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 2020

2020 FINANCIAL HIGHLIGHTS

- During the Reporting Period, the outbreak of the COVID-19 pandemic caused disruption to many industries in China, the Group's business was also affected. Sales revenue of the Group was approximately RMB44,119 million, down 25.83% as compared with RMB59,483 million in the previous year
- Consolidated gross profit margin was approximately 12.16%, as compared with 17.91% in the previous year
- Loss attributable to owners of the parent was approximately RMB6,994 million, as compared with RMB2,590 million in the previous year
- Basic loss per share was RMB34.8 fen, as compared with RMB12.9 fen in the previous year
- Cash and cash equivalents were approximately RMB9,597 million, as compared with RMB8,187 million in the previous year
- Net cash flows from operating activities was approximately RMB1,851 million

The board of directors (the "Board") of GOME Retail Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*5*	**44,119,113**	59,482,827
Cost of sales	*6*	**(39,568,729)**	(50,372,279)
Gross profit		**4,550,384**	9,110,548
Other income and gains	*5*	**816,192**	1,542,971
Selling and distribution expenses		**(6,419,426)**	(8,476,504)
Administrative expenses		**(1,837,356)**	(2,158,833)
Impairment losses on financial assets		**(34,461)**	(8,977)
Other expenses		**(2,772,513)**	(1,138,007)
Share of losses of associates		**(6,338)**	(105,241)
Loss before finance income/(costs) and tax		**(5,703,518)**	(1,234,043)
Finance costs	*7*	**(1,966,040)**	(2,090,702)
Finance income	*7*	**500,701**	428,388
LOSS BEFORE TAX	*6*	**(7,168,857)**	(2,896,357)
Income tax expense	*8*	**(34,790)**	(72,295)
LOSS FOR THE YEAR		**(7,203,647)**	(2,968,652)
Attributable to:			
Owners of the parent		**(6,993,816)**	(2,589,826)
Non-controlling interests		**(209,831)**	(378,826)
		(7,203,647)	(2,968,652)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**(RMB34.8 fen)**	(RMB12.9 fen)
Diluted		**(RMB34.8 fen)**	(RMB12.9 fen)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
LOSS FOR THE YEAR	**(7,203,647)**	(2,968,652)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(14,260)**	7,336
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(14,260)**	7,336
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**84,599**	104,767
Income tax effect	**(12,153)**	–
Assets revalued at fair value upon change in use:		
Gains on assets revaluation for change in use from owner-occupied properties to investment properties	**240,076**	–
Income tax effect	**(51,788)**	–
Net other comprehensive income that will not to be reclassified to profit or loss in subsequent periods	**260,734**	104,767
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**246,474**	112,103
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(6,957,173)**	(2,856,549)
Attributable to:		
Owners of the parent	**(6,747,342)**	(2,477,723)
Non-controlling interests	**(209,831)**	(378,826)
	(6,957,173)	(2,856,549)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**6,296,141**	6,733,209
Properties under development		**1,142,440**	522,973
Investment properties		**3,906,717**	2,137,929
Right-of-use assets		**8,526,315**	13,356,979
Goodwill	*11*	**10,189,488**	11,987,128
Other intangible assets		**265,158**	334,413
Investments in associates		**171,770**	176,638
Investment in a joint venture		**3,781**	3,781
Equity investments designated at fair value through other comprehensive income		**733,193**	854,052
Financial assets at fair value through profit or loss		**1,596,917**	1,490,596
Loans to investees		**–**	560,000
Deferred tax assets		**13,391**	7,211
Prepayments, other receivables and other assets		**689,776**	363,931
Total non-current assets		**33,535,087**	38,528,840
CURRENT ASSETS			
Inventories		**8,368,454**	7,688,114
Trade receivables	*12*	**427,682**	240,872
Prepayments, other receivables and other assets		**3,234,680**	3,207,558
Loans to investees		**–**	150,000
Due from related companies		**369,045**	244,576
Financial assets at fair value through profit or loss		**417,441**	589,648
Restricted cash		**14,544,592**	13,035,858
Cash and cash equivalents		**9,597,200**	8,186,507
Total current assets		**36,959,094**	33,343,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2020

	Notes	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*13*	**20,416,229**	20,119,408
Other payables and accruals		**4,991,622**	3,565,659
Due to related companies		**121,628**	174,268
Lease liabilities		**3,077,035**	3,123,314
Interest-bearing bank and other borrowings	*14*	**23,310,157**	18,445,025
Tax payable		**1,026,742**	984,630
Total current liabilities		**52,943,413**	46,412,304
NET CURRENT LIABILITIES		**(15,984,319)**	(13,069,171)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,550,768**	25,459,669
NON-CURRENT LIABILITIES			
Lease liabilities		**5,747,808**	8,414,297
Interest-bearing bank and other borrowings	*14*	**9,617,396**	8,406,987
Derivative financial liabilities	*15*	**351,332**	–
Deferred tax liabilities		**566,586**	477,333
Total non-current liabilities		**16,283,122**	17,298,617
Net assets		**1,267,646**	8,161,052
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**518,210**	518,322
Treasury shares		**(1,033,410)**	(1,086,657)
Reserves		**5,431,549**	12,168,259
		4,916,349	11,599,924
Non-controlling interests		**(3,648,703)**	(3,438,872)
Total equity		**1,267,646**	8,161,052

Notes:

1. CORPORATE AND GROUP INFORMATION

GOME Retail Holdings Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

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. 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.

