2020 Annual Report

GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

Incorporated in Bermuda with limited liability

Stock Code : 493

* For identification purpose only

CONTENT

GOME at a Glance

GOME Retail Holdings Limited has been listed on the Hong Kong Stock Exchange since July 2004 (stock code: 00493). Founded in China in 1987, GOME provides a full range of local daily living products and services, including home appliances, food and beverage, clothing, shoes and bags, home furnishings, daily necessities, maternal and infant goods, cosmetic and personal care products, and provides comprehensive home services to consumers through its professional staff. With entertainment, low price, quality service and technology as its core business strategy, GOME strives to meet the all-round consumption and service needs of family users, so that every family can enjoy better products and services at lower prices. GOME will continue to innovate its business model and to facilitate the transformation of the retail industry in China.

"Home • Living" strategy growing steadily, entering into the second phase of the strategy

3,421 offline retail stores nationwide

A social network of **100** million people

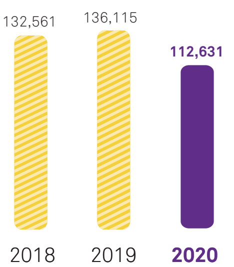
Over **200** million online and offline members

Over **one** million paid members

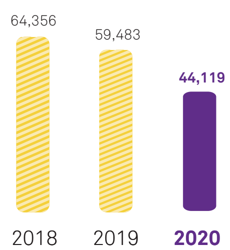
Designated webpage with cloud for each store

Over **1,600** transportation routes across the country

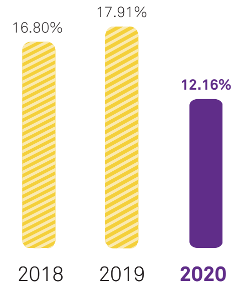
Total GMV
(RMB million)



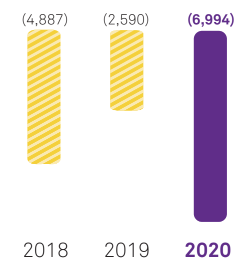
Revenue
(RMB million)



Consolidated gross profit margin*



Loss attributable to owners of the parent
(RMB million)



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

Five Year Financial Summary

	Year ended 31 December 2020 *RMB' 000*	Year ended 31 December 2019 *RMB' 000*	Year ended 31 December 2018 *RMB' 000*	Year ended 31 December 2017 *RMB' 000*	Year ended 31 December 2016 *RMB' 000*
Revenue	**44,119,113**	59,482,827	64,356,031	71,574,873	76,695,025
(Loss)/profit attributable to owners of the parent	**(6,993,816)**	(2,589,826)	(4,886,895)	(449,895)	325,139
Total assets	**70,494,181**	71,871,973	60,741,791	63,224,019	61,802,129
Total liabilities	**69,226,535**	63,710,921	49,658,027	45,697,793	40,826,902
Non-controlling interests	**(3,648,703)**	(3,438,872)	(2,993,883)	(2,386,899)	(1,510,932)
Net assets	**1,267,646**	8,161,052	11,083,764	17,526,226	20,975,227

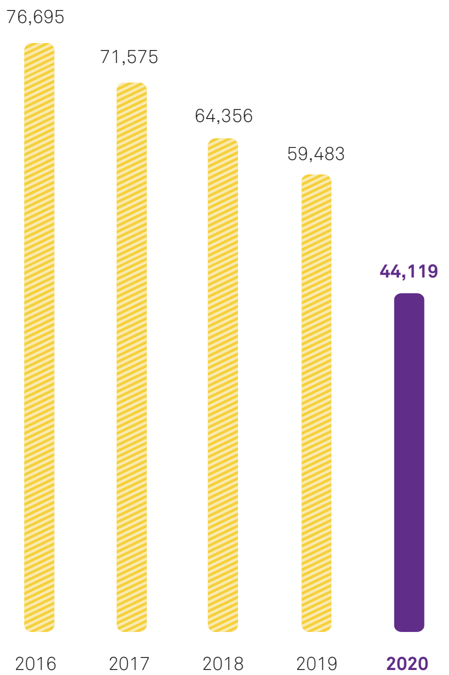
THE SECOND PHASE OF “HOME • LIVING” STRATEGY

Establishing a closed-loop retail ecosystem with six major platforms

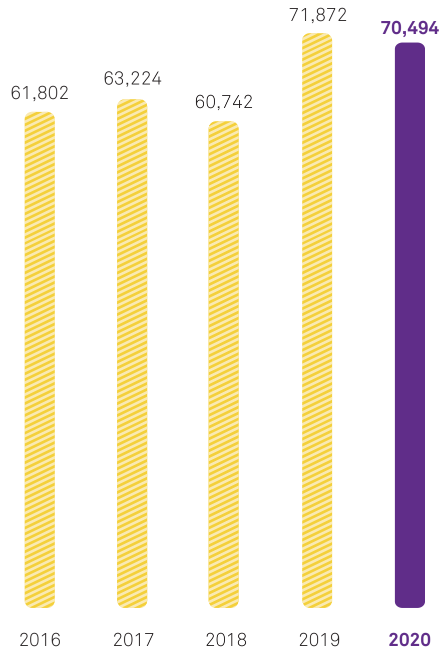
- Establishing six major platforms of online, offline, supply chain, logistics, big-data & cloud, sharing and co-development under the“Home • Living”strategy
- Adopting a core business strategy by focusing on entertainment, affordability, services and technology
  - Satisfying diversified demand of customers with a wide range of products and services
  - Providing better products and services at competitive prices
- Ensuring authentic products, fast delivery and entertaining experience with the support of technology and wisdom
  - Establishing one of the most popular shopping platform for selling, buying and sharing with entertaining features

Financial and Operational Highlights

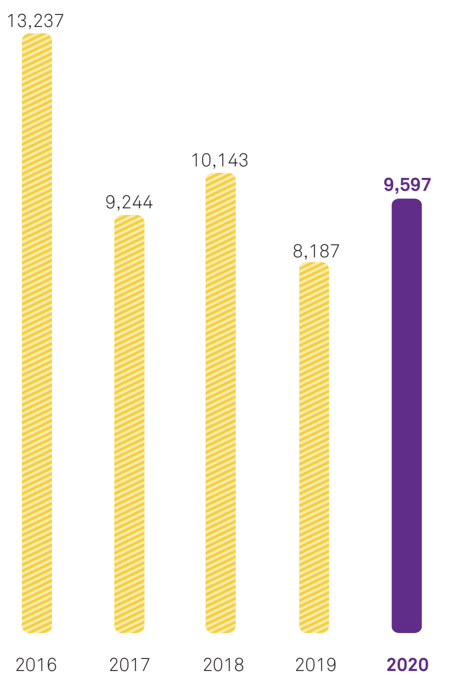
REVENUE
(RMB million)



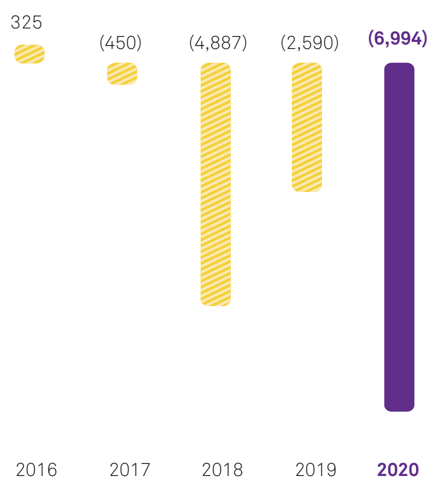
TOTAL ASSETS
(RMB million)



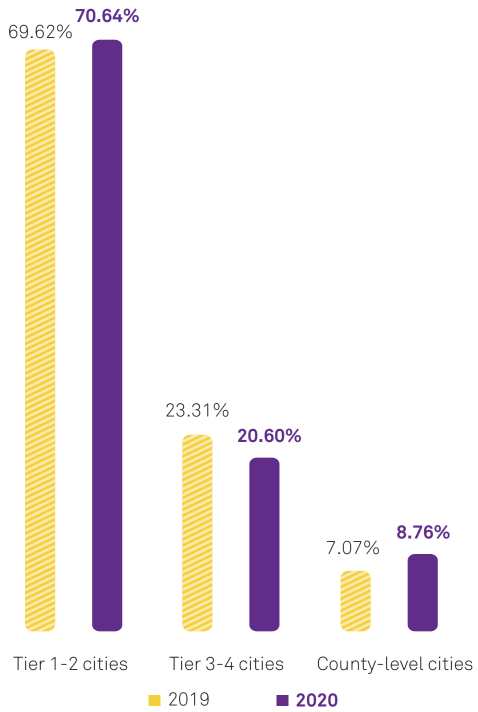
CASH AND CASH EQUIVALENTS
(RMB million)



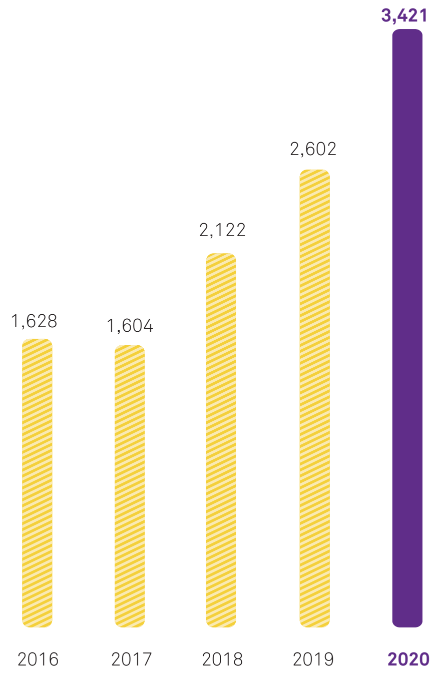
(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
(RMB million)



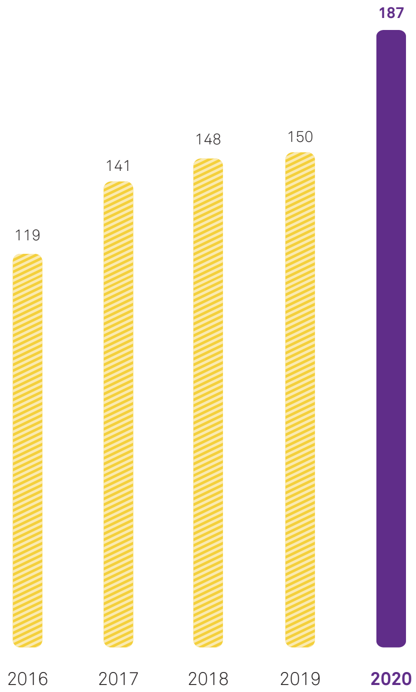
REVENUE BY TIERS OF CITIES



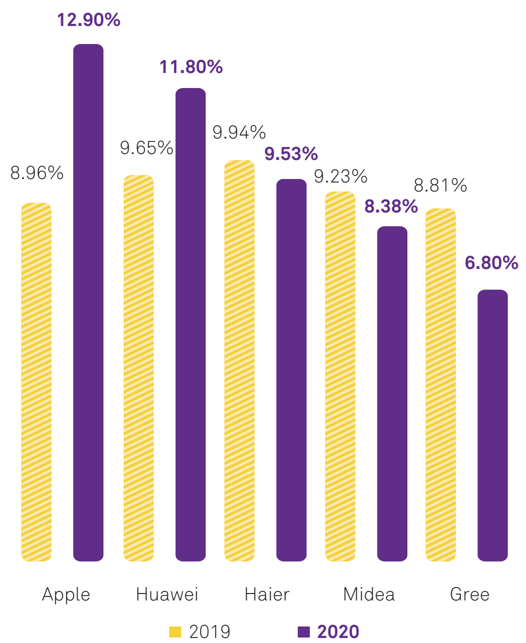
NUMBER OF STORES AT YEAR END



TRADE AND BILLS PAYABLES TURNOVER DAYS



TOP 5 SUPPLIERS



In 2020, GOME completed its first phase of strategic development under the "Home • Living" strategy, and started the second phase in-depth development in a more refined manner. In particular, GOME accelerated the development of its dual-platform new retail ecosystem powered by technology, intelligence and innovation, and established the "Social + Business + Sharing" GOME ecosystem with focus on online operation by integrating online and offline platforms and utilising the strength of proprietary operation and third party external supply chain.


闪店送


小龙虾自由季
今锦上小龙虾低至15元1斤
万物焕新潮
自营百货·焕新好物9.9元起
家居家纺

Chairman's Statement

ZHANG DA ZHONG

Chairman

We will uphold the core value of new retail to "create and share fun and enjoyable sales and shopping experience", utilise our unique strength to upgrade the business models and facilitate the development of a digital and platform-based retail ecosystem with entertaining features to fully release the huge potential of a "New GOME".

Dear Shareholders,

The year 2020 was characterised by extraordinary turbulence. The unexpected outbreak of COVID-19 exerted significant impact on all industries and posed huge challenges to the entire retail industry, particularly the offline retail sector. Against this difficult environment, GOME fought through adversities with orchestrated efforts, and endeavored to implement the "Home • Living" strategy. We leveraged our edges precipitated through years of operation in areas of brands, technology, online and offline integration, supply chain and services. Moreover, we launched innovative marketing modes such as live broadcasts and new approaches notably expansion of external cooperation geared to opening up the supply chain. All these efforts fortified GOME eventually to withstand the pandemic test and gained extensive recognition from various segments of the market.

Despite the dampening impact of the pandemic on GOME's offline store business in 2020, we strengthened our online marketing efforts by delivering online live broadcasting events especially through cooperation with CCTV and other major platforms. All the way from planning to execution, we launched large-scale online marketing activities like "Shopping across China (買遍中國)". All these events were highly successful. In addition to generating nationwide advertising effect and further enhancing the brand image of GOME, these activities also contributed to the Group's operation results with live broadcasting sales breaking numerous records. This in turn drove the Group's businesses to turn around in the second quarter. Moreover, GOME adopted a new approach of opening up its own supply chain to third-party e-commerce platforms through strategic cooperation with Pinduoduo and JD.com. These moves achieved desirable results.

