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 2021
CHANGE OF DIRECTORS AND REDESIGNATION OF DIRECTOR

2021 FINANCIAL HIGHLIGHTS

- With the gradual alleviation of the COVID-19 pandemic in Mainland China and the launch of the stimulating policies in consumption by the Chinese government, the business environment continued to improve and thus created new opportunities for all industries. The Group accelerated the implementation of its "Home•Living" strategy and drove the growth of its business performance simultaneously. Sales revenue of the Group was approximately RMB46,484 million during the year ended 31 December 2021 (the "Reporting Period"), increased by 5.36% as compared with RMB44,119 million for the corresponding period last year

- Consolidated gross profit margin was approximately 14.40%, up 2.24 percentage points as compared with 12.16% in the previous year

- Loss attributable to owners of the parent was approximately RMB4,402 million, reduced by 37.06% as compared with RMB6,994 million in the previous year

- Basic loss per share was RMB17.8 fen, reduced by 48.85% as compared with RMB34.8 fen in the previous year

- Cash and cash equivalents were approximately RMB4,378 million as at the end of the Reporting Period, as compared with RMB9,597 million in the previous year

- Cash flows from operating activities in the second half of 2021 significantly improved as compared with the first half of 2021, net cash flows from operating activities achieved approximately RMB649 million during the 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 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*5*	**46,483,804**	44,119,113
Cost of sales	*6*	**(40,976,894)**	(39,568,729)
Gross profit		**5,506,910**	4,550,384
Other income and gains	*5*	**1,187,780**	816,192
Selling and distribution expenses		**(7,337,256)**	(6,419,426)
Administrative expenses		**(2,568,352)**	(1,837,356)
Impairment losses on financial assets		**(23,045)**	(34,461)
Other expenses		**(150,713)**	(2,772,513)
Share of results of associates		**(17,048)**	(6,338)
Loss before finance income (costs) and tax		**(3,401,724)**	(5,703,518)
Finance costs	*7*	**(1,945,890)**	(1,966,040)
Finance income	*7*	**619,119**	500,701
Loss before tax	*6*	**(4,728,495)**	(7,168,857)
Income tax expenses	*8*	**(44,440)**	(34,790)
Loss for the year		**(4,772,935)**	(7,203,647)
Attributable to:			
Owners of the parent		**(4,402,037)**	(6,993,816)
Non-controlling interests		**(370,898)**	(209,831)
		(4,772,935)	(7,203,647)
Loss per share attributable to ordinary equity holders of the parent	*10*		
Basic		**(RMB17.8 fen)**	(RMB34.8 fen)
Diluted		**(RMB17.8 fen)**	(RMB34.8 fen)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
Loss for the year	**(4,772,935)**	(7,203,647)
Other comprehensive (expense) income		
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	**(47,394)**	72,446
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	**–**	188,288
Exchange differences on translation of financial statements that may be reclassified to profit or loss in subsequent periods	**(167,405)**	(14,260)
Other comprehensive (expense) income for the year, net of tax	**(214,799)**	246,474
Total comprehensive expense for the year	**(4,987,734)**	(6,957,173)
Attributable to:		
Owners of the parent	**(4,616,836)**	(6,747,342)
Non-controlling interests	**(370,898)**	(209,831)
	(4,987,734)	(6,957,173)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	NOTES	**2021**	2020
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**6,715,459**	6,296,141
Properties under development		**–**	1,142,440
Investment properties		**4,081,961**	3,906,717
Right-of-use assets		**24,880,236**	8,526,315
Goodwill	*11*	**10,117,885**	10,189,488
Other intangible assets		**205,219**	265,158
Investments in associates		**629,892**	171,770
Investment in a joint venture		**3,781**	3,781
Financial assets at fair value through other comprehensive income		**393,628**	733,193
Financial assets at fair value through profit or loss		**2,447,831**	1,596,917
Deferred tax assets		**13,098**	13,391
Prepayments, other receivables and other assets		**633,150**	689,776
Total non-current assets		**50,122,140**	33,535,087
Current assets			
Inventories		**6,351,971**	8,368,454
Properties under development		**640,609**	–
Trade receivables	*12*	**1,437,103**	427,682
Prepayments, other receivables and other assets		**3,228,681**	3,234,680
Due from related companies		**153,630**	369,045
Financial assets at fair value through profit or loss		**941,976**	417,441
Pledged bank deposits and restricted cash		**13,668,326**	14,544,592
Cash and cash equivalents		**4,378,423**	9,597,200
Total current assets		**30,800,719**	36,959,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2021