Going concern consideration

The Group had net current liabilities of RMB15,984,319,000 as at 31 December 2020 and incurred loss for the year of RMB7,203,647,000. In view of such circumstance, the Board has given careful consideration to the future liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Board consider that the Group will have adequate funds available to enable it to operate as a going concern, taking into account the Group's cash flow projection and the following:

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

(b) the assumption that the Group's suppliers will continue to provide trade credit to the Group under the existing credit terms and scale to support the Group's business;

(c) the net proceeds of approximately HK$4,449,453,000 arising from the Company's share issuance on 2 March 2021; and

(d) the Group is able to obtain additional equity or debt financing and realise certain investments or properties to obtain additional working capital of the Group, when necessary.

Accordingly, the directors consider it is appropriate to prepare these financial statements on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their net realisable values and to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these financial statements.

2. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. 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 loss 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 loss 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definition and recognition criteria for assets and liabilities. It also clarified the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The Group has applied the concentration test to the acquisition of Jinan Jilian Jingmei Trading Limited. The fair value of the gross assets acquired was substantially concentrated in a building. Therefore, this subsidiary was determined not to be a business and accordingly, the Group did not apply the acquisition method to the acquisition of this subsidiary.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's retail stores and office premises have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB248,466,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance 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 revenues and is not classified as an operating segment. Accordingly, no segment information by profit, assets and liabilities is presented.

Geographical information

All (2019: all) revenue of the Group was derived from customers in Mainland China and over 95% (2019: 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 (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**44,119,113**	59,482,827
Other income		
Income from installation	**55,028**	88,616
Income on extended warranty service	**158,388**	265,066
Gross rental income from investment property operating leases	**114,820**	136,977
Government grants*	**182,211**	186,354
Commission income from telecommunication service providers	**19,853**	75,267
Commission income from providing online platforms	**14,076**	94,398
Income from compensation	**7,761**	14,481
Realised income from wealth management financial products	**17,355**	12,213
Others	**45,401**	63,909
	614,893	937,281
Gains		
Gains on subleasing of right-of-use assets	**44,255**	17,718
Gains on lease modification	**40,550**	–
Fair value gain on investment properties	**–**	5,401
Fair value gains on financial instruments, net:		
Financial assets at fair value through profit or loss	**–**	582,571
Derivative financial instruments embedded in the convertible bonds	**116,494**	–
	201,299	605,690
	816,192	1,542,971

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Types of goods or services		
Sale of electrical appliances and consumer electronic products and general merchandise	**44,119,113**	59,482,827
Total revenue from contracts with customers	**44,119,113**	59,482,827
Geographical market		
Mainland China	**44,119,113**	59,482,827
Timing of revenue recognition		
Goods transferred at a point in time	**44,119,113**	59,482,827

6. LOSS BEFORE TAX

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

	Note	**2020** **RMB'000**	2019 RMB'000
Cost of inventories sold		**39,549,510**	50,205,218
Provision against inventories		**19,219**	167,061
Cost of sales		**39,568,729**	50,372,279
Depreciation of property and equipment		**680,465**	819,844
Depreciation of right-of-use assets		**2,545,942**	3,074,393
Amortisation of other intangible assets*		**69,255**	68,219
Research and development costs		**59,662**	30,766
Impairment losses on property and equipment***		**327,207**	210,073
Losses of closing stores***#		**116,825**	173,628
Loss on disposal of property and equipment***		**10,051**	10,613
Losses/(gains) on subleasing of right-of-use assets***		**(40,550)**	13,265
Lease payments not included in the measurement of lease liabilities		**527,456**	579,261
Fair value losses/(gains) on investment properties, net***		**200,482**	(5,401)
Fair value losses/(gains) on financial instruments, net:			
Financial assets at fair value through profit or loss		**55,740**	(582,571)
Derivative financial instruments embedded in the convertible bonds		**(116,494)**	–
Loss on derecognition of financial liabilities measured at amortised cost***		**–**	54,637
Foreign exchange differences, net***		**222,070**	101,901
Impairment losses on goodwill***	*11*	**1,797,640**	–
Impairment losses on trade receivables, net***		**15,593**	358
Impairment losses on financial assets included in prepayments, other receivables and other assets, net***		**18,868**	8,619
Auditors' remuneration		**5,000**	5,700
Staff costs excluding directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**2,051,233**	2,758,770
Pension scheme contributions**		**245,464**	611,191
Social welfare and other costs		**50,655**	98,785
Share award expense/(credit)		**79,018**	(641)
		2,426,370	3,468,105

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 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

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

Write-off of certain leasehold improvements of RMB104,969,196 (2019: RMB158,237,713) was included in this item.

7. FINANCE (COSTS)/INCOME

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

	2020	2019
	RMB'000	*RMB'000*
Finance costs:		
Interest on bonds payable	**(613,897)**	(673,149)
Interest on bank loans	**(379,243)**	(360,767)
Interest on discounted bills	**(511,172)**	(284,864)
Interest on borrowings from related parties	**(2,530)**	(58,283)
Interest on lease liabilities	**(623,269)**	(875,210)
Total interest expense on financial liabilities not at fair value through profit or loss	**(2,130,111)**	(2,252,273)
Less: Interest capitalised	**164,071**	161,571
	(1,966,040)	(2,090,702)

	2020	2019
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**474,727**	387,676
Interest income from loans to investees	**22,870**	28,361
Interest income from loans to third party	**3,104**	–
Others	**–**	12,351
	500,701	428,388

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019:8.25%) and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020	2019
	RMB'000	*RMB'000*
Current – charge for the year	**15,578**	56,477
Deferred	**19,212**	15,818
Total tax charge for the year	**34,790**	72,295

9. DIVIDENDS

Pursuant to the Board's resolution dated 31 March 2021, the Board did not recommend the payment of a final dividend for the year ended 31 December 2020 so as to preserve capital for funding needs of the Group.