With our hard work over the past year, GOME has completed the full fledged digital transformation and upgrade of online and offline platforms, and established the backbone of the industry infrastructure. These resulted in an improvement of transaction efficiency and an enhancement of service experience. For offline operation, GOME has created designated webpage for each of its some 3,000 offline stores ("One Store One Webpage"), thus well equipping them to get access to the online platform. This has facilitated these stores to carry out internet and digital operation and serve GOME customers with proximity of 3 to 8 kilometers through video promotion, professional shopping guide and concierge services. Thus, these stores have become the closest and most reliable shopping advisor for the customers under the one-stop service model of "real-time online reply + on-time and speedy product delivery + in-store and at-home services". For online operation, the GOME APP has been completely revamped and restructured with new functions such as the addition of the 1.0 entertainment module including "Video Shopping Guide", "Meixin (美信)" and "Short Video + Livestreaming + Matches". The coverage of mini program was further expanded, and the grid-based community expansion was completed with the implementation of close-knit operation. Our revamped mobile application was finally launched to the market in January 2021, under the new name of "FUN (真快樂)". The layout, functions and style of the online platform have taken shape with new features to be offered continuously in future.

GOME has started to develop a dual-platform structure based on the "information and operation driven online platform" and the "community-centered platform for offline store network" since August 2020. We have initiated to map out proactively for the second phase of the "Home • Living" strategy. GOME has so far completed the construction of the digital omni-channel dual platforms under the model of "online + offline, Self-operated + third party platforms". The "FUN (真快樂)" online platform and the "GOME Home (國美家)" offline local lifestyle service platform have formed the core of this strategy. Supported and empowered by supply chain system, logistic system and financial service system, GOME consolidated internal and external resources through integration, cross-sector operation and innovation. We have established a highly efficient and open platform-based ecological system which enables resource sharing, business cooperation and joint development. This business model created a unique core value which is scarce in the industry, as we stressed on waging differentiated competition and propelling strategic upgrading.

The year 2021 is the start of the second centenary plan under China's "Two Centenaries" plan, as well as the beginning of the "14th Five-Year Plan" period. Looking forward, I deeply feel that GOME is now embarking on unprecedented opportunities and challenges of the era. China achieved the goal of building a moderately prosperous society in 2020, and witnessed continuous development of internet, digital, artificial intelligence and 5G technologies as well as continuous rolling out of new-type urbanisation. These favourable developments will push on-going expansion of the middle-class consumers, thus boosting the demand for higher-end consumption notably service-oriented consumption. In tandem with this trend, we expect consumer demand for and appreciation of "Home • Living" services to escalate gradually. In view of new situation, new demand, new changes and new patterns, GOME, as an enterprise with 34 years of retail experience, is well positioned to capture opportunities through innovation and creation, and shoulder the social responsibility of promoting industry changes. We take pride in our differentiated business model to create distinctive value in the cycle of production and consumption. Guided by the concept of user orientation, platform-based operation, technology-driven innovation and ecosystem development, GOME has planned to implement fully the second phase of the "Home • Living" strategy. We have been keen to carry out technology-driven innovation and transformation, openness, entertainment and resource sharing to meet the customers' pursuit of quality life and achieve the corporate goal of "Better home and lifestyle through GOME".

Finally, I would like to express my heartfelt appreciation to the dedication of all GOME staff members, and my sincere gratitude to the community for their recognition and support of GOME. We will strive continuously to create value for our shareholders, employees, customers, suppliers, partners and other stakeholders and pursue a long-term sustainable development for GOME. I am confident that under the leadership of the Board, GOME would grow rapidly and solidly, overcome challenges and propel the implementation of a new retail strategy.

Zhang Da Zhong
Chairman

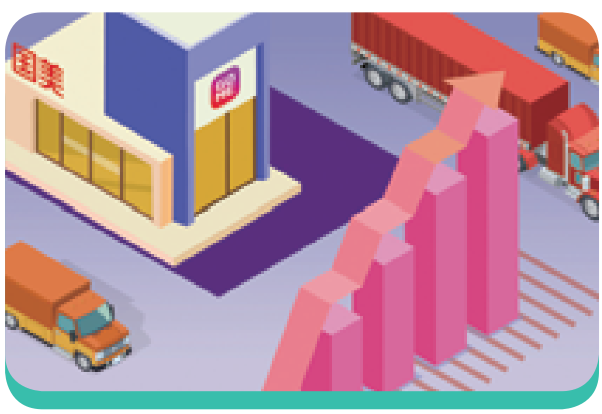
Management Discussion and Analysis

We have presented the 'New GOME' with new mindset and ushered in a new stage with new development pattern. For future operation and development, we will focus on facilitating strategic upgrade to develop a new platform layout.

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 Webpage" 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



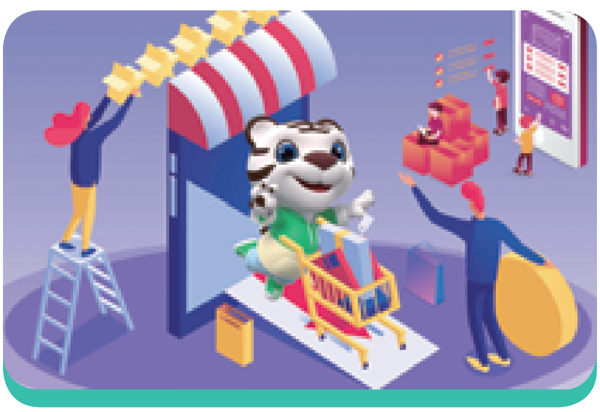
by 6.32% as compared with RMB11,773 million for the corresponding period last year. By excluding the impairment losses on goodwill, the operating expenses would decrease by approximately 21.59% year-on-year, mainly representing (among others) the reduction in salaries, rentals and other selling and distribution 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 utilising scenarios and technology to become a redefined digital, social, and entertainment local retail service platform.

BUSINESS ENVIRONMENT

During the Reporting Period, the outbreak of COVID-19 posed a great challenge to the global economy. The lockdown measures adopted by countries all over the world resulted in a severe economic downturn and a surge in unemployment rate. The global economy is facing the toughest challenge since the financial crisis. Although some countries have eased their lockdown restrictions and resumed their economic activities, the recurring pandemic waves hindered the economic recovery.

In respect of the domestic economy, China was the only major economy in the world to achieve positive economic growth and its GDP saw an increase of 2.3% to more than RMB100 trillion, a historic high. The remarkable results were mainly attributable to the adoption of pandemic precautionary measures, which effectively prevented the spreading of the pandemic and ensured the rapid resumption of economic and social activities. Other factors included the flexible, moderate, precise and effective counter-cyclical macroeconomic policies as well as proactive opening-up initiatives. These measures and policies promoted the steady growth of foreign trade and investment and supply chains, resulting in the positive expectation of domestic and foreign investors for the economic growth of China.



In respect of the environment of the industry, driven by stronger export demand and investment, the economy began to recover when the pandemic was under effective control. It is expected that consumption will show significant growth. In addition, the government has adopted new economic policies. Consumption will replace the export and investment as the driving force of domestic economic growth. The population of middle-income group is expected to be doubled in 15 years and the proportion to the total population will rise from 30% to 60%. The domestic consumption market will see significant expansion. On the other hand, the wide-spreading and continual pandemic significantly changed the consumption pattern of customers, posing a huge challenge to the retail industry. Retail enterprises have to build core capabilities, enhance customer stickiness, upgrade technology and digital transformation and expand business to tap into the trillion consumption markets in lower tier cities in order to maintain a sustainable development.

MARKET DEVELOPMENT POTENTIAL

In the future, the barrier between online and offline business will be eliminated gradually as all business activities will be focused on fulfilling users' needs. With the further integration of online and offline, products with similar quality will be sold at the same price with similar shopping experience. Consumers will be offered with more professional services and higher quality products. In the course of the development of new retail business, retail companies will enhance customer experience by improving operation efficiency, establishing smart stores and restructuring supply chain networks. As part of their development trend, these companies will accelerate their business digitisation and promote their business with entertaining approaches. Home-service business will also become a popular trend.

BUSINESS REVIEW

Continue to Drive Towards the "Home • Living" Strategy and Enter into the Second Phase of our Strategy

Creating a closed-loop retail ecosystem with six complementary platforms

During the Reporting Period, adhering to its "Home • Living" strategy, the Group established six platforms, including online platform, offline platform, supply chain platform, logistics platform, big-data & cloud platform and sharing and joint development platform. With these six complementary platforms, the Group created a closed-loop retail ecosystem. In view of the opportunities and challenges, the Group developed its business strategies from users' perspective, platform perspective, technology perspective and closed-loop perspective. The Group strategically provided reasonably-priced, entertaining and advanced services focusing on social interaction and entertainment, so as to cater different consumption and service needs of family users with high-quality products and services at low price. Leveraging on its advanced technologies and expertise, the Group aims to position itself a popular consumption marketplace for selling, purchasing and sharing featuring "genuine (真)", "quick (快)" and "entertaining (樂)" functions named "FUN (真快樂)" platform.

Online platform

The "FUN (真快樂)" online platform is the most critical market of the retailing business of the Group. "genuine (真)" refers to genuine products provided by selected merchants; "quick (快)" refers to prompt and on time delivery; "entertaining (樂)" refers to selling, purchasing, sharing and marketing with entertaining features. The online platform is positioned as "online shopping mall + local daily life services" with "special promotions such as bidding and group buying with entertaining activities" as its marketing initiatives, and provide its merchants with displays of full range of product categories, services and SKUs through "One Store One Webpage", "One Merchant One Webpage", "One Group One Webpage" and "One Media One Webpage" systems. The online platform uses video shopping guides to re-define interactive scenarios of each marketing aspect. The platform is user-oriented and focuses on the interests of users and creates value for them in four major aspects, namely commodities, quality and pricing, delivery and installation, as well as sharing and joint development. With focus on entertainment + socialisation and by utilising six major initiatives (namely live short videos, "special promotional entertaining activities", community operation, "One Store One Webpage", matches and video shopping guides), the platform provides full range of online, in-store and at-home services.

Offline platform

The offline platform is the second major market of the retailing business of the Group. By positioning as "offline display experience + daily life service platform" and focusing on product display experiences, home value-added services and home entertainment, the platform has become one of the online local daily life channels. The business model focuses on merchant invitation, franchising, cooperation and joint development. It integrates online and offline operations, formulates its own standards and provides home users with in-store, online and at-home services. Driven by the integration of the online and offline platforms, and focusing on new retailing and new services and targeting family customers within a distance of 3 to 8 kilometers, the Group will be able to provide a multi-business, full-scenario and cost-effective consumer experience. On the one hand, through technology empowerment, it provides consumers with a full-scenario interaction and online-offline integration transaction experience. On the other hand, through business empowerment, merchants can join the platform at low cost and share high profit margins. With the business model of shared empowerment and online and offline integration, the Group has optimised its efficiency and cost, increased its income, and established a platform for real sharing, coexistence and joint development which realises the integration of all businesses without boundary.

The offline network development of the Group will be based on our nationwide outlets with full staff support and full-scenario integrated experience. By focusing on franchising with self-operation as a supplement, the Group has rapidly expanded its network in order to complete the construction of offline platform. As of the end of 2020, the Group had more than 3,400 offline outlets in more than 500 major cities. In the future, it will continue to expand the outlet network in the form of self-operating and franchising through grid-based planning. By diverting traffics from offline to online, the number of monthly active users (MAU) will increase. The Group has been committed to providing consumers with online and offline full-scenario shopping experiences by establishing a city-based offline network with grid-based coverage and with four main types, namely city showrooms (approximately 120,000 sq.m.), business districts outlet (approximately 50,000 sq.m.), regional store (approximately 20,000 sq.m.) and community outlet (approximately 150 sq.m.). Through these proven outlet models, the Group may attract third party franchisees and continue to expand and increase the intensity of its offline network.

The Group's
nationwide retail network

As at 31 December 2020

Flagship stores
265

Standard stores
963

Supermarket stores
106

Decoration materials and home furnishing in-store shops
27

County-level stores
2,060

on 31 December 2020, the total number of stores operating under the Group reached 3,421 and spanned 1,298 cities.

Nationwide Store Network

	Group Total	GOME	China Paradise	Dazhong	Cell Star
Flagship stores	265	218	28	19	–
Standard stores	963	837	65	17	44
Decoration materials and home furnishing in-store shops	27	25	2	–	–
County-level stores	2,060	1,890	125	45	–
Supermarket stores	106	89	7	1	9
Total	**3,421**	**3,059**	**227**	**82**	**53**
Net increase in store number	819	748	54	17	–
Newly-opened stores	1,373	1,230	95	37	11
Closed stores	554	482	41	20	11
Number of cities accessed	1,298				
Among them:					
Tier 1-2 cities	425				
Tier 3-6 cities	873				
Cities newly accessed	522				

Supply chain platform

The supply chain platform of the Group aims to establish a large-scale procurement platform for all categories of commodities through the business model of "merchants invitation + self-operation + customisation". With genuine products provided by selected merchants and the "VIP Membership (九九會員)" Program, the Group provides high quality products and services to its users at low prices. In view of the needs of home users, the Group is building up a commodities procurement platform focusing on seven major categories such as home appliances, food and beverage, clothing, shoes and bags, home furnishings, daily necessities, maternal and infant goods, and cosmetic and personal care. In respect of channel operation, in addition to the offline platform, the "FUN (真快樂)" online platform and third-party platforms (such as JD.com, Pinduoduo, Douyin, etc.), the supply chain of the Group may also cooperate with third-party agents. By transforming such agents into sellers, the Group may carry on sales in all channels along the supply chain and increase its market share.

Logistics platform

The logistics platform of the Group is well established and has been maintaining a leading position in the field of bulky and medium-sized home delivery in urban areas. The automatic distribution system is highly visualised and is one of the most advanced systems in the industry. In addition, the Group was the first to introduce the concept of "JIT (Just In Time)" in the retailing industry. Delivery can be made just in time by appointment. Just-in-time delivery was made possible by our basic capabilities of "prompt delivery" and "fast store delivery". To conclude, the Group can provide its users with high-standard logistics and delivery services such as timely delivery, prompt delivery and delivery with installation in one go.

In addition to warehousing and distribution capabilities, the Group also possesses house management service capabilities that are scarce in the industry. Different from general platform-based service companies, the Group has a professional house management service team that can provide a wide range of comprehensive and localised services, including extended warranties, repair and maintenance, recycling of used appliances as well as community services. We have established experienced service teams and cooperative merchants, and strive to expand our business from "home appliance" experts to "home service" experts.