	NOTES	**2021**	2020
		RMB'000	*RMB'000*
Current liabilities			
Trade and bills payables	*13*	**18,891,459**	20,416,229
Other payables and accruals		**5,952,574**	4,991,622
Due to related companies		**312,045**	121,628
Lease liabilities		**3,897,862**	3,077,035
Interest-bearing bank and other borrowings	*14*	**22,060,980**	23,310,157
Tax payable		**1,034,878**	1,026,742
Total current liabilities		**52,149,798**	52,943,413
Net current liabilities		**(21,349,079)**	(15,984,319)
Total assets less current liabilities		**28,773,061**	17,550,768
Non-current liabilities			
Lease liabilities		**4,322,886**	5,747,808
Interest-bearing bank and other borrowings	*14*	**6,139,252**	9,617,396
Derivative financial liabilities	*15*	**130,685**	351,332
Deferred tax liabilities		**595,356**	566,586
Total non-current liabilities		**11,188,179**	16,283,122
Net assets		**17,584,882**	1,267,646
Equity			
Equity attributable to owners of the parent			
Issued capital		**772,338**	518,210
Treasury shares		**(935,431)**	(1,033,410)
Reserves		**21,767,576**	5,431,549
		21,604,483	4,916,349
Non-controlling interests		**(4,019,601)**	(3,648,703)
Total equity		**17,584,882**	1,267,646

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, 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.

Going concern consideration

The Group had net current liabilities of RMB21,349,079,000 as at 31 December 2021 and incurred loss for the year of RMB4,772,935,000. 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 considers 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; and

(c) 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 2021. 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 2021:

Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

In addition, the Group has early applied Amendment to IFRS 16, COVID-19-Related Rent Concessions, beyond 30 June 2021.

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.

Early Application of Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

In prior year, the Group applied the practical expedient in the Amendment to IFRS 16, Covid-19-Related Rent Concessions which issued in 2020, such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. In 2021, the Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 (the "2021 Amendment") has been issued by the IASB. The 2021 Amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 Amendment in the current year. The amendment did not have significant impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS39, IFRS7, IFRS4 and IFRS16, interest rate benchmark reform – phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on various Interbank Offered Rates as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the year, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

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 (2020: all) revenue of the Group was derived from customers in Mainland China and over 99% (2020: 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 (2020: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**46,483,804**	44,119,113
Other income		
Income from installation	**39,617**	55,028
Income on extended warranty service	**85,723**	158,388
Income on the net investment in finance leases	**14,587**	14,041
Gross rental income from investment property operating leases	**168,786**	114,820
Government grants*	**109,654**	182,211
Commission income from telecommunications service providers	**24,147**	19,853
Commission income from providing online platforms	**7,718**	14,076
Income from compensation	**9,340**	7,761
Realised income from wealth management financial products	**20,925**	17,355
Others	**101,465**	31,360
	581,962	614,893
Gains		
Gains on subleasing of right-of-use assets	**9,479**	44,255
Gains on lease modification	**21,421**	40,550
Foreign exchange gain	**238,243**	–
Fair value gains on investment properties	**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	**211,869**	116,494
	605,818	201,299
	1,187,780	816,192

* 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

	2021	2020
	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	**46,483,804**	44,119,113
Geographical market		
Mainland China	**46,483,804**	44,119,113
Timing of revenue recognition		
Goods transferred at a point in time	**46,483,804**	44,119,113

6. LOSS BEFORE TAX

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

	NOTES	**2021** ***RMB'000***	2020 *RMB'000*
Cost of inventories sold		**41,098,968**	39,549,510
(Reversal of provision) provision against inventories		**(122,074)**	19,219
Cost of sales		**40,976,894**	39,568,729
Depreciation of property and equipment		**641,581**	680,465
Depreciation of right-of-use assets		**2,526,553**	2,545,942
Amortisation of other intangible assets*		**59,939**	69,255
Research and development costs		**114,300**	59,662
Impairment losses on property and equipment***		**3,307**	327,207
Losses on closing stores***		**–**	116,825
Losses on disposal of property and equipment***		**22,622**	10,051
Gains on lease modifications***		**(21,421)**	(40,550)
Lease payments not included in the measurement of lease liabilities		**522,577**	527,456
Fair value (gains) losses on investment properties, net***		**(53,147)**	200,482
Fair value (gains) losses on financial instruments, net:			
Financial assets at fair value through profit or loss***		**(71,659)**	55,740
Derivative financial instruments embedded in the convertible bonds***		**(211,869)**	(116,494)
Foreign exchange differences, net***		**(238,243)**	222,070
Impairment losses on goodwill***	*11*	**71,603**	1,797,640
Impairment losses on trade receivables, net	*12*	**26,775**	15,593
(Reversal of impairment losses) impairment losses on financial assets included in prepayments, other receivables and other assets, net		**(3,730)**	18,868
Auditor's remuneration		**4,380**	5,000
Staff costs excluding Directors' and chief executive's remuneration:			
Wages, salaries and bonuses		**2,420,707**	2,051,233
Pension scheme contributions**		**259,149**	245,464
Social welfare and other costs		**81,891**	50,655
Share award expense		**74,557**	79,018
		2,836,304	2,426,370