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

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 20,085,142,000 (2019: 20,066,084,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of convertible bonds outstanding and share award 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:

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(6,993,816)**	(2,589,826)

	Number of shares	
	2020	2019
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**20,085,142**	20,066,084

11. GOODWILL

	2020	2019
	RMB'000	*RMB'000*
At 1 January:		
Cost	**14,435,951**	14,373,742
Accumulated impairment	**(2,448,823)**	(2,448,823)
Net carrying amount	**11,987,128**	11,924,919
Cost at 1 January, net of accumulated impairment	**11,987,128**	11,924,919
Acquisition of subsidiaries	**–**	62,209
Impairment during the year	**(1,797,640)**	–
At 31 December	**10,189,488**	11,987,128
At 31 December:		
Cost	**14,435,951**	14,435,951
Accumulated impairment	**(4,246,463)**	(2,448,823)
Net carrying amount	**10,189,488**	11,987,128

Impairment testing of goodwill

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

	2020	2019
	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	**(4,246,463)**	(2,448,823)
	10,189,488	11,987,128

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 for Artway and China Paradise are 12.99% and 13.30%, respectively. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2019: 3%).

During the year, in view of the underperformance of Artway and China Paradise cash-generating units, impairment losses of RMB1,360,312,000 and RMB437,328,000, respectively, were recognised for the goodwill in relation to these cash-generating units.

As at 31 December 2020, the accumulated impairment were related to Artway, China Paradise and other cash-generating units in the amounts of RMB2,338,711,000 (2019: RMB978,399,000), RMB1,644,010,000 (2019: RMB1,206,682,000) and RMB263,742,000 (2019: RMB263,742,000), respectively.

12. TRADE RECEIVABLES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade receivables	**447,440**	262,075
Impairment	**(19,758)**	(21,203)
	427,682	240,872

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:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 3 months	**407,854**	220,673
3 to 6 months	**9,950**	16,759
Over 6 months	**9,878**	3,440
	427,682	240,872

13. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**6,374,841**	5,169,596
Bills payable	**14,041,388**	14,949,812
	20,416,229	20,119,408

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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**10,853,647**	9,018,095
3 to 6 months	**2,579,143**	8,928,531
Over 6 months	**6,983,439**	2,172,782
	20,416,229	20,119,408

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

(i) the pledge of certain of the Group's time deposits amounting to RMB4,052,867,000 (2019: RMB5,470,541,000) and related interest receivables amounting to RMB22,281,000 (2019: RMB27,145,000);

(ii) mortgages over the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,295,525,000 (2019: RMB1,063,874,000); and

(iii) mortgages over the Group's investment properties situated in Mainland China which had an aggregate fair value of approximately RMB368,586,000 (2019: RMB135,492,000).

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

	31 December 2020			31 December 2019		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**0.05-7.36**	**2021**	**17,337,338**	0.05-7.36	2020	13,337,038
Bank loans – unsecured	**3.05-6.60**	**2021**	**3,104,511**	4.20-6.09	2020	1,489,983
Other loans – secured	**6.09-8.35**	**2021**	**320,250**	6.09-8.35	2020	296,496
Bonds payable						
– unsecured	**7.44-7.87**	**2021**	**2,548,058**	5.08-5.26	2020	3,321,508
			23,310,157			18,445,025
Non-current						
Bank loans – secured	**4.90-5.39**	**2022-2034**	**5,056,087**	4.90-5.46	2022-2034	2,655,230
Other loan – secured	**6.09**	**2022-2024**	**85,493**	6.09	2021-2024	120,045
Bonds payable						
– unsecured	**4.79-8.03**	**2022-2026**	**4,475,816**	4.79-7.87	2022-2025	5,631,712
			9,617,396			8,406,987
Analysed into:						
Bank loans repayable:						
Within one year			**20,441,849**			14,827,021
In the second year			**1,616,785**			–
In the third to fifth years, inclusive			**1,330,827**			1,062,026
Beyond five years			**2,108,475**			1,593,204
			25,497,936			17,482,251

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

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Other borrowings repayable:		
Within one year	**2,868,308**	3,618,004
In the second year	**2,521,972**	39,396
In the third to fifth years, inclusive	**1,839,910**	5,213,847
Beyond five years	**199,427**	498,514
	7,429,617	9,369,761

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 RMB1,459,713,000 (2019: RMB1,128,372,000);

(b) 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 RMB95,227,000 (2019: RMB1,175,438,000);

(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 RMB2,290,079,000 (2019: RMB1,365,419,000);

(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 RMB875,963,000 (2019: RMB522,973,000);

(e) the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB103,376,000 (2019: RMB137,862,000);

(f) certain of the Group's time deposits amounting to RMB10,476,638,000 (2019: RMB7,392,319,000) and related interest receivables amounting to RMB251,671,000 (2019: RMB288,023,000);

(g) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value of approximately RMB537,889,000 (2019: Nil); and

(h) certain of the Group's financial assets at fair value through profit or loss with an aggregate fair value of approximately RMB413,487,000 (2019: RMB566,748,000).

ii) Except for the bank loans of EUR352,750,000 (equivalent to RMB2,826,898,000), all the Group's bank and other borrowings are denominated in RMB.