Informatisation – big-data & cloud platform

The Group has committed to strengthen its information system on continuing basis. With the support from big data & cloud platform, we make use of data and technology for precision marketing. The integration of online and offline platforms, marketing with entertainment features and the empowerment of the entire value chain require the support of the big data & cloud platform. Various systems developed by the platform, such as "Video Shopping Guides", "One Store One Webpage", "One Media One Webpage", "One Group One Webpage" and various operational tools offered to the merchants, provide a strong support for the development of the entire ecosystem.

Sharing and joint development platform

The Group has established a sharing and joint development platform to tackle the problems faced by the merchants, including being unable to obtain operating data on third-party platforms and the lack of traffic for merchants' own APPs. In this regard, through mini programs, the APPs of merchants are able to connect with the platform of GOME simply and quickly. In addition, GOME can become the main operating platform of such merchants through an operating model similar to Shopify. Furthermore, with the cooperation between merchants and GOME, the members can exchange membership loyalty points on different platforms and data can be shared among the cooperating parties. Through cooperation, the merchants can sell their products, promote their brands, place advertisements, develop tools and software to enhance sales, as if they have their own online platforms which can reduce their capital and personnel investments.

CORPORATE GOVERNANCE

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the "Board") consists of one executive director, three non-executive directors and three independent non-executive directors. This Board structure complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") that at least one-third of the directors should be independent directors to ensure the independence of the Board. Therefore, shareholder opinions are thoroughly deliberated by the Board in a constructive manner before reaching consensus.

The Group has adopted its corporate governance policy in accordance with the code provisions of the corporate governance code. The Group has implemented all the requirements under the code provisions to further enhance its corporate governance.

ESTABLISHMENT OF THE CORPORATE CULTURE

During the Reporting Period, following the "Home • Living" strategy, and based on our core value of "Taking Pride in being Trustworthy", the Group continued to push forward the "GOME Leadership Principles". These initiatives allowed all of its teams to have excellent work ethic under its customer-oriented philosophy, consistent ideologies, strong motivation, effective cooperation and efficient procedures. To align with its cultural concepts and the development of its major strategic projects, the Group advocated the key strategic principles that helped to boost its corporate culture, strengthen staff participation in corporate development activities and enhance their sense of belongings.

HUMAN RESOURCES

During the Reporting Period, the Group adopted a human resources training strategy based on its strategic planning. The focus of the strategy was to support the transitional skill training and the fostering of young professional and management talents during the period of operation transformation.

In support of the operation transition, the Group launched "Video Shopping Guides", nationwide development of the "BBC Pilot Project", "One Store One Webpage" system, "Franchise Store Expansion", "Online Community Marketing", "TOP Sales Cases" and other training programs. The Group formulated the training system of "Three Major Leading Roles" to enhance the training methods and content for managers and store managers. In addition, the Group further improved the talent supply chain system under the "Reservoir" projects in terms of recruitment, training, deployment, selection and promotion.

FINANCIAL REVIEW

Revenue

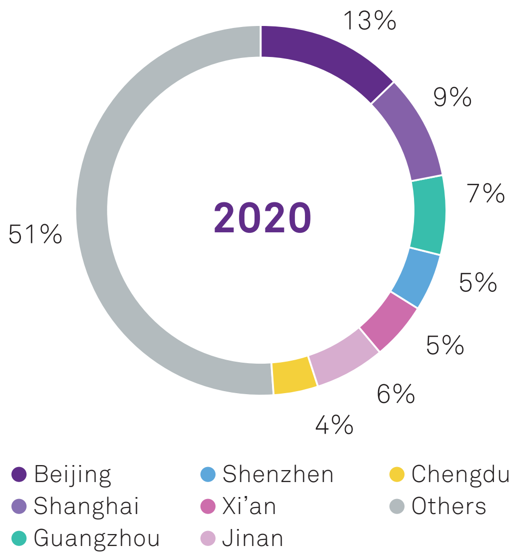
During the Reporting Period, the outbreak of the COVID-19 pandemic caused disruption to many industries in China, especially to the home appliance retail industry. In the first half of the year, both total retail sales of consumer goods and home appliances in the domestic market dropped significantly 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 significantly by 31.29% as compared with the first half of the year).

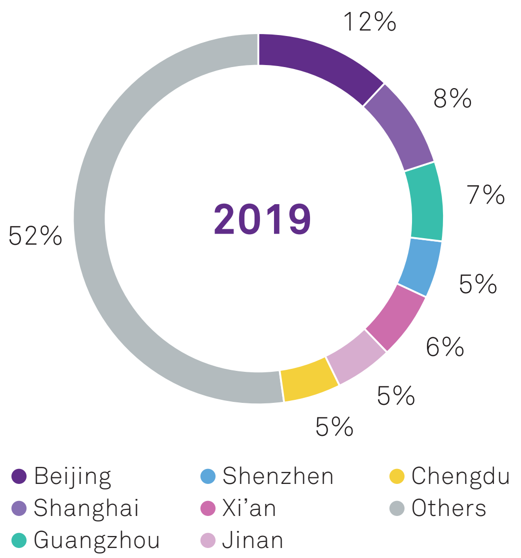
During the Reporting Period, aggregate sales revenue of 1,263 comparable stores of the Group was approximately RMB37,902 million, down 21.33% as compared with RMB48,178 million for the corresponding period in 2019. Sales revenue from the four regions of Beijing, Shanghai, Guangzhou and Shenzhen accounted 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

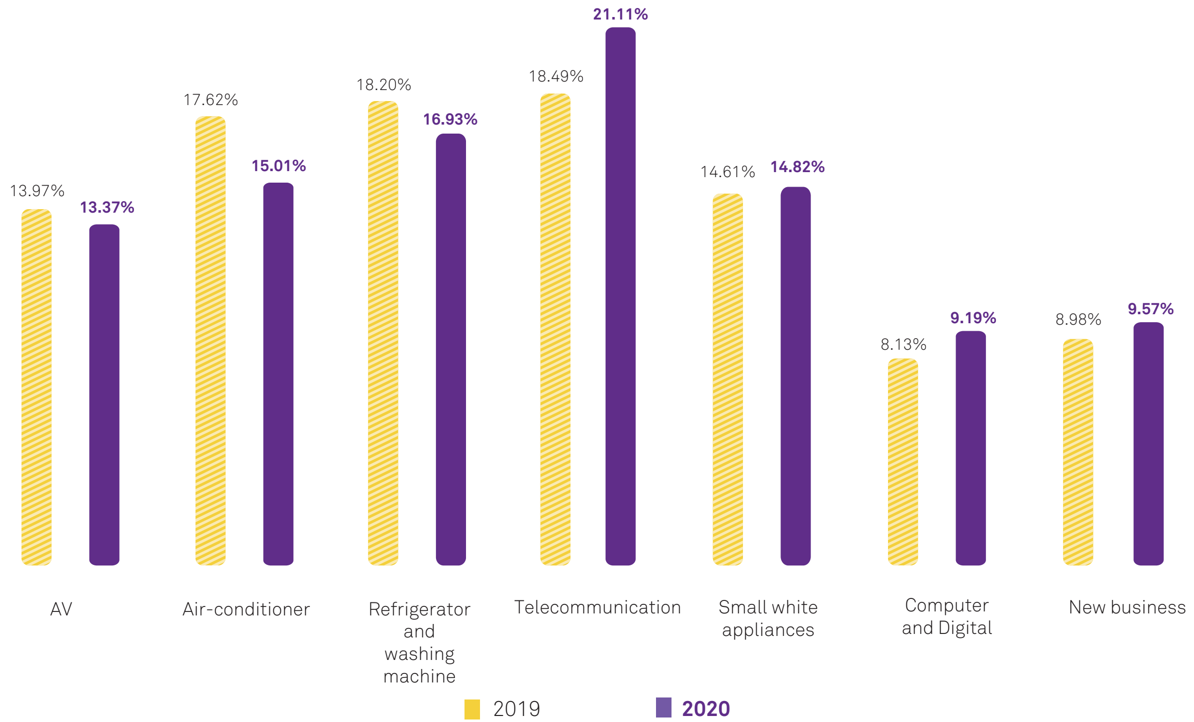
Cost of sales of the Group was approximately RMB39,569 million during the Reporting Period, accounted for 89.69% of the revenue, as compared with 84.68% for the corresponding period in 2019. With the decrease in revenue, gross profit, decreased by 50.06% from RMB9,111 million for the corresponding period 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.

SALES REVENUE OF THE GROUP BY REGION:

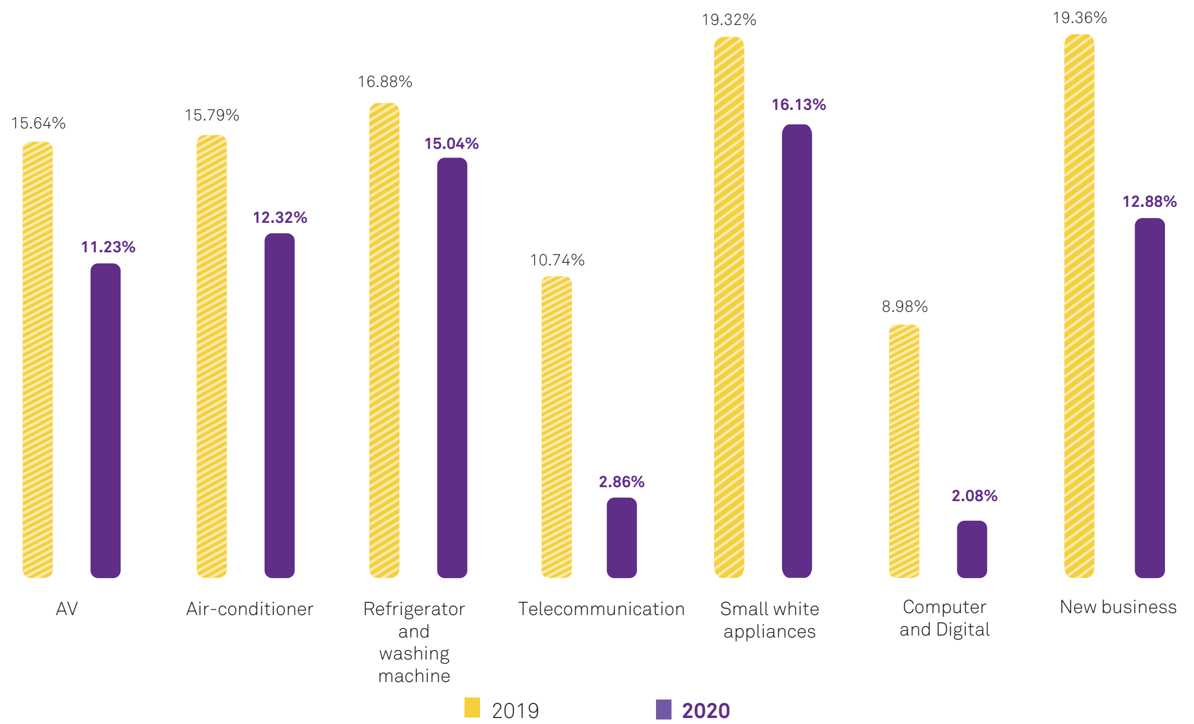




PROPORTION OF REVENUE FROM EACH PRODUCT CATEGORY OVER TOTAL REVENUE IS AS FOLLOWS:



THE GROSS PROFIT MARGIN OF EACH PRODUCT CATEGORY IS AS FOLLOWS:



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.

Summary of selling and distribution expenses:

	2020	2019
As a percentage of sales revenue:		
Rental	**0.55%**	0.62%
Salaries	**3.38%**	3.96%
Utility charges	**0.90%**	0.93%
Advertising expenses	**0.70%**	0.93%
Delivery expenses	**1.36%**	1.04%
Depreciation	**6.34%**	5.91%
Others	**1.32%**	0.86%
Total	**14.55%**	14.25%

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 recognised.

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 optimised the stores network of Artway Group and closed 110 underperformed stores. Upon the completion of various optimisation 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, an impairment loss of approximately RMB1,360 million was recognised 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 recognised.

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 optimised the store network of China Paradise and closed 41 underperformed stores in 2020. Upon the completion of various optimisation 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, an impairment loss of approximately RMB437 million was recognised 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 recognised 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 3 and note 16 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.

Dividend and dividend policy

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.

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.

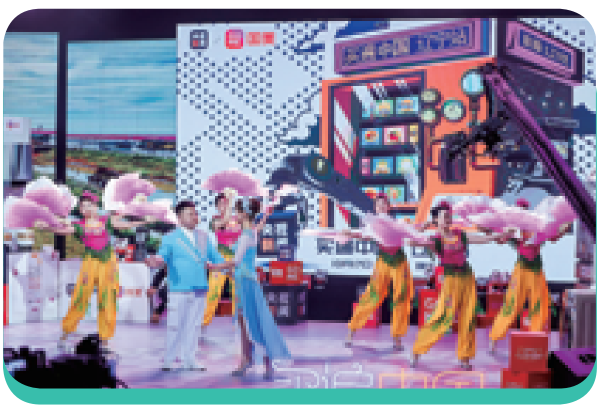
The current interest-bearing bank loans and other loans comprised:

	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	1,099,882	1,616,785
Repayable in the third to fifth years inclusive	1,210,113	–	1,210,113
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.

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.

(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 RMB286 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.

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.

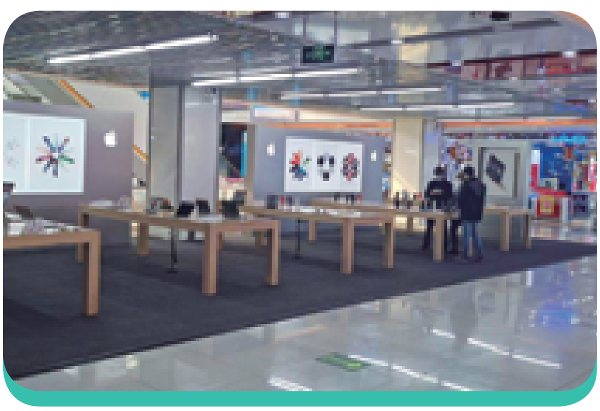
In terms of offline platform, the Group has completed the online migration of stores nationwide by setting up dedicated webpage for each store, which enabled such stores to carry out internet and digital operation and serve GOME customers in 3-8 km radius through video promotion, professional shopping 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.