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 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: 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:

	2021 *RMB'000*	2020 *RMB'000*
Finance costs:		
Interest on bonds payable	**(428,976)**	(613,897)
Interest on bank borrowings	**(1,079,510)**	(890,415)
Interest on borrowings from related parties	**–**	(2,530)
Interest on lease liabilities	**(554,787)**	(623,269)
Total interest expense on financial liabilities not at fair value through profit or loss	**(2,063,273)**	(2,130,111)
Less: Interest capitalised	**117,383**	164,071
	(1,945,890)	(1,966,040)

	2021 *RMB'000*	2020 *RMB'000*
Finance income:		
Bank interest income	**612,963**	474,727
Interest income from loans to investees	**–**	22,870
Interest income from loans to third parties	**6,156**	3,104
	619,119	500,701

8. INCOME TAX 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% (2020: 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% (2020: 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.

	2021	2020
	RMB'000	*RMB'000*
Current – charge for the year	**6,280**	15,578
Deferred	**38,160**	19,212
Total tax charge for the year	**44,440**	34,790

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 31 March 2022, the board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 24,694,090,000 (2020: 20,085,142,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 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:

	2021	2020
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(4,402,037)**	(6,993,816)

	Number of shares	
	2021	2020
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**24,694,090**	20,085,142

11. GOODWILL

	2021 *RMB'000*	2020 *RMB'000*
At 1 January		
Cost	**14,435,951**	14,435,951
Accumulated impairment	**(4,246,463)**	(2,448,823)
Net carrying amount	**10,189,488**	11,987,128
Cost at 1 January, net of accumulated impairment	**10,189,488**	11,987,128
Impairment during the year	**(71,603)**	(1,797,640)
At 31 December	**10,117,885**	10,189,488
At 31 December		
Cost	**14,435,951**	14,435,951
Accumulated impairment	**(4,318,066)**	(4,246,463)
Net carrying amount	**10,117,885**	10,189,488

Impairment testing of goodwill

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

	2021 *RMB'000*	2020 *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	**(4,318,066)**	(4,246,463)
	10,117,885	10,189,488

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 11.71% (2020: 12.99% to 13.30%). The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2020: 3%).

During the year ended 31 December 2021, in view of the underperformance of the cash-generating units of the goodwill grouped under others, impairment losses of RMB71,603,000, were recognised for the goodwill in relation to these cash-generating units.

During the year ended 31 December 2020, 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 2021, the accumulated impairment losses were related to Artway, China Paradise and other cash-generating units in the amounts of RMB2,338,711,000 (2020: RMB2,338,711,000), RMB1,644,010,000 (2020: RMB1,644,010,000) and RMB335,345,000 (2020: RMB263,742,000), respectively.

12. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,483,636**	447,440
Impairment	**(46,533)**	(19,758)
	1,437,103	427,682

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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,316,952**	407,854
3 to 6 months	**87,706**	9,950
Over 6 months	**32,445**	9,878
	1,437,103	427,682

13. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**7,078,816**	6,374,841
Bills payable	**11,812,643**	14,041,388
	18,891,459	20,416,229

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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**11,964,630**	10,853,647
3 to 6 months	**6,264,925**	2,579,143
Over 6 months	**661,904**	6,983,439
	18,891,459	20,416,229

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

(i) the Group's certain pledged time deposits amounting to RMB4,142,580,000 (2020: RMB4,052,867,000) and related interest receivables amounting to RMB50,215,000 (2020: RMB34,189,000);

(ii) the Group's buildings which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,442,304,000 (2020: RMB1,295,525,000); and

(iii) the Group's investment properties situated in Mainland China which had an aggregate fair value of approximately RMB99,307,000 (2020: RMB368,586,000).

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

	2021			2020		
	Effective interest rate ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – secured	**0.05-6.09**	**2022**	**17,107,031**	0.05-7.36	2021	17,337,338
Bank loans – unsecured	**2.00-7.00**	**2022**	**2,325,394**	3.05-6.60	2021	3,104,511
Other loans – secured	**6.09-8.35**	**2022**	**135,142**	6.09-8.35	2021	320,250
Bonds payable – unsecured	**7.44-7.87**	**2022**	**2,493,413**	7.44-7.87	2021	2,548,058
			22,060,980			23,310,157
Non-current						
Bank loans – secured	**4.90-5.50**	**2023-2034**	**4,083,983**	4.90-5.39	2022-2034	5,056,087
Other loans – secured	**6.09**	**2023-2024**	**48,898**	6.09	2022-2024	85,493
Bonds payable – unsecured	**4.79-8.03**	**2023-2026**	**2,006,371**	4.79-8.03	2022-2026	4,475,816
			6,139,252			9,617,396