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 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 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.

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 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 long term interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from liability components, presented as derivative financial liabilities at fair value.

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 and 30 June 2020.

16. EVENTS AFTER THE REPORTING PERIOD

(1) On 7 January 2021, the Group has redeemed the outstanding domestic bonds with the aggregate principal amount of RMB2,062,601,000 and has completed the renewal of the domestic bonds with bond holders holding outstanding aggregate principal amount of RMB937,399,000, and the coupon rate will remain at 7.6% per annum with remaining term of 1 year.

(2) On 1 March 2021, the Group has redeemed the outstanding domestic bonds with the principal amount of RMB483,789,000 and completed the renewal of the domestic bonds with bond holders holding outstanding aggregate principal amount of RMB16,211,000, and the coupon rate will remain at 7.8% per annum with remaining term of 4 years.

(3) On 2 March 2021, the Company issued 2,279,976,000 ordinary shares at HK$1.97 each to not less than six independent third parties with net proceeds, after deducting relating fees and expenses, of approximately HK$4,449,453,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2020 (the "Reporting Period"), with a consistent focus on the "Home • Living" strategy and based on the model of local retail, GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "GOME") developed high-frequency, dual platforms with online and offline interaction for multi scenarios. Faced with the challenges from the outbreak of the coronavirus pandemic (the "COVID-19"), the Group fully leveraged on its resources and capabilities throughout its operation covering the supply chain, communities, logistics and services delivery, bringing high quality and low price products and services to consumers across the country. The Group has more than 3,400 physical stores nationwide as at the end of the year, all of which adopt the "one store, one page" online and offline operation model. The number of members exceeds 200 million with the number of communities close to 1 million.

In 2020, the outbreak of the COVID-19 pandemic caused disruption to many industries in China, the Group's business was also affected. The sales revenue of the Group for 2020 was approximately RMB44,119 million, declined by 25.83% as compared with RMB59,483 million for the corresponding period last year. Sales revenue for the first half of the year decreased by approximately 44.44% year-on-year due to severe outbreak of the COVID-19. However, a rapid rebound was achieved through live broadcasts and other initiatives, with the sales revenue basically flat in the second half of the year as compared with the corresponding period last year. Due to the sales of bulky home appliances being seriously affected by the pandemic, the consolidated gross profit margin of overall business was approximately 12.16% during the Reporting Period, as compared with 17.91% in the previous year. However, with the gradual alleviation of the pandemic and the stimulating policies, the consolidated gross profit margin began to improve in the second half of the year. The total operating expenses of the Group (including the impairment losses on goodwill discussed below) was approximately RMB11,029 million, decreased by 6.32% as compared with RMB11,773 million for the corresponding period last year. By excluding the impairment losses on goodwill, the operating expenses would decrease by approximately 21.59% year-on-year, mainly representing (among others) the reduction in salaries, rentals and other selling and distribution expenses. The financial costs were approximately RMB1,966 million as compared with RMB2,091 million for the corresponding period last year. In addition, to be conservative and comply with the applicable accounting standards, the Group has provided a goodwill impairment amounted to approximately RMB1,798 million on some businesses which did not meet expectations. Taking into account the above factors, the Group's loss attributable to owners of the parent during the Reporting Period was approximately RMB6,994 million, as compared with a loss of RMB2,590 million for the corresponding period last year. As of 31 December 2020, the cash and cash equivalents of the Group were approximately RMB9,597 million, as compared with RMB8,187 million as at the end of 2019, while net cash flows from operating activities for 2020 was approximately RMB1,851 million.

At present, the Group has already completed the online and offline digital transformation and upgrading, and has built an online and offline dual-platform model. Through the integration of internal and external resources and industry's scarce core values, the Group achieved a competitive position through differences. In the future, the Group will continue to comprehensively promote the second phase of the "Home • Living" strategy, open up the rich resources on the platform, strengthen online and offline operations, and meet consumers' desire for a better lifestyle with innovative changes in technology, openness, entertainment, and sharing, and utilizing scenarios and technology to become a redefined digital, social, and entertainment local retail service platform.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the outbreak of the COVID-19 pandemic caused disruption to many industries in China, especially to the home appliance retail industry. In the first half of the year, both total retail sales of consumer goods and home appliances in the domestic market dropped significantly as compared with the corresponding period last year. The sales revenue of the Group was approximately RMB44,119 million during the Reporting Period, declined by 25.83% as compared with RMB59,483 million in 2019 (of which, sales revenue for the first half of the year decreased by 44.44% year-on-year due to severe outbreak of the COVID-19. However, a rapid rebound was achieved through live broadcasts and other initiatives, the sales revenue for the second half of the year was basically flat as compared with the corresponding period last year and increased by 31.29% as compared with the first half of the year).

During the Reporting Period, aggregate sales revenue of 1,263 comparable stores of the Group was approximately RMB37,902 million, down 21.33% as compared with RMB48,178 million for the corresponding period in 2019. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted for approximately 34% of the total revenue, increased as compared with 32% for the corresponding period last year. In addition, the proportion of revenue from county-level stores has increased from 7.07% for the corresponding period last year to approximately 8.76% of total revenue while the proportion of revenue from new businesses (including integration of kitchen cabinets with electrical appliances, home decoration and home furnishing, etc.) increased from 8.98% for the corresponding period last year to approximately 9.57% of total revenue. The above businesses are expected to grow further in the future and drive the overall revenue growth of the Group.