2020.1

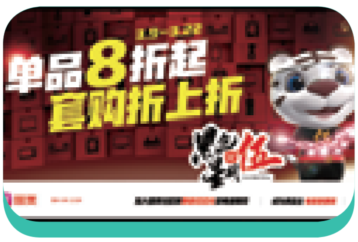
2020 China Finance TMT "Top Ranking" ceremony hosted by the operator, cfyys.com.cn, was held in Beijing. GOME won the "2019 Quality E-commerce Award" for its outstanding contribution in the retailing sector. GOME has won TMT industrial "Top Ranking" awards for three consecutive years.

In Wuhan, where the outbreak of the COVID-19 pandemic was severe, GOME arranged free distribution of masks to its citizens.

2020.2

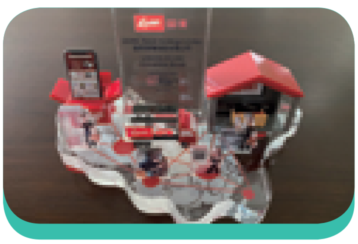
During the outbreak of the COVID-19 pandemic, GOME responded to the anti-pandemic needs and quickly supported the frontline of the battle. For the construction of Huoshenshan Hospital, Leishenshan Hospital and mobile cabin hospitals in Wuhan, GOME have provided several precision assistances, and have donated tens of thousands of urgently needed materials to relevant organisations.

2020.3



GOME launched "Super Live" program, a "Black Friday" campaign on the Tencent Kandian Live Broadcasting Platform. During the 3-hour live broadcasting event, the popularity reached 1.223 million viewers with an accumulated sales of more than 60,000 units and sales revenue of approximately RMB113 million, which created an unprecedented super live broadcasting.

2020.4



GOME completed its issuance of US$200 million convertible bond to Pinduoduo, marking a new era of the strategic alliance between GOME and Pinduoduo.

2020.5

GOME and Kunming Branch of China Guangfa Bank formally entered into a strategic cooperation agreement, pursuant to which GOME obtained a comprehensive credit line of RMB3 billion. Both parties will carry out all-rounded cooperation in several areas such as financial support, product innovation and international settlement.

2020.6

China Chain Store & Franchise Association (CCFA) released the list of the "Top 100 Chain Stores in China for 2019". GOME has become one of the top three by creating an innovative consumption model of "live broadcast + community" and a new supply chain model that promotes business cycle.

President of GOME, Mr. Wang Junzhou, Chairman and President of Gree Electric Ms. Dong Mingzhu, and host of Zhejiang Satellite TV Ms. Yiyi, jointly launched the "Glamour (格來美)" super live broadcasting, with sales revenue exceeding RMB560 million.

Issuance of US$100 million convertible bonds to JD.com by GOME had been completed in accordance with the terms and conditions of the subscription agreement. The in-depth strategic cooperation between GOME and JD.com has been accelerated comprehensively.

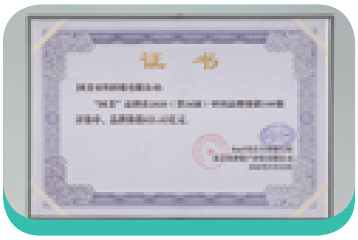
2020.8

"Work together for a better life", a ceremony of a join procurement strategic alliance between GOME and JD.com was held in Beijing. GOME and JD.com announced together the launch of a RMB30 billion join procurement plan.

2020.9

Sponsored by the All-China Federation of Industry and Commerce (ACFIC) and supported by the State Administration for Market Regulation, the Poverty Alleviation Office of the State Council and the Industrial and Commercial Bank of China, the 2020 Top 500 Chinese Private Companies Summit was held at the ACFIC venue. GOME ranked eighth among top 500 Chinese private companies and fourth among top 100 Chinese private companies in the service sector.

The 14th China Retailers Conference and the third Xiamen International Smart Retail Industry Expo was held in Xiamen International Convention and Exhibition Center. At the meeting, the China Chamber of Commerce and the All-China Business Information Center jointly announced the Top 100 Chinese Retailers list for 2019 which GOME ranked sixth.



R&F Global Ranking Information Group and Beijing Brand Asset Valuation Limited released the 2020 (26th) Top 100 Chinese Brand Value Research Report, and GOME was selected as one of the "Top 100 Chinese Brand Value" and ranked first in the electrical appliance retail industry on the list for 14 consecutive years.

At the 2020 Top 500 Chinese Companies Summit held by the China Enterprise Confederation and China Entrepreneurs Association in Zhengzhou, GOME was shortlisted for the 2020 Top 500 Chinese Companies.

2020.10

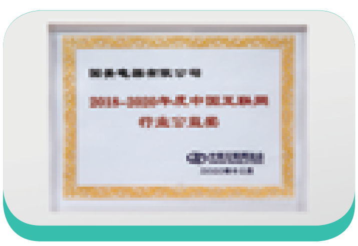
Beijing Federation of Industry and Commerce held the "2020 Beijing Top 100 Private Companies Press Conference" in Yizhuang, Beijing. With its overall operating capabilities and integrated online and offline development, GOME ranked third in the 2020 Beijing Top 100 Private Companies and seventh in Top 100 Social Responsibility Companies on the list.

2020.11

The investor relations team of GOME won the "Best IR Team Award" at the "2020 Global Investment Carnival" Annual Awards ceremony held by Gelonghui, a financial platform.

2020.12

The 10th China Home Appliance Marketing Annual Conference in 2020 was held in Hangzhou. GOME House Manager was highly recognised by consumers and the whole industry for its advantages in quality service, and won "Service Benchmark Award".



The 7th China Internet Corporate Social Responsibility Forum was held in Beijing. GOME won the "Internet Industry Public Welfare Award for 2018-2020" with its outstanding contributions for anti-pandemic, high sense of responsibility and a number of public welfare measures.

Directors and Senior Management Profile

CHAIRMAN

Mr. ZHANG Da Zhong

Mr. ZHANG Da Zhong, aged 72, has been the Chairman and non-executive Director of the Company since 10 March 2011. Mr. Zhang was the founder of Beijing Dazhong Home Appliances Retail Co., Ltd. one of the leading domestic appliances retail chains in Mainland China. Mr. Zhang sold all of his interests in Beijing Dazhong Home Appliances Retail Co., Ltd. in late 2007 and established Beijing Dazhong Investment Co. Ltd., a company that engages primarily in private equity investment in which he is currently the president. Mr. Zhang was honored as China's Outstanding Private Entrepreneur (中國優秀民營企業家) and Outstanding Builder of Chinese Featured Socialism (優秀中國特色社會主義事業建設者), and was a member of the 8th Chinese People's Political Consultative Conference of Beijing, a member of the standing committee for both the 9th and 10th Chinese People's Political Consultative Conference of Beijing, a member of the standing committee of the 13th Beijing People's Congress and the former deputy chairman of the Beijing Commerce Federation (北京市商會).

EXECUTIVE DIRECTOR

Mr. ZOU Xiao Chun

Mr. ZOU Xiao Chun, aged 51, has been an executive Director of the Company since 17 December 2010. Mr. Zou was the Vice President and the Senior Vice President of the Group from 17 December 2010 to 31 December 2013, mainly responsible for the Chinese legal and compliance matters and other deal-specific projects of the Group and is also a director of various subsidiaries of the Company.

Mr. Zou graduated from the Department of Law of Nanchang University (南昌大學法律專業專科) in June 1990 and obtained the Chinese Lawyers Qualification Certificate (中國律師資格證書) in August 1990. Mr. Zou was also granted the Chinese Tax Advisers Qualification Certificate (中國税務師資格證書) in September 1995 and the Pass Certificate for the National Notary Public Qualification Examination (國家公證員資格考試合格證書) in December 1995. Furthermore, Mr. Zou was qualified as an industrial economist (工業經濟師) in October 1996. Mr. Zou was granted the Chinese Fund Practitioners Qualification Certificate in September 2015.

Mr. Zou practised as the lawyer and person-in-charge at Jiangxi Sui Long Law Firm (江西遂龍律師事務所) from June 1991. Since March 2000, Mr. Zou practised as the lawyer and a partner at Beijing Sinosource Law Firm (北京中潤律師事務所). In June 2006, Mr. Zou founded the Beijing John & Law Firm (北京市中逸律師事務所). From December 2008 to March 2011, Mr. Zou has been acting as the vice-chairman (deputy chairman) of Beijing Centergate Technologies (Holdings) Co., Limited (北京中關村科技發展(控股)股份有限公司) (a company listed on the Shenzhen Stock Exchange) and has been re-appointed as a director of the company since May 2012. Since 2011, Mr. Zou has been appointed as a member of the Executive Committee of GOME Holding Group Company Limited (國美控股集團有限公司), which is owned or controlled by Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company, and was appointed as the vice chairman of GOME Telecom Equipment Co., Ltd (formerly known as "Sanlian Commercial Co., Ltd") (a company listed on the Shanghai Stock Exchange) between June 2011 and June 2014. Since March 2015 and November 2018, Mr. Zou was appointed as a non-executive director of Lajin Entertainment Network Group Limited (a company listed on the Hong Kong Stock Exchange) and an independent non-executive director of Beijing Worldia Diamond Tools Co., Ltd. (a company listed on the Shanghai Stock Exchange), respectively.

In addition, Mr. Zou founded Jiandao Zhongchuang Investment Company Limited (簡道眾創投資股份有限公司) (the manager of a private equity investment fund in the PRC) and was the chairman of the company in August 2014, when he also founded the Beijing YiPing Capital Management Co., Limited (北京逸品資本管理有限公司) (the manager of a private security investment fund in the PRC) and was an executive director of the company. He has been the chairman of UoneNet Technology (Beijing) Co., Ltd. (優萬科技(北京)股份有限公司(a company listed on the New Third Board) from January 2016 to December 2018.

Mr. Zou has been a practising lawyer for almost 30 years in the PRC and has engaged in practised in areas relating to capital markets in the PRC and Hong Kong for almost 20 years. He has also founded a number of companies and invested in dozens of companies.

NON-EXECUTIVE DIRECTORS

Ms. HUANG Xiu Hong

Ms. HUANG Xiu Hong, aged 48, 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 is a sister of Mr. Wong. 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.

Mr. YU Sing Wong

Mr. YU Sing Wong, aged 69, has been a non-executive Director of the Company since 24 June 2015. Mr. Yu has been the president of No. 9 Real Estate Company Limited (玖號置業有限公司) under GOME Holding Group (國美控股集團) since 2013, primarily responsible for the development and construction of No. 9 Shopping Plaza (玖號購物廣場) in Xiangjiang, Changsha, Hunan. From 2003 to 2012, Mr. Yu was the president of Beijing Xinhengji Investment and Management Group (北京新恒基投資管理集團), mainly in charge of the development and construction of the Xinhengji First City Project (新恒基第一城項目) in Shenyang, with an area of 1,000,000 square meters. From 2000 to 2002, he served as the general manager of Beijing Pengrun Real Estate Development Company Limited (北京鵬潤房地產開發有限公司), responsible for the development and construction of the Pengrun Garden Project (鵬潤家園項目). From 1992 to 2000, he was the vice president of Xinhengji Real Estate Development Company Limited (新恒基房地產開發有限公司), responsible for the development and construction of various projects, such as Xinhengji International Building (新恒基國際大廈), Pengrun Building (鵬潤大廈) and Jing An Centre (靜安中心). Before that, Mr. Yu was an assistant manager of a materials company in Luohu, Shenzhen from 1984 to 1991 and was a cadre of the office of machine tool station of the Ministry of First Machinery Industry (第一機械工業部機床總站) from 1973 to 1984.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Kong Wai, Conway

Mr. LEE Kong Wai, Conway, aged 66, has been an independent non-executive Director of the Company since 10 March 2011. Mr. Lee received a bachelor's degree in arts from the Kingston University (formerly known as the Kingston Polytechnic) in London in July 1980 and further obtained his postgraduate diploma in business from the Curtin University of Technology in Australia in February 1988. Mr. Lee served as a partner of Ernst & Young for 29 years until 2009 and had held key leadership positions in the development of such firm in China. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia and New Zealand, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants.

Mr. Lee has been an independent non-executive director of Chaowei Power Holdings Limited, West China Cement Limited, China Modern Dairy Holdings Limited, NVC Lighting Holding Limited, Yashili International Holdings Limited, GCL New Energy Holdings Limited, WH Group Limited (all being companies listed on the Hong Kong Stock Exchange) and Guotai Junan Securities Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) since June 2010, July 2010, October 2010, November 2012, November 2013, May 2014, August 2014 and April 2017, respectively. Moreover, Mr. Lee was a non-executive director and the deputy chairman of Merry Garden Holdings Limited (a company listed on the Hong Kong Stock Exchange) from July 2014 to September 2015. Mr. Lee was an independent non-executive director of Sino Vanadium Inc. (a company listed on the TSX Venture Exchange in Canada), China Taiping Insurance Holdings Company Limited, Tibet 5100 Water Resources Holdings Ltd., China Rundong Auto Group Limited (all being companies listed on the Hong Kong Stock Exchange) and CITIC Securities Company Limited (a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from October 2009 to December 2011, from October 2009 to August 2013, from March 2011 to February 2020, from August 2014 to December 2020 and from August 2011 to May 2016, respectively. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to 31 December 2017.

Ms. LIU Hong Yu

Ms. LIU Hong Yu, aged 57, has been an independent non-executive Director of the Company since 10 June 2013. Ms. Liu is a Chinese practising lawyer. Ms. Liu is the founding partner of Beijing Jincheng Tongda and Neal. Prior to that, Ms. Liu was the managing partner of Beijing Tongda Law Offices between April 1993 and April 2004, the legal adviser to Agricultural Bank of China (Beijing Branch) between May 1988 and April 1993 and a cadre of the People's Bank of China (Sichuan Province) between July 1985 and May 1988.

Ms. Liu graduated from Southwest University of Political Science and Law in 1985 with a Bachelor Degree in Law and obtained a Postgraduate Degree in Economic Law from the Graduate School of Chinese Academy of Social Sciences in 1998 and a Master Degree in Business Administration from Guanghua School of Business Management of Peking University in 2003. Ms. Liu is also qualified as a Chinese economist.