	2021 ***RMB'000***	2020 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**19,432,425**	20,441,849
In the second year	**1,861,316**	1,616,785
In the third to fifth years, inclusive	**1,175,840**	1,330,827
Beyond five years	**1,046,827**	2,108,475
	23,516,408	25,497,936
Other borrowings repayable:		
Within one year	**2,628,555**	2,868,308
In second year	**1,731,409**	2,521,972
In the third to fifth years, inclusive	**124,852**	1,839,910
Beyond five years	**199,008**	199,427
	4,683,824	7,429,617

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 RMB1,551,905,000 (2020: RMB1,459,713,000);

(b) the Group's aircraft with a net carrying amount at the end of the reporting period of approximately RMB68,889,000 (2020: RMB103,376,000);

(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 RMB3,497,616,000 (2020: RMB2,290,079,000);

(d) certain of the Group's properties under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB640,609,000 (2020: RMB875,963,000);

(e) certain of the Group's right-of-use assets situated in Mainland China which had an aggregate net carrying amount of approximately RMB206,647,000 (2020: RMB95,227,000) at the end of the reporting period;

(f) certain of the Group's time deposits amounting to approximately RMB9,520,128,000 (2020: RMB10,476,638,000) and related interest receivables amounting to RMB340,130,000 (2020: RMB251,671,000), respectively, at the end of the reporting period;

(g) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value at the end of the reporting period of nil (2020: RMB537,889,000);

(h) certain of the Group's investments in associates amounting to approximately RMB207,728,000 (2020: nil) at the end of the reporting period; and

(i) certain of the Group's financial assets at fair value through profit or loss with an aggregate fair value at the end of the reporting period of nil (2020: RMB413,487,000).

(ii) Except for the bank loans of EUR352,550,000 (equivalent to RMB2,546,946,000) (2020: EUR352,750,000 (equivalent to RMB2,826,898,000)), all the Group's bank and other borrowings are denominated in RMB at the end of the reporting period.

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 2021, the fair value of the derivative embedded was RMB130,685,000 (2020: RMB351,332,000).

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 and 29 April 2021.

16 EVENT AFTER THE REPORTING PERIOD

On 7 January 2022, the Group has redeemed the outstanding domestic bonds with the aggregate principal amount of RMB937,399,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, in the consistent pursuit of its mission of "Better home and lifestyle through GOME", the Group focused on the retail business and the household service business to align with the principle of better serving the needs of modern Chinese households. With the second phase of the "Home•Living" strategy in full swing, GOME has laid a solid foundation for embarking on its extensive upgrade and high-quality development. It is currently expediting its efforts of becoming a full retail ecosystem sharing platform of integrated & centralised, interconnected and sharing and joint development.

During the Reporting Period, the recovery of the global economy remained slow due to recurring outbreaks of the pandemic around the world. Although the pandemic was effectively controlled in China, its precautionary measures had on-going negative impacts on the recovery of offline entities. Nevertheless, the Company achieved its strategic transformation in line with the strategies and policies of China. Following the leapfrog development of its business, the Company recorded a substantial increase in the number of average daily active users to 3 million on the "FUN (真快樂)" platform, which serves as a general transaction platform for entertainment and social activities. The number of SKUs was nearly 2 million, reflecting the increasing diversity of its product inventory. With the number of partnering merchants increasing to more than 6,000 and the number of service members exceeding 240 million, the Company saw an increase in both its consumer base and partner base.

In 2021, the Group recorded sales revenue of approximately RMB46,484 million, up 5.36% as compared with the corresponding period last year. The consolidated gross profit margin was approximately 14.40%, increased by 2.24 percentage points as compared with 12.16% for the corresponding period last year. The Group's operating expenses were approximately RMB10,056 million, decreased by 8.82% as compared with RMB11,029 million for the corresponding period last year. The financial costs were approximately RMB1,946 million as compared with RMB1,966 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 RMB4,402 million, decreased by 37.06% as compared with a loss of RMB6,994 million for the corresponding period last year.

In 2021, the Group continued its commitment to developing new initiatives based on its insights on industry trends and its strengths in grasping new opportunities. Through establishing and integrating its six business platforms, namely "online platform, offline platform, supply chain platform, logistics platform, big data & cloud platform and sharing and joint development platform", the Group created a "full retail ecosystem sharing platform" which enables the commencement of the second phase of the "Home•Living" strategy.

FINANCIAL REVIEW

Revenue

With the gradual alleviation of the COVID-19 pandemic in Mainland China and the launch of the stimulating policies in consumption by the Chinese government, the business environment continued to improve and thus created new opportunities for all industries during the Reporting Period. The Group accelerated the implementation of its "Home•Living" strategy and drove the growth of its business performance simultaneously. Sales revenue was approximately RMB46,484 million during the Reporting Period, increased by 5.36% as compared with RMB44,119 million for the corresponding period last year. Among that the proportion of revenue from county-level stores has increased from 8.76% for the corresponding period last year to approximately 12.79%. These 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 RMB40,977 million during the Reporting Period, accounted for 88.15% of the revenue, as compared with 89.69% for the corresponding period in 2020. With the increase in revenue, gross profit increased by 21.03% from RMB4,550 million for the corresponding period last year to approximately RMB5,507 million. The gross profit margin was approximately 11.85%, increased by 1.54 percentage points as compared with 10.31% for the corresponding period last year. The main reason for the increase in gross profit margin was that the gross profit margins for higher-margin products such as AV, refrigerator and washing machine and small white appliances increased and also the sales of these products accounted for a relative larger proportion as compared with the pandemic period last year. The proportion of sales of these categories increased from 45.12% for the corresponding period last year to 49.27% during the Reporting Period.