Cost of sales and gross profit

Cost of sales of the Group was approximately RMB39,569 million during the Reporting Period, accounted for 89.69% of the revenue, as compared with 84.68% for the corresponding period in 2019. With the decrease in revenue, gross profit decreased by 50.06% from RMB9,111 million for the corresponding period last year to approximately RMB4,550 million. The gross profit margin was approximately 10.31%, decreased by 5.01 percentage points as compared with 15.32% for the corresponding period last year. The main reason for the decrease in gross profit margin was due to the large-scale promotional sales of the Group made through online and offline channels as well as through live broadcasts during the pandemic period. However, in the second half of 2020, gross profit margins have gradually picked up.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB816 million, as compared with RMB1,543 million in 2019. The decrease in other income and gains was mainly due to (among others) net gains on financial asset at fair value through profit and loss of RMB583 million were recorded in 2019, while no such gain was recorded in the current year.

Summary of other income and gains:

	2020	2019
As a percentage of sales revenue:		
Income from installation	**0.12%**	0.15%
Other service fee income	**0.36%**	0.45%
Commission income from providing online platforms	**0.03%**	0.16%
Gross rental income	**0.26%**	0.23%
Government grants	**0.41%**	0.31%
Net gains on financial assets at fair value through profit or loss	**–**	0.98%
Others	**0.67%**	0.31%
Total	**1.85%**	2.59%

Consolidated gross profit margin

Due to the sales of bulky home appliances being seriously affected by the pandemic, the consolidated gross profit margin was approximately 12.16% during the Reporting Period, decreased by 5.75 percentage points as compared with 17.91% for the corresponding period last year. However, with the gradual alleviation of the pandemic and the stimulating policies, the consolidated gross profit margin began to improve in the second half of 2020.

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

Operating expenses

During the Reporting Period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB11,029 million, decreased by 6.32% as compared with RMB11,773 million for the corresponding period last year. The expenses ratio was approximately 25.00%, as compared with 19.79% for the corresponding period in 2019. With the exclusion of impairment losses on goodwill of approximately RMB1,798 million, the operating expenses of the Group would decrease by 21.59% as compared with the corresponding period last year, while the expenses ratio would be dropped to 20.92%. Despite the impairment losses on goodwill, the decrease in operating expenses was mainly due to the Group having adopted multiple measures to reduce various expenses during the pandemic period. The Group expects that the operating expenses will be maintained at a relatively low level.

Summary of operating expenses:

	2020	2019
As a percentage of sales revenue:		
Selling and distribution expenses	**14.55%**	14.25%
Administrative expenses	**4.16%**	3.63%
Other expenses	**6.29%**	1.91%
Total	**25.00%**	19.79%

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses were approximately RMB6,419 million, reduced by 24.28% as compared with RMB8,477 million for the corresponding period last year.

The decrease in selling and distribution expenses was mainly due to the fact that the Group adopted various measures to reduce expenses during the pandemic period. Among which, salaries decreased from RMB2,356 million for the corresponding period last year to approximately RMB1,493 million; rental decreased from RMB366 million for the corresponding period last year to approximately RMB241 million; advertising expenses decreased from RMB551 million for the corresponding period last year to approximately RMB309 million; depreciation decreased from RMB3,516 million for the corresponding period last year to approximately RMB2,795 million. A total of approximately RMB1,951 million was reduced during the Reporting Period from the above items.

The selling and distribution expenses as a percentage over sales revenue was approximately 14.55%, increased by 0.3 percentage point as compared with 14.25% for the corresponding period in 2019.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB1,837 million, decreased by 14.91% as compared with RMB2,159 million for the corresponding period last year. Among which, salaries decreased from RMB1,130 million for the corresponding period last year to approximately RMB877 million, rental decreased from RMB214 million for the corresponding period last year to approximately RMB38 million. The proportion over sales revenue was 4.16%, increased by 0.53 percentage point as compared with 3.63% for the corresponding period in 2019. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses ratio at a relatively low level in the industry.

Other Expenses

During the Reporting Period, the other expenses of the Group mainly comprised impairment losses on goodwill of approximately RMB1,798 million, impairment losses on property and equipment of approximately RMB327 million, net fair value losses on investment properties of approximately RMB200 million, net foreign exchange differences of approximately RMB222 million, losses of closing stores of approximately RMB117 million and others amounted to approximately RMB109 million. The total amount of other expenses was approximately RMB2,773 million, increased as compared with RMB1,138 million for the corresponding period last year. This was mainly due to the record of the impairment losses on goodwill and impairment losses on property and equipment mentioned above. The other expenses ratio was approximately 6.29%, as compared with 1.91% for the corresponding period of 2019. The impairment losses on goodwill and the impairment losses on property and equipment will be discussed in the following paragraphs:

(1) Impairment loss on goodwill of Artway Group

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

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

In 2018, during the course of the strategic transformation, the Group was adversely affected by the turmoil in the macro market environment and multiple impacts of e-commerce competition, the management of the Group made corresponding adjustments to the future outlook based on the whole year 2018 performance of the Artway Group and an impairment loss of approximately RMB978 million was recognized.