Ms. Liu was a member of the National Committee of the 11th, 12th Chinese People's Political Consultative Conference, a deputy to the 12th, 13th and 14th Beijing Municipal People's Congress and an executive member of the executive committee to the 11th China Feminine Congress, and is currently a member of the National Committee of the 13th Chinese People's Political Consultative Conference, a deputy to the 15th Beijing Municipal People's Congress and an executive member of the executive committee to the 12th China Feminine Congress. Ms. Liu is also a member of the 9th All-China Youth Federation, an executive member of the All China Female Lawyers Association, a specially designated supervisory personnel of the Supreme People's Court and a vice chairman of Beijing New Social Class Association.

Ms. Liu was an independent director of Founder Technology Group Company Limited (a company listed on Shanghai Stock Exchange) between April 2005 and June 2011, an independent director of Chongqing Three Gorges Water Conservancy and Electric Power Co., Ltd. (a company listed on Shanghai Stock Exchange) between June 2009 and June 2012, an independent director of China Real Estate Corporation Limited (a company listed on Shenzhen Stock Exchange) between June 2009 and September 2015, an external supervisor of Bank of Beijing Co., Ltd. (a company listed on Shanghai Stock Exchange) between August 2010 and July 2016 and an independent director of Lanpec Technologies Limited (a company listed on the Shanghai Stock Exchange) between December 2014 and December 2020. Ms. Liu is currently an independent non-executive director of China Machinery Engineering Corporation (a company listed on Hong Kong Stock Exchange) and an independent director of Bank of Beijing Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Mr. WANG Gao

Mr. WANG Gao, aged 55, has been an independent non-executive Director of the Company since 24 June 2015. Mr. Wang was appointed as the professor of marketing and the associate dean (Trainings for Senior Managers) in China Europe International Business School and the former joint director of The Research Center of Globalisation of China Enterprises (中國企業全球化研究中心) since 2009. From 2002 to 2008, Mr. Wang was the associate professor and the deputy of the Marketing Department under School of Economics and Management of Tsinghua University; from 2001 to 2002, he was the manager of Strategy and Analysis Department of Minute Maid Branch under the Coca-Cola Company in Houston of the United States; from 1998 to 2001, he served as the senior consultant of The Information Resources Limited of the United States in Chicago. Mr. Wang acquired his bachelor degree in Demography from Renmin University of China in 1988, and he obtained his Master of Social Science and Doctor of Sociology both from Yale University in 1994 and 1998, respectively. Mr. Wang is an independent director of Anhui Gujing Distillery Company Limited, Canature Health Technology Group Co., Ltd (all being companies listed on the Shenzhen Stock Exchange) and an independent non-executive director of Yunji Inc. (a company listed on the NASDAQ) from June 2014 to June 2020, since February 2018 and since May 2019, respectively.

Except as disclosed above, none of the Directors is related to any other Director, senior management, substantial shareholder or controlling shareholder of the Company.

SENIOR MANAGEMENT

Mr. WANG Jun Zhou, aged 59, has been the President of the Group since 28 June 2010. He is also a director of various subsidiaries of the Company. Mr. Wang was the Executive Vice President of the Group during the period from November 2006 to June 2010 and an executive Director of the Company between December 2008 and June 2011. Mr. Wang is responsible for the overall management of daily operations, including the formulation of the Group's medium and long-term strategic plans and annual budgets as well as standardisation of various systems, processes and authorisations for the Group. Mr. Wang also assists in providing guidance and monitoring to the daily operations in each major region and each division of the Group as well as appraising and reviewing business management teams at all levels. Mr. Wang has over 10 years of experience in the sale and management of electrical appliances. Mr. Wang joined the Group in 2001 and previously held positions as general manager of the operations centre, general manager of the Southern China Region and general manager of the strategic and cooperation centre of the Group. In November 2014, Mr. Wang was awarded the China Chain Store & Franchise Association: Retail Person of the Year for 2014 (CCFA2014中國連鎖年度人物大獎) by the 16th China Retail Industry Convention. In July 2015, Mr. Wang was elected as the 10th Retail Person of the Year for 2014-2015, an award recognising his contribution in leading the transformation and innovation of the Company for outstanding business results and substantial progress in 2014. In October 2015, Mr. Wang was awarded the title of Outstanding Person on Home Appliance for the Thirty Years in China (中國家電30年功勳人物獎) by China Household Electrical Appliances Association.In 2017, Mr. Wang was awarded Outstanding Industry Leader of the Year (年度最具行業領導力人物獎) by China Internet Weekly.

Mr. FANG Wei, aged 49, has been re-designated as the Chief Financial Officer of the Group since September 2011. He is also a director of certain subsidiaries of the Company. Mr. Fang is responsible for the overall planning and implementation of the Group's financial management as well as investments of the Group, and he also participates in decision making in relation to financing and operations of the Group. Mr. Fang is a graduate of the accounting faculty of Central University of Finance and Economics (中央財經大學會計系) and a holder of a master degree in management. He is qualified as a senior accountant and senior economist in China. He is also awarded the qualification of special management accountant (特級管理會計師) by the China Association of Chief Financial Officers (中國總會計師協會) as well as a fellow member of the Chartered Global Management Accountant (CGMA) association and a fellow member of Institute of Public Accountants (FIPA) of Australia. Mr. Fang joined the Group in January 2005, had held positions as assistant director and the director of the finance centre of the Group, and was granted the Special Contribution Award for Year 2011 and Contribution in Supporting New Business Award by the Group. Mr. Fang was named as the Talented Youth of Retail Sector in China for Year 2008 (2008年度中國零售業青年英才), Ten High-Profile Persons in Cash Management for Year 2012 (2012年現金管理十佳風雲人物), China's Top 10 Outstanding CFO of 2014 (2014年度中國十大傑出CFO), 2015 Finance Leader (2015年度財界領袖), 2015 Outstanding Global Finance Leader in China (2015年度中國國際財務卓越CFO人才獎), China Annual Figure as CFO in 2015 (2015中國CFO年度人物), Intelligent and Innovative Global Finance in China in 2017 – Outstanding Leader (2017年度中國國際財務智能化創新－卓越領航者) and Golden Horse Award of E-commerce Pioneer in China in 2017 (2017中國電子商務導師金馬獎), among others, due to his performance in financial management. Meanwhile, the team and projects led by Mr. Fang also received numerous awards, including the China Chamber of Commerce Science and Technology Award – Grand Prize for 2012 (2012年度中國商業聯合會科學技術獎特等獎) for the ERP project under the Nationwide E-commerce Supply Chain Integration and Application (超大型連鎖零售電子商務一體化及高效供需鏈應用綜合系統工程) with him being a core ERP project team leading member of GOME; as well as team awards including the Best Investor Relations Management Listed Company of the 2014 China Securities Golden Bauhinia Awards (2014中國證券金紫荊獎－最佳投資者關係管理上市公司大獎), the Best Investor Relations Award for 2014 and 2015 by Hong Kong Investor Relations Association, 2016 Best Investor Relations Management (最佳投資者關係管理) by Golden Hong Kong Securities Awards in 2016, the 2016 Best Practice of Shared Service Centre of the Year by CGMA, Best Investor Relationship – Meeting (最佳投資者關係會議獎) by Hong Kong Investor Association, Best Team of Intelligent and Innovative Global Finance in China in 2017 (2017年度中國國際財務智能化創新最佳團隊) by Chinese CFO Development Centre, Best Accounting Management in Practice in 2017 (2017年度優秀管理會計實踐) by CGMA in 2017, the 2018 Best Listed Company in Investor Relations Management (最佳投資者關係管理上市公司) by Golden Hong Kong Securities Awards in 2018, and the Best Hong Kong Listed Company in Information Disclosure awarded by the First Gelonghui Awards for Listed Companies in Greater China Region (格隆匯首屆大中華區上市公司評選 — 最佳信息披露港股上市公司獎) in 2019, the Best Investor Relations Award presented by the 2019 China Enterprise Elite Awards (2019中國企業精英頒獎 — 最佳投資者關係獎), the Best Investor Relations Management Award presented by the 4th Annual Golden Hong Kong Securities Awards (第四屆金港股年度評選 — 最佳投資者關係管理獎) in 2019, the 2020 Best Listed Company in Greater China Award – Best IR Team of the Year (2020年度大中華區最佳上市公司評選 — 年度最佳IR團隊獎) by Gelonghui, the Best IR Team of the Year and the Most Social Responsible Listed Company of the Year presented by the 5th Annual Golden Hong Kong Securities Awards (第五屆金港股評選 — 年度最佳IR團隊獎以及年度最具社會責任上市公司獎) by Zhitong Finance in 2020. Mr. Fang is currently the chairman of the supervisory committee of GOME Telecom Equipment Co., Ltd (formerly known as Sanlian Commercial Co., Ltd) (a company listed on the Shanghai Stock Exchange).

Ms. WEI Qiu Li, aged 53, Joined GOME in 2000. Ms. Wei had been the Vice President of the Group since November 2006 and was an executive Director of the Company between January 2009 and June 2011. Ms. Wei was appointed as the senior vice president of the Group in 2012. On 20 March 2018, she was appointed as the Chairman of the Decision-making Committee and is mainly responsible for the medium- to long-term strategic planning, group organisational planning as well as planning and implementation of human resources training of the Group. Ms. Wei has nearly 20 years of experience in human resources and administrative management.

Mr. HE Yang Qing, aged 58, is the CEO of GOME Retail Investment Company. Mr. He joined the Group in 2003 and has been appointed as the Senior Vice President of the Group since the end of 2012, he was in charge of the operation and management of the first- and second-tier market operation centres, store network development centre, Anxun Logistics, GOME House Manager after-sales and brand marketing centre of the Group previously, as well as has also served as the Chairman of the Executive Committee and the COO of GOME-on-line. From June 2014 to June 2017, Mr. He has been a director and the chairman of the board of GOME Telecom Equipment Co., Ltd (formerly known as Sanlian Commercial Co. Ltd), a company listed on the Shanghai Stock Exchange.

Mr. XIANG Hai Long, age 44, has been the Executive Vice President of the Group and the CEO of online platform since 2020, is responsible for the overall operation of the Group and certain subsidiaries, and involves in various business decision-making of the Group. In 2000, Mr. Xiang graduated from the Shanghai East China Normal University with a degree in computer science; he founded the Shanghai Qilang Network Technology Limited and served as its general manager. In February 2005, Baidu acquired Shanghai Qilang Network Technology Limited, Mr. Xiang joined Baidu along with the Qilang team and was appointed as the general manager of Baidu Shanghai branch. In 2006, the Shanghai branch was awarded the "Baidu's best team" for the important contributions made by Mr. Xiang in the promotion and management of the Baidu bidding ranking business. In January 2007, Mr. Xiang served as the general manager of the Baidu Beijing branch concurrently. In April 2007, Mr. Xiang was promoted to the vice president of sales of Baidu, responsible for the management of the sales of the bidding ranking business nationwide, including sales operations, direct sales management, channel management and enterprise marketing. Mr. Xiang was transferred to the vice president of operation of Baidu in 2011. Mr. Xiang was the senior vice president of Baidu and the president of Baidu Search before he left Baidu in May 2019. In September 2019, he resigned from the legal representative of Baidu (China) Co., Ltd.

Report of the Directors

The board of directors (the "Directors") of the Company (the "Board") have pleasure in submitting its report and the audited financial statements of GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The main business of the Group 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 the PRC through self-operated and platform models. The Group's revenue is mainly derived from business activities in the Mainland China. An analysis of the Group's income for the year is set out in note 5 to the financial statements on pages 134 to 136.

FINANCIAL STATEMENTS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss on page 78 and Consolidated Statement of Comprehensive Income on page 79.

The state of affairs of the Group as at 31 December 2020 is set out in the Consolidated Statement of Financial Position on pages 80 to 81.

The cash flows of the Group for the year are set out in the Consolidated Statement of Cash Flows on pages 84 to 86.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 33 to the financial statements on page 172.

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.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

RESERVES

The amounts and particulars of material transfers to and from reserves of the Company and of the Group during the year are set out in note 46 to the financial statements on page 199 and in the Consolidated Statement of Changes in Equity on pages 82 to 83.

As at 31 December 2020, the Company does not have any reserve available for distribution to the shareholders of the Company of which no final dividend has been recommended for the year.

PROPERTY, PLANT AND EQUIPMENT

The movements in property and equipment during the year are set out in note 13 to the financial statements on pages 145 to 147.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

– the largest supplier	12.90%
– five largest suppliers combined	49.41%

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers noted above.

The Group is principally engaged in the retail business and the percentage of turnover for the year attributable to the Group's five largest customers was less than 30% of the Group's total turnover.

DONATIONS

During the year, the Group has made charitable and other donations in Hong Kong and China totaling approximately RMB2,859,000.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Director

Mr. ZOU Xiao Chun

Non-Executive Directors

Mr. ZHANG Da Zhong
Ms. HUANG Xiu Hong
Mr. YU Sing Wong

Independent Non-Executive Directors

Mr. LEE Kong Wai, Conway
Ms. LIU Hong Yu
Mr. WANG Gao

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions which are disclosed in notes 27, 38 and 41 to the financial statements on page 166, pages 177 to 178 and pages 180 to 181, respectively and in the section headed "Connected Transactions" hereinbelow, there were no contracts of significance, to which any member of the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

On 31 March 2016, the Company completed the acquisition of Artway Development Limited ("Artway", together with its subsidiaries, the "Artway Group"). The Artway Group was previously ultimately owned by Mr. Wong Kwong Yu ("Mr. Wong") and operates an electrical appliances and consumer electronic products retail network under the trademark of "GOME Electrical Appliances", and related operation, (formerly referred to as the "Non-listed GOME Group"), mainly in cities other than the designated cities of the PRC in which the Group already had operations. Upon completion of the acquisition, the operations of Non-listed GOME Group had been combined with the operations of the Group. Accordingly, the Board considers that there is no longer any competition between the Group and Mr. Wong and his associates in the retail business of electrical appliances and consumer electronic products under the "GOME" brand name.