Other income and gains

During the Reporting Period, the Group recorded other income and gains of approximately RMB1,188 million, increased by 45.59% as compared with RMB816 million in 2020. The increase in other income and gains was mainly due to (among others) net gains on financial asset at fair value through profit and loss of approximately RMB72 million and foreign exchange gain of approximately RMB238 million were recorded in the Reporting Period, while no such gain was recorded in 2020.

Summary of other income and gains:

	2021	2020
As a percentage of sales revenue:		
Income from installation	**0.09%**	0.12%
Other service fee income	**0.19%**	0.36%
Gross rental income	**0.36%**	0.26%
Government grants	**0.24%**	0.41%
Fair value gains on derivative financial instruments embedded in the convertible bonds	**0.46%**	0.26%
Gains on financial assets at fair value through profit or loss	**0.15%**	–
Foreign exchange gain	**0.51%**	–
Others	**0.56%**	0.44%
Total	**2.56%**	1.85%

Consolidated gross profit margin

With the gradual alleviation of the pandemic and benefitted from the stimulating policies, the consolidated gross profit margin was approximately 14.40% during the Reporting Period, increased by 2.24 percentage points as compared with 12.16% for the corresponding period last year.

* 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 RMB10,056 million, decreased by 8.82% as compared with RMB11,029 million for the corresponding period last year. The expenses ratio was approximately 21.63%, decreased by 3.37 percentage points as compared with 25.00% for the corresponding period in 2020. The decrease in operating expenses was mainly due to impairment losses on goodwill significant decreased during the Reporting Period.

Summary of operating expenses:

	2021	2020
As a percentage of sales revenue:		
Selling and distribution expenses	**15.78%**	14.55%
Administrative expenses	**5.52%**	4.16%
Other expenses	**0.33%**	6.29%
Total	**21.63%**	25.00%

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses were approximately RMB7,337 million, increased by 14.30% as compared with RMB6,419 million for the corresponding period last year. The increase in selling and distribution expenses was mainly due to the Group's accelerated implementation of its "Home•Living" strategy. Among which, salaries increased from RMB1,493 million for the corresponding period last year to approximately RMB1,761 million; advertising expenses increased from RMB309 million for the corresponding period last year to approximately RMB962 million; delivery expenses increased from RMB600 million for the corresponding period last year to approximately RMB847 million; while rental decreased from RMB241 million for the corresponding period last year to approximately RMB232 million; depreciation expenses decreased from RMB2,795 million for the corresponding period last year to approximately RMB2,414 million. A net increase of approximately RMB778 million for the above items during the Reporting Period.

The selling and distribution expenses as a percentage over sales revenue was approximately 15.78%, increased by 1.23 percentage points as compared with 14.55% for the corresponding period in 2020.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB2,568 million, increased by 39.79% as compared with RMB1,837 million for the corresponding period last year. Among which, salaries increased from RMB877 million for the corresponding period last year to approximately RMB1,085 million, depreciation expenses increased from RMB489 million for the corresponding period last year to approximately RMB775 million. The proportion over sales revenue was 5.52%, increased by 1.36 percentage points as compared with 4.16% for the corresponding period in 2020. 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 RMB72 million, impairment losses on property and equipment of approximately RMB3 million, losses on disposal of property and equipment of approximately RMB23 million and others amounted to approximately RMB53 million. The total amount of other expenses was approximately RMB151 million, decreased by 94.55% as compared with RMB2,773 million for the corresponding period last year. This was mainly due to the record of the impairment losses on goodwill of RMB1,798 million and impairment losses on property and equipment of RMB327 million in the last year. The other expenses ratio was approximately 0.33%, as compared with 6.29% for the corresponding period of 2020.

Loss before finance income/(costs) and tax

With the gradual alleviation of the COVID-19 pandemic in Mainland China, both sales revenue and consolidated gross profit increased, the Group recorded a loss before finance income/(costs) and tax amounted to approximately RMB3,402 million, reduced by 40.36% as compared with a loss of RMB5,704 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 RMB1,327 million, as compared with RMB1,465 million in 2020. The decrease in the net finance costs was mainly due to, among others, the bank interest income increased from RMB475 million for the corresponding period last year to approximately RMB613 million.