In 2020, due to the outbreak of the COVID-19 pandemic, the Group's revenue decreased by approximately 25.83%. Of which, sales revenue from the Artway Group's stores recorded a year-on-year decrease of 21.47% and recorded an operating loss. The Group optimized the stores network of Artway Group and closed 110 underperformed stores. Upon the completion of various optimization works, the management made corresponding adjustments to the future outlook based on the whole year performance of the Artway Group in the fourth quarter of 2020, and performed impairment testing according to the requirement of IAS 36 with the recoverable amount lower than the carrying amount. As a result, impairment loss of approximately RMB1,360 million was recognized for the fiscal year ended 31 December 2020.

Going forward, one of the strategic focuses of the Artway Group is to continue the expansion of its store network in the third- to sixth-tier cities.

(2) Impairment loss on goodwill of China Paradise

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

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

The key coverage area of China Paradise is the first-tier cities especially in the Shanghai region. However, first-tier cities were significantly affected by the e-commerce. In 2018, the management made corresponding adjustments to the future outlook based on the whole year performance of China Paradise in 2018 and an impairment loss of approximately RMB1,207 million was recognized.

In 2020, due to the outbreak of the COVID-19 pandemic, the Group's revenue decreased by 25.83% and the sales of the China Paradise's stores recorded a year-on-year decrease of 30.26% and recorded an operating loss. The Group also optimized the store network of China Paradise and closed 41 underperformed stores in 2020. Upon the completion of various optimization works, the management made corresponding adjustments to the future outlook based on the whole year performance of China Paradise in the fourth quarter of 2020, and performed impairment testing according to the requirement of IAS 36 with the recoverable amount lower than the carrying amount. As a result, impairment loss of approximately RMB437 million was recognized for the fiscal year ended 31 December 2020.

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

(3) Impairment losses on property and equipment

As mentioned above, the Group's business was adversely affected by the COVID-19 pandemic, resulting in a decline in the overall revenue and a loss incurred by the Group in 2020. In the fourth quarter of 2020, the management adjusted the outlook for some of the underperforming business units, and conducted impairment tests in accordance with IAS 36 which indicates that the recoverable amount of self-owned properties and some of the store's leasehold improvements are lower than the carrying amount. Accordingly, impairment losses of approximately RMB327 million were recognized in 2020.

The Group has engaged an independent external valuer to prepare the valuation report for the Artway Group and China Paradise. The key parameters used in the valuation are as follows: the pre-tax discount rates applied to the cash flow projections were 12.99% and 13.30%, respectively. The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3%. Details of the impairment losses on goodwill are set out in note 11 to the financial statements.

Loss before finance income/(costs) and tax

Mainly affected by the COVID-19 pandemic, sales revenue and consolidated gross profit decreased, along with the impairment losses on goodwill made by the Group due to the conservative approach, the Group recorded a loss before finance income/(costs) and tax amounted to approximately RMB5,704 million, as compared with a loss of RMB1,234 million for the corresponding period last year.

Net finance (costs)/income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB1,465 million, as compared with RMB1,662 million in 2019. The decrease in the net finance costs was mainly due to, among others, the interest expense on lease liabilities decreased from RMB875 million for the corresponding period last year to approximately RMB623 million.

Loss before tax

As a result of the above factors, the Group recorded a loss before tax of approximately RMB7,169 million during the Reporting Period, as compared with a loss of RMB2,896 million in 2019.

Income tax expense

During the Reporting Period, the Group's income tax expense decreased from RMB72 million for the corresponding period in 2019 to approximately RMB35 million. The management of the Company considers the effective tax rate applied to the Group during the Reporting Period is reasonable.

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

During the Reporting Period, the loss attributable to the owners of the parent was approximately RMB6,994 million, as compared with a loss of RMB2,590 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was RMB34.8 fen, as compared with a loss of RMB12.9 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, the Group had sufficient capital. Cash and cash equivalents held by the Group were approximately RMB9,597 million, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies, increased by 17.22% as compared with RMB8,187 million as at the end of 2019.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB8,368 million, up 8.84% as compared with RMB7,688 million as at the end of 2019. Mainly due to the decrease in sales revenue and cost of sales during the Reporting Period, inventory turnover days increased by 16 days from 58 days in 2019 to approximately 74 days in 2020.

Prepayments, other receivables and other assets (current)

As at the end of the Reporting Period, prepayments, other receivables and other assets of the Group amounted to approximately RMB3,235 million, increased by 0.84% from RMB3,208 million as at the end of 2019. Prepayments are mainly for general operating needs, including, among others, advances to suppliers amounted to approximately RMB1,075 million, prepaid value added tax amounted to approximately RMB740 million and deposits and other receivables amounted to approximately RMB1,008 million.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB20,416 million, increased by 1.48% from RMB20,119 million as at the end of 2019. Mainly due to the decrease in sales revenue and cost of sales during the Reporting Period, trade and bills payables turnover days increased by 37 days from 150 days in 2019 to approximately 187 days in 2020.

Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB1,403 million, as compared with RMB1,190 million for 2019. The capital expenditure during the year 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 decrease in pledged deposits for bill payable and the increase in contract liabilities, the Group's net cash flows generated from operating activities was approximately RMB1,851 million, as compared with cash flows of RMB2,401 million generated for the corresponding period last year.