Upon completion of the acquisition of the Artway Group, Mr. Wong and his associates remained interested in 40% of 國美在線電子商務有限公司 ("GOME-on-line e-Commerce., Ltd" or "GOME-on-line"), a 60% non-wholly owned subsidiary of the Group. Since May 2012, the Group has operated GOME-on-line with no geographical restrictions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Director/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Total	Approximate % of shareholding
Wang Jun Zhou *(Note 1)*	22,000,000	–	–	–	22,000,000	0.10

Note:

1. The relevant interests represented 22,000,000 shares of the Company (the "Share(s)") granted to the Chief Executive pursuant to the restricted share award scheme adopted by the Company on 3 October 2016 as was particularly described in the section headed "Restricted Share Award Scheme" below. These Shares and underlying Shares were held by the Chief Executive beneficially.

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

Save as disclosed above, as at 31 December 2020, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the special general meeting of the Company held on 12 September 2018, the Company adopted a share option scheme (the "Share Option Scheme") pursuant to which the Board may grant share options (the "Options") to subscribe for shares of the Company (the "Shares") to employees, executives and officers of the Group and such other persons as referred to in the Share Option Scheme whom the Board considers will contribute or have contributed to the Group (the "Participants") to provide them with incentives and rewards for their contribution to the Group (Note). No Options had been granted nor is outstanding pursuant to the Share Option Scheme since its adoption. Save for the Share Option Scheme, the Company has no other share option scheme.

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

Note: As at 31 March 2021, the maximum number of Shares available for issue under the Share Option Scheme was 2,155,762,742 Shares, representing approximately 10% of the Shares in issue as at the date of adoption of Share Option Scheme.

The number of Shares in respect of which Options may be granted shall not exceed 10% of the Shares in issue on date of adoption of the Share Option Scheme. Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares in respect of which Options may be granted to each Participant in any 12-month period shall not exceed 1% (except for any grant to substantial shareholders as defined in the Listing Rules, or an independent non-executive Director or any of their respective associates as defined in the Listing Rules, must not in aggregate exceed 0.1%) of the issued share capital of the Company from time to time.

There is no requirement as to the minimum period during which the Option shall be held before it can be exercised and the Option granted shall be exercised during the period as may be determined by the Board provided that no Option may be exercised more than 10 years after it has been granted.

The exercise price of the Option shall not be less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (b) average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

The Share Option Scheme shall be valid and effective after the date of its adoption (i.e. 12 September 2018) for a period of 10 years.

RESTRICTED SHARE AWARD SCHEME

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

1. recognise and motivate the contributions by certain participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;

2. attract suitable personnel for further development of the Group; and

3. provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and certain employees.

As at 31 December 2020, a sum of approximately HK$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 Shares, representing approximately 6.99% of the issued share capital of the Company, from the market by the independent trustee.

Details of the Share Award Scheme are set out in the announcement of the Company dated 3 October 2016 and 6 October 2017 and note 34 and note 35 to the financial statements on pages 173 to 175 and page 176.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as is known to any Director or Chief Executive, as at 31 December 2020, other than the Directors or the Chief Executive as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Wong *(Note 1)*	Interest in controlled corporation	10,835,703,338	50.28
Ms. Du Juan *(Note 2)*	Interest in controlled corporation	10,835,703,338	50.28
Ever Ocean Investments Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.52
GOME Holdings Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.52
Power Charm Holdings Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.52
GOME Home Appliances (H.K.) Limited *(Note 3)*	Interest in controlled corporation	5,500,000,000	25.52
GOME Management Limited *(Note 3)*	Beneficial owner	5,500,000,000	25.52
Shinning Crown Holdings Inc. *(Note 4)*	Beneficial owner	4,454,979,938	20.67
ARK Trust (Hong Kong) Limited	Trustee	1,420,074,000	6.59
Pinduoduo Inc. *(Note 5)*	Interest in controlled corporation	1,283,950,617	5.96

Notes:

1. Of these 10,835,703,338 Shares, 5,500,000,000 Shares were held by GOME Management Limited, 4,454,979,938 Shares were held by Shinning Crown Holdings Inc. and 634,016,736 Shares were held by Shine Group Limited (all the above companies are 100% beneficially owned by Mr. Wong), and 240,955,927 Shares were held by Smart Captain Holdings Limited and 5,750,737 Shares were held by Wan Sheng Yuan Asset Management Company Limited (both companies are 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong).

2. Ms. Du Juan is the spouse of Mr. Wong. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.

3. All these companies are 100% beneficially owned by Mr. Wong. The Shares held by these companies refer to the same parcel of Shares.

4. Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong.

5. These Shares represent the convertible bonds issued by the Company to a wholly owned subsidiary of Pinduoduo Inc. at an aggregate principal amount of US$200 million with the initial conversion price of HK$1.215 per Share at the agreed exchange rate of US$1 to HK$7.8. As at 31 December 2020, none of the convertible bonds have been converted.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 are set out in note 1 to the financial statements on pages 87 to 100.

CONNECTED TRANSACTIONS

During the year, the Group had the following transactions and arrangements with connected persons (as defined in the Listing Rules) of the Company which are required to be reported in this annual report in compliance with the disclosure requirements under Chapter 14A of the Listing Rules:

(1) The Master Merchandise Purchase Agreement

On 12 November 2018, 國美電器有限公司 ("GOME Appliance Company Limited" or "GOME Appliance") (being an indirectly wholly-owned subsidiary of the Company) and 美信網絡技術有限公司 ("Meixin Network Technology Company Limited" or "Meixin Network", a company with 60% equity interest held by the Group and the remaining 40% equity interest held by Mr. Wong and his associates and thus a connected subsidiary of the Company for the purpose of Listing Rules) entered into the 2019 Master Merchandise Purchase Agreement, pursuant to which Meixin Network agreed to, and will procure its subsidiaries and affiliates to, at the request of the GOME Appliance or any member of the Group from time to time, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to the Group on an at-cost basis for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the 2019 Master Merchandise Purchase Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB5 billion, RMB8 billion and RMB10 billion, respectively. The resolutions in relation to the 2019 Master Merchandise Purchase Agreement and the annual caps were approved by the independent shareholders of the Company at the special general meeting held on 10 January 2019. During the year, the total transaction amount under the 2019 Master Merchandise Purchase Agreement was approximately RMB2,083.11 million.

(2) The Master Merchandise Supply Agreement

On 12 November 2018, GOME Appliance and Meixin Network entered into the 2019 Master Merchandise Supply Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of Meixin Network or its subsidiaries or affiliates from time to time, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to Meixin Network or its subsidiaries or affiliates on an at-cost basis for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the 2019 Master Merchandise Supply Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB10 billion, RMB15 billion and RMB20 billion, respectively. The resolutions in relation to the 2019 Master Merchandise Supply Agreement and the annual caps were approved by the independent shareholders of the Company at the special general meeting held on 10 January 2019. During the year, the total transaction amount under the 2019 Master Merchandise Supply Agreement was approximately RMB3,012.81 million.

(3) The First Logistics Services Agreement

On 12 November 2018, GOME Appliance and Meixin Network entered into the First 2019 Logistics Services Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of Meixin Network and its subsidiaries or affiliates from time to time, provide logistics services (including delivery of general merchandise to end customers) to Meixin Network or its subsidiaries or affiliates for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the First 2019 Logistics Services Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB100 million each year. During the year, the total transaction amount under the First 2019 Logistics Services Agreement was nil.

(4) The Second Logistics Services Agreement

On 12 November 2018, GOME Appliance, Meixin Network and 國美控股集團有限公司 ("GOME Holding Group Company Limited" or "GOME Holding", a company owned by Mr. Wong and his associates and thus is a connected person of the Company) entered into the Second 2019 Logistics Services Agreement, pursuant to which GOME Holding agreed to, and will procure other members of the Parent Group (a group of companies (other than the Group) controlled or more than 50% owned by Mr. Wong and his associates and principally engaged in retail business.) to, at the request of GOME Appliance, Meixin Network or any member of the Group, from time to time, provide logistics services (including delivery of general merchandise to end customers) to GOME Appliance or the Group (including Meixin Network) for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the Second 2019 Logistics Services Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB700 million each year. During the year, the total transaction amount under the Second 2019 Logistics Services Agreement was approximately RMB594.90 million.

(5) The First Warehouse Services Agreement

On 12 November 2018, GOME Appliance and Meixin Network entered into the First 2019 Warehouse Services Agreement, pursuant to which GOME Appliance agreed to, and will procure other members of the Group to, at the request of Meixin Network and its subsidiaries or affiliates from time to time, provide warehousing services (including storage of general merchandise) to Meixin Network or its subsidiaries or affiliates for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the First 2019 Warehouse Services Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB100 million, RMB200 million and RMB300 million, respectively. During the year, the total transaction amount under the First 2019 Warehouse Services Agreement was approximately RMB146.45 million.

(6) The Second Warehouse Services Agreement

On 12 November 2018, GOME Appliance, Meixin Network and GOME Holding entered into the Second 2019 Warehouse Services Agreement, pursuant to which GOME Holding agreed to, and will procure other members of the Parent Group to, at the request of GOME Appliance, Meixin Network or any member of the Group from time to time, provide warehousing services (including storage of general merchandise) to GOME Appliance or the Group (including Meixin Network) for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the Second 2019 Warehouse Services Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB700 million each year. During the year, the total transaction amount under the Second 2019 Warehouse Services Agreement was approximately RMB29.35 million.

(7) The Property Development Management Services Agreement

On 12 November 2018, GOME Appliance and GOME Holding entered into the 2019 Property Development Management Services Agreement, pursuant to which GOME Holding agreed to, and will procure other members of the Parent Group to, at the request of GOME Appliance or any member of the Group from time to time, provide property development management services to GOME Appliance or the Group for a period of three years from 1 January 2019 to 31 December 2021, subject to the annual caps of the transaction amounts (excluding value added tax) under the 2019 Property Development Management Services Agreement for the three years ending 31 December 2019, 2020 and 2021 not exceeding RMB100 million each year. During the year, the total transaction amount under the 2019 Property Development Management Services Agreement was approximately RMB60.38 million.

(8) Pengrun Lease Agreement

On 20 December 2016, the Group entered into the 2017 Pengrun Lease Agreement with 國美地產控股有限公司(“GOME Property Co., Ltd.” or “GOME Property”) (a company being indirectly owned by Mr. Wong and his associates and thus, a connected person of the Company), to lease certain properties located at No. 26, Xiaoyun Road, Chaoyang District, Beijing (the “Pengrun Building”) as the office of the Group in Beijing, for a term of 6 years commencing on 1 January 2017 and ending on 31 December 2022. The maximum annual cap for the rent (including management fee) payable (before the 10% discount) by the Group under the 2017 Pengrun Lease Agreement is approximately RMB186.15 million. During the year, the total rental expense under the 2017 Pengrun Lease Agreement was approximately RMB144.57 million.

(9) Meixin Lease Agreement

On 27 October 2020, the Group entered into a lease agreement with 北京新恒基房地產集團有限公司(“Beijing Xinhengji Property Co., Ltd.” or “Beijing Xinhengji”) (a company which is 95% owned by北京新恒基投資管理集團有限公司(Beijing Xin Hengji Investment Management Group Co., Ltd.) and the remaining 5% owned as to 4% by 黃俊欽先生(Mr. Huang Junqin) and as to 1% by 陳若文女士(Ms. Chen Ruowen), the spouse of Mr. Huang Junqin, respectively. Beijing Xin Hengji Investment Management Group Co., Ltd. is an investment holding company and is 80% owned by 黃宇先生(Mr. Huang Yu) and 20% owned by Mr. Huang Junqin. Mr. Huang Junqin is the brother of Mr. Wong and Mr. Huang Yu is the son of Mr. Huang Junqin and the nephew of Mr. Wong. Beijing Xinhengji is hence a connected person of the Company), to lease certain office units at the Pengrun Building for a term up to 24 October 2021. The aggregate rent (including management fee) payable by the Group under the lease agreement is approximately RMB24.33 million.

(10) The Acquisition Agreement

On 30 October 2020, 西安鵬安物業有限公司 ("Xi'An Pengan Property Co., Ltd." or "Pengan Property", an indirectly wholly-owned subsidiary of the Company) and 西安鵬潤置業有限公司 ("Xi'An Pengrun Property Co., Ltd." or "Pengrun Property", a company owned by Mr. Wong and his associates and thus is a connected person of the Company) entered into a acquisition agreement, pursuant to which Pengan Property has conditionally agreed to purchase from Pengrun Property a property which comprises six floors of retail and office space with gross floor area of approximately 22,080 square meters and two floors of underground car park for 104 vehicles (the "Property"). The Property is part of a commercial development project – 悅秀城 (Yuexiu City), located at the central area of 西安市長安區大學城 (the University City of Chang'An District of Xi'An City) with an aggregate consideration of approximately RMB410 million. The Property is currently under development and the Group intends to use the property as a large-scale multi-scenario offline complex.

All independent non-executive Directors have reviewed the continuing connected transactions as set out in the paragraphs (1) - (8) above (collectively, the "Continuing Connected Transactions") and confirmed that they were entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or on terms not less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the relevant agreement(s) governing the above-mentioned Continuing Connected Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Furthermore, the auditors of the Company have confirmed to the Board that the above-mentioned Continuing Connected Transactions:

1. have been approved by the Board;

2. are in accordance with the pricing policies of the Group where such transactions involved the provision of goods or services by the Group;

3. have been entered into in accordance with the relevant agreements governing such transactions; and

4. have not exceed the respective caps stated in the relevant announcements.

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 inclusive of bonus and the Share Award Scheme offered to all employees, including the Directors, is determined with reference to their performance and the prevailing salary levels in the market.

PENSION SCHEME

Particulars of the Group's pension schemes are set out in note 9 to the financial statements on page 142.

COMMITMENTS

Details of commitments are set out in note 40 to the financial statements on page 180.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied with the independence of each of the independent non-executive Directors.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 59 to 72.

EXCHANGE RATES EXPOSURE

Details of the exchange rates exposure are set out in note 44 to the financial statements on pages 191 to 192.

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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save for the outstanding convertible bonds as set out above and in note 32 to the financial statement on page 171, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2020.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

There were no information required for disclosure by the Company under Rule 13.20 of the Listing Rules during the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 45 to the financial statements on page 197.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out on page 3.

RISK FACTORS

Details of the risks associated with the operation of the Group are set out in the risk factors section on pages 56 to 58.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings if new shares are issued.

PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2020, which provides appropriate cover for the Directors. The permitted indemnity provision was in force during the year ended 31 December 2020 and remained in force as at the date of this report for the benefit of the Directors.

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, no management or administration contract concerning the management of the whole or substantial part of any business of the Company was entered into, or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, the Company made contribution to the matters of environmental, social and governance, details of which are as follows:

Environmental Protection

Environmental protection is a key focus for the Group. The conscientious use of resources and adoption of related best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection by promoting awareness of the issue amongst its employees. It also complies with relevant environmental legislation.

An ever-improving management system, enhanced monitoring of activities and procedures, energy conversation and environmental protection are strongly promoted.

Compliance with Laws and Regulations

The Group has established procedures in place to ensure that its operations comply with applicable laws, rules and regulations. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices for achieving compliance with legal and other regulatory requirements, and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operating units whenever necessary.

As far as the Company is aware, the Group has complied in all material respects with laws and regulations that have a significant impact on the Group's business and operations.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of any personal characteristics. It has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, and employees' rights and benefits. The Group also establishes and implements policies that promote a harmonious and respectful workplace.

The Group believes that employees are the most valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different types of training, staff's knowledge of corporate operations as well as their occupational and management skills are enhanced. The Group also organises staff-friendly activities for employees, such as outings, to promote staff relationships and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment and it values the health and well-being of its staff. Adequate arrangements, training and guidelines have been implemented to ensure its working environment is healthy and safe. The Group provides communications on health and safety matters and other programmes to employees in order to raise their awareness of such issues and enhance their related behavior.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a critical continuous process. Many on-the-job and other training courses and programmes are provided to help employees maintain and develop their skills and professionalism. Structured training programmes including seminars are offered to staff with the objective of grooming and unleashing their full potential, supporting, organisational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

Commitment to Quality

The Group has made relentless efforts in delivering premium products and highly tailored services. Looking forward to 2021, the Company will continue with its research and innovation to enrich the Group's products.

The Company will also ensure the quality and safety of its products and place customers' needs at its priority in order to maintain its competitive advantage and to increase shareholders' value further.

Management of Supply Chain

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier evaluation system in which vendors' price, quality, cost, delivery and after-sales service are assessed. The Group will carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers as well as casual examinations of different suppliers to ensure the sustainable quality of material supplies and services it receives.

A full report of environmental, social and governance of the Company will be published in the manner required by the Listing Rules in due course.

On behalf of the Board

Zhang Da Zhong
Chairman

Hong Kong, 31 March 2021

Risk Factors

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses. The factors set out below are those that the Group believes could affect the Group's businesses, financial condition, results of operations or growth prospects. These factors are by no means exhaustive or comprehensive, and there may be other factors in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. In addition, this Annual Report does not constitute a recommendation or advice for you to invest in the shares of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the shares of the Company.

RISKS ASSOCIATED WITH THE GROUP'S BUSINESS

Economic conditions

We are a leading chain-store retailer of home appliances, consumer electronic products and general merchandise in China and our turnover is particularly sensitive to changes in the economic conditions and PRC consumer confidence. Consumer confidence is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions. We cannot assure you that consumer demand will not be impacted by the weak global economic condition or any future deterioration of economic condition in the PRC.

Natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our stores are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Coronavirus Disease (COVID-19), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. An outbreak of any epidemics in China, especially in the cities where we have operations, may result in material disruptions to our store development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

Credit terms

The Group relies on the credit terms contained in the supply agreements with its suppliers and the credit terms of its banking facilities. Pursuant to these supply agreements, most of the suppliers, according to the contracts, have granted favourable credit terms in exchange for, among other things, receiving bills from the Group's banks for settlement of the invoices. The issuing banks currently require upfront pledges over the Group's accounts with such banks and with the remainder to be settled upon the expiry of such bank bills. The Group relies heavily on these favourable credit terms granted by the suppliers and issuing banks in order to conserve its working capital. In the event that the suppliers or issuing banks are unable or unwilling to offer these favourable credit terms to the Group, the operations and profitability of the Group may be adversely affected.

Terms of the supply agreements

One of the competitive strengths of the Group is its ability to offer products at competitive prices. Pursuant to most of the supply agreements between the Group and its suppliers, these suppliers have undertaken to guarantee the gross profit margin of the Group with respect to specific products supplied and sold and to offer the lowest product prices to the Group within specific locations where the Group operates. However, there is no guarantee that the Group will be able to secure these favourable terms with its suppliers after the expiry of the existing supply agreements. In the event that the Group is unable to maintain its leading position and scale of operations in the PRC retail market, the suppliers may not offer the same terms to the Group after the expiry of the existing supply agreements. In such event, the business performance and profitability of the Group may be adversely affected.

Reliance on key management personnel

The success of the Group in expanding its growth in operations and maintaining growth in its profitability relies on the strategy and vision of its key management, efforts of key members of the management and their experience in the PRC retail market. The unanticipated resignation or departure of any of these key management members of the Group could have a material adverse impact on the operations of the Group. There is no assurance that the Group will be able to manage its business by retaining its existing management team and by attracting additional qualified employees.

Location of outlets and lease renewal

One of the key factors in the success of the Group is its ability to establish its retail outlets at suitable and convenient locations where there is high pedestrian traffic and good accessibility (whether by public transportation or other means). During the year ended 31 December 2020, most of the retail outlets leased by the Group were with a term of 5 to 10 years. Given the scarcity of retail premises at these suitable and convenient locations, there is no assurance that the Group will be able to find premises suitable for its retail operations or to lease them on commercially acceptable terms. In the event that there is any material difficulty in finding retail premises at suitable locations or securing the leasing of such premises on commercially acceptable terms, the Group's expansion plans and business performance may be adversely affected.

Intensified competition between traditional retailers and online retailers

The competition of the retail business in China is severe. The Group faces pressure arising from the competition with traditional store retailers, online retailers, suppliers and other retailers. Such pressure may affect the income and profitability of the Group. The competition between the Group and local, regional, domestic or even international chain retailers is not only limited to business, but also extends to the areas of consumers, talents, site of stores, products and other important aspects. At the same time, the suppliers of the Group also supply their products and services to consumers directly. The competitors of the Group are similar to us in terms of their market shares in the retail markets and their financial resources, therefore, the Group may have to further lower the retail prices in order to increase our market share and attract more consumers. The adjustment of retail price may affect the operation results of the Group.

The operation of the ERP information management system

The inventory management, delivery and other operating segments of the Group are largely dependent on the ERP information management system of the Group. If the system of the Group does not operate smoothly or encounters interruption during operation, the business and operation of the Group may be affected.

ERP information management system is the basis for the efficient operation of the Group. To a large extent, the Group relies on such system to manage the processes such as the recording and execution of orders, pricing and monitoring inventory level and restocking. If the ERP information management system does not reach the expected results during operation or fails to meet the requirements arising from the continuous development of business, the business of the Group may be affected, which in turn may dampen our sales, increase our expenses and costs and lead to under-stock or over-stock and may have an adverse effect on the Group's business and operation results.

RISKS ASSOCIATED WITH THE PRC

Changing economic, political and social conditions or government policies in the PRC

While the PRC economy has experienced significant growth in the past 20 years or more, such growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business, results of operations or financial condition.

Changes in foreign exchange regulations and fluctuation of RMB

Majority of the operating revenues of the Group are denominated in RMB. In order to fund its foreign currency needs, including its payment of dividends to shareholders of the Company, a portion of the Group's RMB-denominated revenue must be converted into Hong Kong dollars or US dollars. Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payments are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with the PRC State Administration of Foreign Exchange, or SAFE. Under the current foreign exchange control system, there is no guarantee that sufficient foreign currency will be available at a given exchange rate to the Group to enable it to fund its foreign currency needs or to pay dividends declared.

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 (the "CG Code") as set out in Appendix 14 to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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.

BOARD OF DIRECTORS

Board composition

During the year ended 31 December 2020 and up to the date of issue of this Annual Report, the Board comprises the following executive Director, non-executive Directors and independent non-executive Directors:

Mr. Zhang Da Zhong	(Non-executive Director and Chairman)
Mr. Zou Xiao Chun	*(Executive Director)*
Ms. Huang Xiu Hong	*(Non-executive Director)*
Mr. Yu Sing Wong	*(Non-executive Director)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director)*
Mr. Wang Gao	*(Independent non-executive Director)*

The biographical details of the current Board members are set out on pages 34 to 39 of this Annual Report.

Each of Mr. Zou Xiao Chun, being an executive Director, Mr. Lee Kong Wai, Conway and Mr. Wang Gao, both being an independent non-executive Director, was re-elected at the 2020 Annual General Meeting of the Company with a specific term of 3 years from 29 June 2020. Each of Mr. Zhang Da Zhong and Mr. Yu Sing Wong, both being a non-executive Director and Ms. Liu Hong Yu, being an independent non-executive Director, was re-elected at the 2019 Annual General Meeting of the Company with a specific term of 3 years from 28 June 2019. Ms. Huang Xiu Hong, being a non-executive Director, was re-elected at the 2018 Annual General Meeting of the Company with a specific term of 3 years from 28 June 2018. The Board has confirmed with each of the independent non-executive Director as to his/her independence with reference to the factors as set out in Rule 3.13 of the Listing Rules. The Board is satisfied with the independence of the independent non-executive Directors.

Roles and functions

The Board is responsible for formulating strategic business development, reviewing and monitoring business performance of the Group, approving major funding and investment proposals as well as preparing and approving financial statements of the Group. The Board gives clear directions as to the powers delegated to the management for the administrative and management functions of the Group.

Board meetings and general meetings

The Board meets regularly at least four times a year at approximately quarterly intervals and additional meetings are convened as and when the Board considers necessary. In 2020, 5 Board meetings and 1 general meeting of the Company were held. Details of the Directors' attendance records during the year are as follows:

Directors	Annual General Meeting held on 29 June 2020 Attendance	Board Meeting Attendance
Mr. Zhang Da Zhong	**1/1**	5/5
Mr. Zou Xiao Chun	**1/1**	5/5
Ms. Huang Xiu Hong	**1/1**	5/5
Mr. Yu Sing Wong	**1/1**	5/5
Mr. Lee Kong Wai, Conway	**1/1**	5/5
Ms. Liu Hong Yu	**1/1**	5/5
Mr. Wang Gao	**1/1**	5/5

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. Notices of all regular Board meetings during the year under review were sent to all Directors in compliance with the said requirement. Agenda accompanying Board papers relating to all regular Board meetings during the year under review were sent to all Directors at least 3 days respectively prior to such meeting in compliance with the CG Code.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the CG Code. The duties of the Board include:

(i) to develop and review the Group's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(v) to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board performed the above duties set out in the code provision D.3.1 of the CG Code.

Directors' Trainings

As an internal routine, during the year under review, the Company provided the Directors, the management and other relevant departments of the Company with the following trainings to keep them abreast of their responsibilities and roles under the relevant laws and regulations as well as various internal control systems for compliance purposes:

1. Annual in-house training conducted by external counsel in December 2020 on, among others, updates on the Listing Rules for 2 hours (the "Annual In-house Training"); and

2. Subject to participation quotas available to the Company, the Company from time to time invited the Directors, the management and the relevant staffs of the Company to attend seminars given by external professional firms and regulators.

As an internal routine, the Company also provides each new Director with a comprehensive training on duties and responsibilities of directors of Hong Kong listed companies, conducts by external counsel after their appointment, and the various updated internal guidelines of the Company for compliance purposes (the "Upfront Directors' Training").

Details of trainings received by each Director during the year under review are set out below:

Names of Directors		Details of trainings
Mr. Zhang Da Zhong	–	Attended the Annual In-house Training.
Mr. Zou Xiao Chun	–	Attended the Annual In-house Training.
Ms. Huang Xiu Hong	–	Attended the Annual In-house Training.
Mr. Yu Sing Wong	–	Attended the Annual In-house Training.
Mr. Lee Kong Wai, Conway	–	Attended the Annual In-house Training.
	–	Attended the training on the Latest Trends in the Regulatory of Listed Companies in Hong Kong organised by Freshfields Bruckhaus Deringer for 1 hour in March 2020.
	–	Attended the training on the 2020 Latest Trends in Hong Kong's Capital Market Regulation organised by Freshfields Bruckhaus Deringer for 1 hour in August 2020.
	–	Attended the 2020 First Session of Directors and Supervisors Training organised by Shanghai Securities Regulatory Commission for a total of 10 hours in November and December 2020.
	–	Attended the General Directors Training organised by Paul Hastings for 1 hour in December 2020.
	–	Attended the Hong Kong Regulatory Express Seminar organised by King & Wood Mallesons for 1 hour in December 2020.
	–	Studied the Directors Duties on The Code on Takeovers and Mergers in Hong Kong and Continuing Obligations of Listed Hong Kong Companies issued by Sullivan & Cromwell and Publication of Latest Review of Listed Issuers' Corporate Governance Practices and Practitioners' Insights on Corporate Governance and ESG issued by the Stock Exchange of Hong Kong Limited, for a total of 7 hours.
Ms. Liu Hong Yu	–	Attended the Annual In-house Training.
Mr. Wang Gao	–	Attended the Annual In-house Training.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with code provision A.2.1 of the CG Code during the year under review. Mr. Zhang Da Zhong served as the chairman of the Company, primarily responsible for providing leadership to the Board. During the year under review, Mr. Wang Jun Zhou was the president of the Company, undertaking the duties of the chief executive officer of the Company to oversee the business of the Group and executing decisions of the Board.

DIRECTORS' TIME AND DIRECTORSHIP COMMITMENTS

With the growing complexity of the business of the Group, the Directors are well aware that they are expected to have, and have devoted, a sufficient time commitment to the Board. To this end, the Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year. They also disclose to the Company twice a year the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments.

Save for Mr. Lee Kong Wai, Conway none of the Directors, individually, held directorships in more than six public companies in Hong Kong or overseas (including the Company) as at 31 December 2020. While Mr. Lee is an independent non-executive director of 8 listed companies (excluding the Company), his individual experience in overseeing the affairs of various public companies across different industries provides unique and valuable contributions to the Board and the Board Committees that he sits on or chairs. It has been demonstrated to the satisfaction of the Company that Mr. Lee is able to devote sufficient time and attention to the affairs of the Company.