Loss before tax

As a result of the above factors, the Group recorded a loss before tax of approximately RMB4,728 million during the Reporting Period, as compared with a loss of RMB7,169 million in 2020.

Income tax expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB44 million, as compared with RMB35 million for the corresponding period last year. 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 RMB4,402 million, reduced by 37.06% as compared with a loss of RMB6,994 million for the corresponding period last year.

During the Reporting Period, the Group's basic loss per share was approximately RMB17.8 fen, reduced by 48.85% as compared with a basic loss per share of RMB34.8 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, the Group has maintained a healthy cash position. Cash and cash equivalents held by the Group were approximately RMB4,378 million, which were mainly denominated in Renminbi and the rest in US dollars, HK dollars and other currencies, as compared with RMB9,597 million as at the end of 2020.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to approximately RMB6,352 million, decreased by 24.09% as compared with RMB8,368 million as at the end of 2020. Mainly due to the increase in cost of sales and reduction in inventories during the Reporting Period, inventory turnover days decreased by 8 days from 74 days in 2020 to approximately 66 days in 2021.

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 RMB3,229 million, relative stable as compared with RMB3,235 million as at the end of 2020. Prepayments are mainly for general operating needs, including, among others, advances to suppliers amounted to approximately RMB1,627 million, prepaid value added tax amounted to approximately RMB513 million and deposits and other receivables amounted to approximately RMB511 million.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to approximately RMB18,891 million, decreased by 7.47% as compared with RMB20,416 million as at the end of 2020. Trade and bills payables turnover days decreased by 12 days from 187 days in 2020 to approximately 175 days in 2021.

Capital Expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB377 million, as compared with RMB1,403 million for 2020. 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 increase in other payables and accruals, the Group's net cash flows generated from operating activities was approximately RMB649 million, as compared with cash flows of RMB1,851 million generated for the corresponding period last year.

Mainly due to, among others, the inclusion of proceeds paid for the purchase of financial assets at fair value through profit or loss amounted to approximately RMB1,510 million, net cash flows used in investing activities amounted to approximately RMB1,975 million, as compared with RMB978 million used in 2020.

During the Reporting Period, net cash flows used in financing activities amounted to approximately RMB3,871 million, as compared with RMB593 million generated in 2020. Mainly due to, among others, the Group has repaid bonds payable and interest-bearing bank loans of net amounted to approximately RMB2,546 million and approximately RMB1,958 million, respectively 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 RMB701 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 issue of shares, interest-bearing bank and other borrowings.

As at 31 December 2021, 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 EUR	978,630	–	978,630
Denominated in RMB	18,523,176	65,761	18,588,937
	19,501,806	65,761	19,567,567

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	1,091,739	476,577	1,568,316
Denominated in RMB			
Repayable in the second year	74,402	258,000	332,402
Repayable in the third to fifth years, inclusive	9,496	1,175,840	1,185,336
Repayable beyond five years	–	1,046,827	1,046,827
	1,175,637	2,957,244	4,132,881

The corporate bonds comprised:

(1) corporate bonds issued in 2016, renewed and resale in 2019, 2020 and 2021 with an aggregate nominal value of RMB2,479 million issued at fixed coupon rate of 7.6% per annum with remaining term of 1 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, 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

(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 a 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.

The corporate bonds were issued by 國美電器有限公司 ("GOME Appliance Company Limited"), a wholly-owned subsidiary of the Company.

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 2020, 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 2020, the net proceeds of 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 have been fully used to repay the debts and related interests of the Group during the Reporting Period.

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

As at 31 December 2021, 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 RMB28,200 million over total equity amounted to approximately RMB17,585 million, decreased from 2,596.85% as at 31 December 2020 to 160.36%. The debt ratio was 34.85% as compared with 46.71% as at 31 December 2020, which was expressed as a percentage of total interest-bearing bank and other borrowings over total assets amounted to approximately RMB80,923 million.

Charge on group assets

As at the end of 2021, the Group's bills payable and interest-bearing bank loans and other loans were secured by the Group's time deposits amounted to approximately RMB13,663 million and related interests receivables amounted to approximately RMB390 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of approximately RMB7,301 million, the Group's investments in associates amounted to approximately RMB208 million, the Group's right-of-use assets with a carrying value of approximately RMB207 million. The Group's bills payable and secured interest-bearing bank loans and other loans amounted to approximately RMB33,188 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 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

Looking forward to the future, the Group will continue to focus on the retail and home services industries, seize the policy empowerment of improving the quality of family life, comprehensively implement the second phase of the "Home • Living" strategy, make every effort to build a six in one integrated, intensive and interconnected comprehensive retail ecological sharing platform of "online, offline, supply chain, logistics, big data & cloud and sharing and joint development" and closely grasp the huge business opportunities of home life market with total value of the market expected to reach RMB30 trillion.