Mainly due to, among others, the inclusion of proceeds paid for the purchase of the property and equipment amounted to approximately RMB1,403 million, net cash flows used in investing activities amounted to approximately RMB978 million, relatively stable as compared with RMB1,100 million used in 2019.

During the Reporting Period, net cash flows generated from financing activities amounted to approximately RMB593 million, as compared with RMB3,271 million used in 2019. Mainly due to, among others, the Group increased its interest-bearing bank loans, other loans and issued convertible bonds during the Reporting Period.

Contingent liabilities and capital commitment

At the end of the Reporting Period, the Group has no material contingent liabilities, while there were capital commitments of approximately RMB734 million.

Foreign currencies and treasury policy

The majority of the Group's income, 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 poses significant potential financial impact on the Group.

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

Financial resources and gearing ratio

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

As at 31 December 2020, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds.

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

	Fixed rate *RMB'000*	Floating rate *RMB'000*	Total *RMB'000*
Denominated in RMB	20,483,652	278,447	20,762,099

The above loans were repayable within 1 year.

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

	Fixed rate *RMB'000*	Floating rate *RMB'000*	Total *RMB'000*
Denominated in EUR			
Repayable in the second year	516,903	570,958	1,087,861
Repayable in the third to fifth years inclusive	1,210,113	528,924	1,739,037
Denominated in RMB			
Repayable in the second year	85,493	–	85,493
Repayable in the third to fifth years, inclusive	120,714	–	120,714
Repayable beyond five years	–	2,108,475	2,108,475
	1,933,223	3,208,357	5,141,580

The corporate bonds comprised:

(1) corporate bonds issued in 2016, renewed and resale in 2019 and 2020 with an aggregate nominal value of RMB4,542 million issued at fixed coupon rate of 7.6% per annum with remaining term of 2 years;

(2) corporate bonds issued in 2018, renewed in 2020 with an aggregate nominal value of RMB102 million issued at 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;

(3) corporate bonds issued in 2019 with an aggregate nominal value of RMB500 million issued at a fixed coupon rate of 7.8% per annum with duration of 6 years, the Group shall be entitled to adjust the coupon rate and the investors shall be entitled to sell the outstanding bonds back to the Group at the end of the second and fourth year; and

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

(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.

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

As at 31 December 2020, the Group's debt to total equity ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to approximately RMB32,928 million over total equity amounted to approximately RMB1,268 million, increased from 329.03% as at 31 December 2019 to 2,596.85%. The debt ratio was 46.71% as compared with 37.36% as at 31 December 2019, which was expressed as a percentage of total interest-bearing bank and other borrowings over total assets amounted to approximately RMB70,494 million.

Charge on group assets

As at the end of 2020, the Group's bills payable and interest-bearing bank loans and other loans were secured by the Group's time deposits amounted to approximately RMB14,530 million and related interests receivables amounted to approximately RMB274 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB6,393 million, the Group's financial assets with a carrying amount of approximately RMB951 million and right-of-use assets with a carrying value of approximately RMB95 million. The Group's bills payable and interest-bearing bank loans and other loans amounted to approximately RMB39,945 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 29,734 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

Upgrading Both Online and Offline Operations to Develop a Brand New Omni-channel Digital Platform

In the future, the Group will continue to rapidly expand its network and complete the basic layout of its offline platform with franchising as the main focus supplemented by proprietary operation.

In terms of **offline platform**, the Group has completed the online migration of stores nationwide by setting up dedicated webpage for each store, which enabled such stores to carry out internet and digital operation and serve GOME customers in 3-8 km radius through video promotion, professional shopping guide and concierge services, thereby becoming the closest and most reliable shopping guide for the customers under the one-stop service model of "real-time online reply + on-time and speedy product delivery + online, in-store and at-home services".

For **online operation**, the GOME APP has been completely revamped and restructured with the addition of the 1.0 entertainment module including "Video Shopping Guide", "Meixin" and "Short Video + Livestreaming + Matches". The coverage of mini program was further expanded, and the grid-based community expansion was completed, which enabled compact operation. In January 2021, our revamped mobile application was finally launched to the market under the new name of "FUN" (真快樂) APP.

In the first quarter of 2021, the Group's sales revenue is expected to be increased by more than 170% year-on-year. The GMV of "FUN" (真快樂) APP is expected to be increased by nearly 4 times year-on-year, with monthly active users (MAU) consistently at 40 million, and single-day active users (DAU) of nearly 10 million on special offer days.

Continuously Exploring New Retailing Models and Creating Interactive User Experience with Entertaining and Social Features

GOME strengthened its efforts in entertaining-oriented marketing model by launching the "FUN" (真快樂) APP at the beginning of 2021. Its core strategy is to facilitate transactions driven by social network where merchants and customers may sell and buy products and services on the platform in an entertaining way. With such interactive experience, entertaining content, fun and enjoyable marketing initiatives and the sharing and social features, GOME has developed a unique retailing ecosystem.

Looking forward, by maintaining a high standard of retail operation, GOME will fully promote the new model and mechanism of entertaining retailing to enable merchants and customers to sell and buy quality products and services and share their experience on the "FUN" (真快樂) platform, and facilitate the platform and merchants to acquire natural customer traffic at lower cost in a more efficient and sustainable manner, and improve the user stickiness and repurchase rate, thereby enhancing the GMV and profit of the platform.

