mode and tightening cost controls.

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

Given the execution of certain of the above plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issuance of the consolidated financial statements with details as set out in note 2.1 to the consolidated financial statements, and in view of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, we are unable to form an opinion as to whether the going concern basis of preparation of the consolidated financial statements of the Group is appropriate and we disclaim our opinion on the consolidated financial statements of the Group in respect of year ended 31 December 2022."

THE BOARD AND THE AUDIT COMMITTEE'S VIEW AND THE PLAN TO ADDRESS THE DISCLAIMER OF AUDIT OPINION

The fundamental reason for the disclaimer of audit opinion (the "Disclaimer") made by the independent auditor for the current year is the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements. Even though the Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, which are set out in note 2.1 to this preliminary announcement, whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the followings: (i) the successful resumption of trading of share of the Company at Stock Exchange; (ii) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the abovementioned equity exercises; (iii) the ability of the suppliers, service providers, landlords, bank and convertible bond holders or other creditors to honour their commitment in converting their debt to shares of the Company after the resumption of trading of the Company's stock; (iv) the convertible bond holders' ability to honour their undertakings to the Group; (v) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (vi) the successful negotiation with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants; (vii) the successful negotiation with the major suppliers and service providers for re-activating the existing credit limit and resumption of supply of goods; (viii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants; (ix) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity; and (x) the successful implementation of measures in streamlining the operation mode and tightening cost controls. Given the execution of the plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issuance of the consolidated financial statements, in view of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, Elite Partners is unable to form an opinion as to whether the going concern basis of preparation of the consolidated financial statements of the Group is appropriate and Elite Partners disclaims its opinion on the consolidated financial statements of the Group in respect of year ended 31 December 2022. The audit committee of the Company (the "Audit Committee") has reviewed the Disclaimer for the current year and has agreed with the basis thereof. The management has reviewed the impact of the Disclaimer on the Group and considers that it does not have significant impact on the Group's daily operation subject to successful outcome of the measures as set out in note 2.1. There was no disagreement between the views of the Audit Committee and the management in respect of (i) the Disclaimer and (ii) the Company's plan to address the Disclaimer.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. LEE Kong Wai, Conway and Ms. LIU Hong Yu (being the independent non-executive directors of the Company) and Ms. DONG Xiao Hong (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 2022.

The Audit Committee is of the view that the audit scope and related plan carried out by Elite Partners is able to address the Outstanding Matters. Accordingly, after completion of the audit procedures, the Outstanding Matters have been properly addressed and resolved. The Audit Committee has also reviewed the proposed audit report prepared by Elite Partners and submitted it to the Board.

THE BOARD'S VIEW ON OUTSTANDING MATTERS RAISED BY SHINEWING

The Board agreed with the Audit Committee and is of the view that the audit scope and related plan carried out by Elite Partners is able to address the Outstanding Matters. Accordingly, after completion of the audit procedures, the Outstanding Matters have been properly addressed and resolved.

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

1) In January and May 2022, the Group repaid the domestic bonds issued in 2016, with aggregate principal amount of RMB937,399,000 and RMB1,700,000,000, respectively.

2) On 28 June 2022, a total of 1,962,500,000 ordinary shares of the Company have been successfully placed at the placing price of HK$0.40 per share to independent placees. The net proceeds received by the Company from the placing, after deducting relating fees and expenses, were approximately HK$776,460,000.

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 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 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 2022 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended at 9:00 a.m. on 3 April 2023 pending the release of this announcement. An application has been made to the Stock Exchange to resume the trading in the Shares of the Company from 9:00 a.m. on 17 July 2023.

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

Hong Kong, 14 July 2023

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

* *For identification purpose only*