Online and Offline Interact with Synchronous Improvement of Sales and Taste

GOME, as an established retail giant who has been deeply engaged in the retail industry for 35 years, has always been brave in innovation, breaking the shackles of traditional retail, seizing the initiative, as well as having an insight into the weak points of the current retail model, and building a new "full scenario" retail ecosystem that integrates online and offline. We are certain that home life market will have a great potential for the future market, and integrate with the nation-wide internal circulation economic revitalisation policy, in order to provide comprehensive offerings to consumer who will have a higher demand for both "material" and "spiritual" life in the post-pandemic era. GOME displays and serves the public through specialised stores, constantly optimises the standard of "genuine products provided by selected merchants", and accumulates high-quality users. The online platform "FUN (真快樂)" APP has created a brand-new chapter for the retail industry by rapidly increasing the number of visitors and cooperating with brands to broadcast live, while driving online and offline sales. With the deepening integration, interconnection and joint construction of the six platforms managed by GOME, the platform "FUN (真快樂)" APP is expected to achieve significant and steady development in 2022. There will be more than 5,000 selected stores and more than 100,000 selected SKUs. In addition to the successful development of online video shopping guide mode with conversion rate reaching 40%, GOME's total GMV is expected to reach another high in 2022, enabling the comprehensive expansion of GOME in the new era of retail.

At the same time, the national offline platform network also shows its new face in the post-pandemic era. GOME stores have changed from the old-fashioned store mode to a platform covering core functions such as display experience & home extension & home entertainment & home life services, which highlights the core values of "consumer, products and venues", focuses on giving full play to the advantages of high-quality display experience and local life services, emphasises light-asset, agency, franchise and other modes, and covers the whole nation with grid layout, reflecting the different focuses of online and offline and their interconnection. Under the integrated retail model, GOME, on the basis of fully activating urban commercial entities, realises the real O2O integrated development which is an advanced solution for the integrated development of digital economy and real economy, and has become the standard maker of offline platform.

Closely follow the "Home•Living" strategy and the characteristics of household consumption to create a "family consumption" super supply chain of all categories

As a company with deep retail genes, GOME has been deeply cultivated in the supply chain for decades. Our supply chain has been upgraded from electrical appliances to all categories, closely following the "Home•Living" strategy and the characteristics of home consumption, aiming to create a "home consumption" super supply chain. Through the implementation of linkage optimisation, we will enhance product competitiveness and strengthen supply and price management. As of February 2022, GOME's retail platform had nearly 2 million SKUs, more than 2,000 KOLs/KOCs, 4,200 manufacturers and 6,000 channel sellers joined in the platform. The supply chain covers household appliances, food and beverages, clothing, shoes and bags, home renovation, daily necessities, maternal and child toys, beauty and personal care and other categories. Through a dazzling array of products, it can better meet the needs of household users.

Self-built warehousing and distribution logistics, Expand warehousing network to achieve comprehensive logistics solutions

Anxun Logistics, GOME's self-developed logistics system, realise the circulation of commodities covering large, medium and small items and improve operational efficiency. At the same time, third-party logistics businesses accounted for more than 48% of the logistic business. With the opening of logistics service to third party business, it is expected to generate new point of revenue growth. GOME built an integration and collaboration platform for upstream and downstream information flow, logistics and capital flow of supply chains to achieve the best linkage between the supply end to the sales end. In the future, GOME will cooperate with industry partners to promote the continuous optimisation of supply chains, deepen the distribution network, expand the logistics products and platforms horizontally, and extend the upstream services of the industrial chain vertically. Leveraged on the existing store distribution system, GOME will improve its layout of express delivery and cold-chain networks and build an open and shareable order taking, cloud-based warehouse and online delivery platform, and provide comprehensive solutions of supply chain logistics to support high-quality development of the entire retail industry based on capabilities of cognition on business flow and warehouse transportation and distribution.

Sharing and Co-constructing Data and Resources and Leading Strategic Partners to Achieve Win-Win Cooperation and Mutual Development

The abundant and excellent resources, coupled with good services, have contributed to the Group's current leading position in the retail industry. GOME, pioneered to propose an innovative model of sharing and co-construction, and had completed the construction of a supply chain platform and a traffic platform, integrating online data and resources. Through the opening and sharing of GOME's professional retail resources to various external partners, including membership interconnection, data sharing and bonus points exchange, the infrastructure, system resources and supporting services will be shared and co-constructed with manufacturers, promoters, agent operators and other parties, to open and integrate the resources and capabilities of various partners, so as to achieve a long-term balance between the commercial interests and social benefits of enterprises; at the same time, this will make GOME a platform for socialised integrated retail resource aggregation and all-area digital intelligence distribution and sharing, making its transaction scale further expanded. The progress in all these aspects promoted the overall scale of GOME. In the future, the six major platforms will continue to deepen the virtuous circle of both inside and outside, empowering GOME, users and merchants to achieve mutual benefitting and mutual development.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2021, 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 2021.