Expanding and Strengthening Advantages in Supply Chain and Services and Accelerating Digital Development at Its All-out Efforts

After transforming to the "Home • Living" strategy, leveraging its 34 years of extensive experience in proprietary operation in vertical market, the Group launched more stringent selected products and provided digital and intelligent management tools to serve external merchants and the general public under the idea of "being the pioneer of the industry in terms of uniqueness, quality and innovation", thereby establishing a win-win cooperation among GOME, merchants and users. It accelerated the expansion in non-electrical appliance business through stringent selection of products for its proprietary operation, established partnership with more external parties based on stringent selection standards, and developed an open supply chain platform for stringent selection of quality products and services covering all categories.

Introducing Strategic Partners with Huge Customer Base to Achieve Win-Win Cooperation and Mutual Development

The Group will continue to implement the multi-dimensional marketing strategy by sharing supply chain resources and opening up the logistics network, and form strategic partnership with different channels such as JD.com and Pinduoduo to provide stringent selected high-quality products in all categories to consumers while bringing abundant customer traffic and resources to merchants, so as to share resources, reduce costs, enhance efficiency and achieve win-win cooperation and mutual development for GOME, its customers and merchants.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2020, 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 2020.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Messrs. LEE Kong Wai, Conway and LIU Hong Yu (being the independent non-executive directors of the Company) and YU Sing Wong (being the non-executive director of the Company). The Audit Committee assists the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2020 and the draft auditors' report thereon and submitted its reports to the Board.

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

(1) During January 2020, the Company made on-market repurchases of the overseas bonds in the aggregate principal amount of US$10,000,000. In March 2020, the Company has fully repaid the outstanding principal amount of the overseas bonds of US$466,000,000 and its related interest of US$11,650,000, totaling US$477,650,000.

(2) In April 2020, the Group renewed and resale the corporate bonds issued in 2016 in the PRC, the renewed and resale aggregate principal amount was RMB86.5 million with 7.6% coupon rate per annum and remaining term of 2 years.

(3) In order to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development, the Company issued two convertible bonds during the year.

(a) On 17 April 2020, the Company, as issuer, and Hongkong Walnut Street Limited, 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 in relation to the subscription of convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds of US$200 million. The initial conversion price of the convertible bonds is HK$1.215 per Share, represented a premium of approximately 66.44% to the closing price of HK$0.73 per Share as quoted on the Stock Exchange on 17 April 2020. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new ordinary Shares (the "PDD Conversion Shares) will be allotted and issued. The PDD Conversion Shares have a market value of approximately HK$937.28 million as at 17 April 2020 and a nominal value of approximately HK$32.10 million. The issuance of the convertible bonds was completed on 28 April 2020.

Based on the net proceeds from the subscription of approximately US$196.80 million and on the basis that 1,283,950,617 PDD Conversion Shares will be allotted and issued at the initial conversion price of HK$1.215, the net price per PDD Conversion Share was approximately HK$1.196.

As at 31 December 2020, the net proceeds of approximately US$196.80 million have been fully used to repay the debts and related interests of the Group.

(b) On 28 May 2020, the Company, as issuer, and JD.com International Limited, a limited liability company established in Hong Kong and a wholly-owned subsidiary of JD.com, Inc., as subscriber, entered into a subscription agreement in relation to the subscription of convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds of US$100 million. The initial conversion price of the convertible bonds is HK$1.255 per Share, represented a premium of approximately 37.91% to the closing price of HK$0.91 per Share as quoted on the Stock Exchange on 28 May 2020. Assuming that the conversion rights have been exercised in full, 621,513,944 new ordinary Shares (the "JD Conversion Shares") will be allotted and issued. The JD Conversion Shares have a market value of approximately HK$565.58 million as at 28 May 2020 and a nominal value of approximately HK$15.54 million. The issuance of the convertible bonds was completed on 30 June 2020.

Based on the net proceeds from the subscription of approximately US$99.11 million and on the basis that 621,513,944 JD Conversion Shares will be allotted and issued at the initial conversion price of HK$1.255, the net price per JD Conversion Share was approximately HK$1.244.

As at 31 December 2020, the net proceeds of approximately US$50.31 million have been used to repay the debts and related interests of the Group, the remaining balance of approximately US$48.80 million is expected to be used to repay the existing borrowings of the Group within next 12 months.

(4) In June 2020, the Group issued domestic bonds with an aggregate principal amount of RMB200 million at coupon rate of 7.00% per annum in the PRC. Such domestic bonds have a term of 6 years. The Group will be entitled to adjust the coupon rate and the investors will be entitled to sell back the domestic bonds to the Group at the end of the third year.

(5) During the year ended 31 December 2020, the Company repurchased in aggregate 5,000,000 Shares on the Stock Exchange, details of which are as follows:

Month/Year	Number of Shares (HK$0.025 each in the share capital of the Company) repurchased	Highest price per Share HK$	Lowest price per Share HK$	Aggregate consideration (excluding expenses) HK$
November 2020	5,000,000	0.90	0.89	4,492,240

The Board believed that the share repurchase demonstrated the Company's confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value to the shareholders of the Company. The Shares repurchased during the year ended 31 December 2020 were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value thereof.

(6) In December 2020, the Group renewed the corporate bonds issued in 2018 in the PRC, the renewed aggregate principal amount was RMB101.56 million with 7.8% coupon rate per annum and remaining term of 4 years.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2020.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 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 2020 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

APPRECIATION

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

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

Hong Kong, 31 March 2021

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

* *For identification purpose only*