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 Mr. 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 2021 and the draft auditors' report thereon and submitted its reports to the Board.

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

1) On 7 January 2021, the Group renewed the domestic bonds issued in 2016 in the PRC, the renewed aggregate principal amount was RMB937,399,000 with 7.6% coupon rate per annum and remaining term of 1 year.

2) On 1 March 2021, the Group renewed the domestic bonds issued in 2019 in the PRC, the renewed aggregate principal amount was RMB16,211,000 with 7.8% coupon rate per annum and remaining term of 4 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 second year.

3) On 2 March 2021, a total of 2,279,976,000 ordinary shares of the Company have been successfully placed at the placing price of HK$1.97 per share.

4) On 27 September 2021, the Company completed the issue of the 9,923,940,777 Consideration Shares.

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 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 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.

CHANGE OF DIRECTORS AND REDESIGNATION OF DIRECTOR

The Board announces the following changes to the Board of the Company with effect from 1 April 2022:

Mr. Yu Sing Wong has informed the Board that he will resign as non-executive Director from 1 April 2022 in order to devote more time to his other endeavours. Mr. Yu has confirmed to the Company that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

The Board would like to express its gratitude to Mr. Yu for his services to the Company.

Ms. Dong Xiao Hong will be appointed as non-executive Director and a member of the Audit Committee of the Board from 1 April 2022. Ms. Dong, aged 67, joined GOME since 2014 via GOME Telecom Equipment Co., Ltd., a company invested by the Group. She is currently a director of GOME Telecom Equipment Co., Ltd. and serves as legal representative, executive director and/or general manager of certain subsidiaries of the Company. Ms. Dong worked in Shandong Sinopec Qilu Petrochemical Company, Shandong University, Shenzhen representative office of Shandong Provincial Government and China Electronics Import & Export Corporation Shandong Branch between 1970 and 2005, mainly responsible for administrative and financial management. Ms. Dong graduated from the Air Force Political Academy.

Ms. Dong does not presently and did not in the past three years hold any directorship in any listed public company. Save as disclosed, Ms. Dong has no relationship with any directors, senior management or substantial or controlling shareholders of the Company, and she does not have any other interest, within the meaning of Part XV of the Securities and Futures Ordinance, in the securities of the Company.

The Company has entered into a service contract with Ms. Dong for a term of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. Ms. Dong will receive an annual emolument of HK$400,000.

Ms. Huang Xiu Hong will be redesignated as executive Director on 1 April 2022. Ms. Huang, aged 49, has been a non-executive Director of the Company since 24 June 2015. Ms. Huang has been working at GOME since 1991 and was appointed as the general manager in Eastern China Region since 2005; from 2009 to 2016, she has been the president of the GOME Holding Group Company Limited and from 2009 up to now, she has been the president of Pengrun Holdings Limited (鵬潤控股有限公司). Ms. Huang has obtained her MBA degree from Helsinki School of Economics in 2005, and she is now pursuing further education in financial EMBA in Tsinghua University PBC School of Finance. In 2007, Ms. Huang was honored the Top Ten Outstanding Youth in Retail Industry of Shanghai and a torchbearer of the Beijing Olympic Games in 2008; in 2009, she received the nomination title of Outstanding Business Woman of China conferred by All-China Women's Federation together with China General Chamber of Commerce; from 2012 to 2015, she was consecutively awarded The Most Influential Business Woman in China. Besides, Ms. Huang was recognised as The Significant Contributor in Building National Corporation Culture in 2012, Person of Asia Brand of 2013, etc. Previously she served as the member of Beijing Federation of Industry & Commerce and currently she serves as the deputy chairman of both China Enterprise Confederation and China General Chamber of Commerce. Ms. Huang has been a director of Beijing Centergate Technologies (Holdings) Co., Limited (a company listed on the Shenzhen Stock Exchange) since December 2009, among which she was the Acting Chairman of the company from March 2014 to May 2014.

Save as disclosed, Ms. Huang does not presently and did not in the past three years hold any directorship in any listed public company. Ms. Huang is the sister of Mr. Wong Kwong Yu, the controlling shareholder of the Company. Ms. Huang has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this announcement, Ms. Huang is interested in 80,100,000 shares, representing approximately 0.24% of the share capital of the Company. She does not have any other interest, within the meaning of Part XV of the Securities and Futures Ordinance, in the securities of the Company.

The Company has entered into a service contract with Ms. Huang for a term of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. Ms. Huang will receive an annual emolument of HK$400,000.

There are no other matters relating to the appointment of Ms. Dong Xiao Hong an non-executive Director and the redesignation of Ms. Huang Xiu Hong as executive Director that need to be brought to the attention of the shareholders of the Company and there is no information in relation to the appointment and redesignation to be disclosed pursuant to the requirements of Rule 13.51(2) (h) to (v) of the Listing Rules.

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 2021 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 2022

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*