BOARD COMMITTEES

During the year under review, the Board had the following committees:

1. Remuneration Committee;
2. Nomination Committee;
3. Independent Committee; and
4. Audit Committee.

Remuneration Committee

The Remuneration Committee was established on 10 November 2005 with terms of reference substantially the same as those contained in paragraph B.1.2 of the CG Code. During the year ended 31 December 2020, a majority of the members of the Remuneration Committee are independent non-executive Directors and the Remuneration Committee comprised the following members:

Mr. Lee Kong Wai, Conway	*(Independent non-executive Director and the chairman of the Remuneration Committee)*
Ms. Liu Hong Yu	*(Independent non-executive Director)*
Mr. Wang Gao	*(Independent non-executive Director)*
Mr. Zou Xiao Chun	*(Executive Director)*
Ms. Huang Xiu Hong	*(Non-executive Director)*

The Remuneration Committee, among other matters, was primarily responsible for the following duties during the year under review:

1. to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policy on all such remunerations;

2. to determine, with delegated responsibility, the remuneration packages of individual executive Director and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of non-executive Directors and independent non-executive Directors, having regard to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

6. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee shall meet at least once each year. During the year ended 31 December 2020, the Remuneration Committee, among other matters, approved and recommended to the Board the terms and remunerations of the executive Director and the independent non-executive Directors for re-election.

During the year under review, 1 meeting of Remuneration Committee was held. Attendance records of the members of the Remuneration Committee of such meeting are as follows:

Committee members	Attendance
Mr. Lee Kong Wai, Conway	1/1
Ms. Liu Hong Yu	1/1
Mr. Wang Gao	1/1
Mr. Zou Xiao Chun	1/1
Ms. Huang Xiu Hong	1/1

Nomination Committee

The Nomination Committee was established on 10 November 2005 with terms of reference substantially the same as those contained in paragraph A.5.2 of the CG Code. During the year ended 31 December 2020, a majority of the members of the Nomination Committee are independent non-executive Directors and the Nomination Committee comprised the following members:

Mr. Wang Gao	*(Independent non-executive Director and the chairman of the Nomination Committee)*
Ms. Liu Hong Yu	*(Independent non-executive Director)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director)*
Mr. Zhang Da Zhong	*(Non-executive Director)*

The Nomination Committee, among other matters, was primarily responsible for the following duties during the year under review:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations; and

4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors and, in particular, the chairman of the Board and the President of the Company.

The Nomination Committee shall meet at least once each year.

During the year under review, the Nomination Committee, among other matters, assessed the continuous independence of the independent non-executive Directors, reviewed the structure, size and composition of the Board, approved and recommended to the Board the re-election of Directors.

During the year under review, 2 meetings of Nomination Committee were held. Attendance records of the members of the Nomination Committee of such meetings are as follows:

Committee members	Attendance
Mr. Wang Gao	2/2
Ms. Liu Hong Yu	2/2
Mr. Lee Kong Wai, Conway	2/2
Mr. Zhang Da Zhong	2/2

In selecting a suitable candidate to become a member of the Board, the Board will consider various criteria such as education, qualification, experience and reputation of such candidate.

According to paragraph A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The retiring directors shall be eligible for re-election.

The Board has adopted a Board Diversity Policy (the "Policy"):

1. The Policy aims to set out the approach to achieve diversity in the Board;

2. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance;

3. The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at the Board level as an essential element in maintaining a competitive advantage. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The benefits of diversity continue to influence succession planning and is a key selection criteria for the Board; and

4. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The factors listed below would be used by the Nomination Committee as reference in assessing the suitability of a proposed candidate:

1. Character and integrity;

2. Accomplishment and experience;

3. Compliance with legal and regulatory requirements;

4. Commitment in respect of available time and relevant interest; and

5. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Independent Committee

The Independent Committee was established by the Board on 21 August 2009. During the year ended 31 December 2020, the Independent Committee comprised the following members:

Mr. Zhang Da Zhong	*(Non-executive Director and the chairman of the Independent Committee)*
Mr. Lee Kong Wai, Conway	*(Independent non-executive Director)*
Ms. Liu Hong Yu	*(Independent non-executive Director)*
Mr. Wang Gao	*(Independent non-executive Director)*

The Independent Committee, among other matters, was primarily responsible for the following duties during the year under review:

1. to evaluate, assess and advise on the material connected transactions of the Group before execution;

2. to oversee the execution and performance of the material connected transactions of the Group;

3. to devise and review the internal control systems, policies and/or procedures relating to material connected transaction management of the Group;

4. to monitor the compliance of material connected transactions of the Group with the applicable law and regulations;

5. to devise and review the internal control systems, policies and/or procedures of the Group generally;

6. to report to the Board on all matters relating to connected transactions and internal control matters of the Group; and

7. to consider other matters and/or special projects as assigned and authorised by the Board.

During the year under review, the Independent Committee, among other matters, approved and recommended to the Board several connected transactions.

During the year under review, 1 meeting of Independent Committee was held. Attendance records of the members of the Independent Committee of such meeting are as follows:

Committee members	Attendance
Mr. Zhang Da Zhong	1/1
Mr. Lee Kong Wai, Conway	1/1
Ms. Liu Hong Yu	1/1
Mr. Wang Gao	1/1

Accountability and Audit

The Directors have acknowledged by issuing a management representation letter to the auditor of the Company that they bear the ultimate responsibility of preparing the financial statements of the Group.

Audit Committee

The Audit Committee was established in 2004. During the year ended 31 December 2020, the Audit Committee comprised the following members:

Mr. Lee Kong Wai, Conway	*(Independent non-executive Director and the chairman of the Audit Committee)*
Ms. Liu Hong Yu	*(Independent non-executive Director)*
Mr. Yu Sing Wong	*(Non-executive Director)*

The Audit Committee has adopted written terms of reference substantially the same as those contained in paragraph C.3.3 of the CG Code.

The Audit Committee is primarily responsible for, among others, the following duties during the year under review:

1. to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor and to deal with any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services;

4. to monitor integrity of the financial statements, annual reports and interim reports of the Company and to review significant financial reporting judgments contained in them;

5. to review the Company's financial controls, internal control and risk management systems;

6. to discuss the system of internal control with the management and ensure that the management has discharged its duty to have an effective internal control system;

7. to review the Group's financial and accounting policies and practices;

8. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised;

9. to review arrangements the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

10. to act as the key representative body for overseeing the Company's relations with external auditor.

The Audit Committee shall meet at least twice each year. In 2020, 4 Audit Committee meetings were held for, among other matters, considering the annual results of the Group for the financial year ended 31 December 2019 and the interim results of the Group for the six-month period ended 30 June 2020, reviewing the risk management and internal control systems of the Group, discussing with the auditor of the Company on internal control, auditor's independence, auditor's remuneration and the scope of work in relation to the annual audit and reviewing the continuing connected transactions of the Group.

During the year under review, attendance records of the members of Audit Committee are as follows:

Committee members	Attendance
Mr. Lee Kong Wai, Conway	4/4
Ms. Liu Hong Yu	4/4
Mr. Yu Sing Wong	4/4

The amount of audit fees payable to Ernst & Young, the auditor of the Company, for the year ended 31 December 2020 was RMB5,000,000 (2019: RMB5,700,000). The amount of remuneration payable to the auditor of the Company relating to non-audit services for the year ended 31 December 2020 was RMB559,000 (2019: RMB3,477,000). The Audit Committee is of the view that the auditor's independence was not affected by the provision of such non-audit related services to the Group.

INTERNAL CONTROLS AND RISKS MANAGEMENT

The Company had implemented a system of internal controls and risks management to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are compiled with, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and managed. The Group has put in place an internal control system based on various control points with an aim to prevent employees from exploiting system loop holes. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In addition, the Group tasked a specialised surveillance team, which is highly independent, highly focused and empowered with sufficient authority, to deter unethical and illegal activities such as fraud, embezzlement, malpractice, misconduct, unauthorised partnerships and acquiescence. The Group set up an internal audit system to monitor the execution of the financial policies, improve financial control and prevent financial risks, directly reporting to the headquarter.

The Board had reviewed the effectiveness of the Group's internal control and risk management systems for the year 2020 and is satisfied that, based on information furnished to it and on its own observations, the present internal control systems of the Group are satisfactory.

DISSEMINATION OF INSIDE INFORMATION

For the purposes of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Company has in place a policy on handling and dissemination of inside information (the "Inside Information Policy") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information. The Inside Information Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

COMPANY SECRETARY

During the year under review, the Company Secretary was Mr. Szeto King Pui, Albert who was not an employee of the Company and was a partner of an external law firm. The primary corporate contact person at the Company for the Company Secretary is Mr. Cheng Yik, Eric, the Financial Controller of the Company. The Company Secretary had complied with Rule 3.29 of the Listing Rules in respect of professional training during the year under review.

MANAGEMENT AND STAFF

One of the key tasks of our management and staff is to implement the strategies and goals determined by the Board. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board, shareholders of the Company and other stakeholders.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring shareholders' interest. To this end, the Company communicates with its shareholders through various channels, including annual general meetings, special general meetings, annual and interim reports, notices of general meetings and circulars sent to shareholders by post, announcements on the website of the Stock Exchange, and press releases and other corporate communications available on the Company's website.

Registered shareholders are notified by post of the shareholders' meetings. Any registered shareholder is entitled to attend and vote at the annual general meeting and the special general meeting, provided that his/her/its shares have been fully paid up and recorded in the register of members of the Company.

SHAREHOLDERS' RIGHTS

Right to convene a special general meeting

Pursuant to section 74 of the Bermuda Companies Act 1981 which the Company is subject to, shareholder(s) of the Company holding not less than 10% of the paid up capital of the Company carrying voting right at the general meetings of the Company, are entitled to make a requisition to the Board to convene a special general meeting of the Company ("SGM"), and the Board shall forthwith proceed to convene an SGM upon such requisition.

The SGM requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Board does not within twenty one days from the date of the deposit of the requisition proceed duly to convene an SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of such requisitionists, may themselves convene an SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of such requisition.

The SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which the SGMs are to be convened by the Board. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene an SGM shall be repaid to the requisitionists by the Company.

Right to propose resolutions at general meetings

Pursuant to sections 79 and 80 of the Bermuda Companies Act 1981 which the Company is subject to, shareholder(s) holding not less than 5% of the total voting rights of the Company or not less than 100 shareholders, are entitled to make a requisition to the Company to give shareholders notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company, provided that:

(1) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company, not less than six weeks before the next annual general meeting; and

(2) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Right to nominate directors for election at general meetings

Pursuant to Bye-law 103 of the Company's Bye-laws, whenever the appointment/election of director(s) is considered at a general meeting by any of the above requisitions or otherwise, if a shareholder who is qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s) wishes to propose a person who is not a retiring director at such general meeting for appointment or election as a director, such shareholder shall deposit or lodge a written notice of the intention to propose a person for election or appointment as a director, together with the written notice by the person nominated of his willingness to be elected or appointed as a director, at the head office or registered office of the Company at least seven days prior to the date of such general meeting, provided that such written notices shall not be lodged earlier than the day after the dispatch of the notice of the general meeting appointed for such election.

Disclaimers

Contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only, do not represent and should not be regarded as legal or other professional advice to the shareholders from the Company. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, there was no change to the Company's Bye-laws or Memorandum of Association.

PROCEDURES FOR PUTTING ENQUIRIES TO THE BOARD

Shareholders may put enquiries to the Board in writing by addressing the same to the Board by post or delivery to Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or email to info@gome.com.hk.

INVESTOR RELATIONS

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. During the year under review, the Directors and senior management of the Company participated in numerous road shows and investment conferences. In addition, the Company also maintains regular communication with the media through press conferences, news releases to the media and on the Company's website, and answering enquiries from the media.

Shareholders, investors and the media can make enquiries to the Company through the following means:

	BEIJING	HONG KONG
Telephone number:	+86 10 5928 9189	+852 2122 9133
By post:	19A/F, Block B, Eagle Plaza No. 26 Xiaoyun Road Chao Yang District Beijing, China	Suite 2915, 29th Floor Two International Finance Centre 8 Finance Street, Central Hong Kong, China
Attention:	Investor Relations Department	Corporate Finance & Development Department
By email:	ir@gome.com.cn	info@gome.com.hk

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
ey.com

To the shareholders of GOME Retail Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of GOME Retail Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 199, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill	
Management performs goodwill impairment testing annually. This annual impairment testing was significant to our audit because goodwill constituted a significant portion of total assets as at 31 December 2020. The estimation of the value in use of cash-generating units to which the goodwill is allocated is complex and involves significant management judgements and estimates, such as forecasted revenue growth rate, gross profit margins, expenses, discount rates and change in working capital, which are sensitive to the expected future market conditions and the cash-generating units' actual performance. Related disclosures are included in notes 3 and 16 to the consolidated financial statements.	Our audit procedures included, among others, involving our valuation experts to assist us in evaluating the assumptions and methodologies, in particular those relating to the discount rate and long-term growth rate for subsidiaries, Artway Development Limited ("Artway"), China Paradise Electronics Retail Limited ("China Paradise") and Beijing Dazhong Home Appliances Retail Co., Ltd. ("Dazhong Appliances"). Our testing included, but was not limited to, comparing key assumptions to externally available industry, economic and financial data and the Group's own historical data and performance. We also performed a sensitivity analysis for the recoverable amounts of the respective cash-generating units. We also focused on the adequacy of the disclosures about the key assumptions in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of non-current assets related to retail stores	
The Group operates networks of retail stores for the sales of electrical appliances, consumer electronic products and general merchandise products in Mainland China. Management assesses, on a half-year basis, whether there are events indicating a potential impairment of non-current assets related to retail stores, which mainly represent leasehold improvements, equipment and the right-of-use assets. The impairment testing of these non-current assets was significant to our audit because the related assets constituted a significant portion of total assets as at 31 December 2020. The estimation of the value in use of these non-current assets is complex and involves significant management judgements and estimates, such as the estimated growth rates, expected gross profit margins and relevant expenditures for the retail stores. Related disclosures are included in notes 3 and 13 to the consolidated financial statements.	Our audit procedures included, among others, evaluating the Group's policies and procedures to identify events that are indicators of potential impairment of the non-current assets related to retail stores. For those non-current assets with impairment indicators, we evaluated the appropriateness of assumptions, such as estimated growth rates, expected gross profit margins and relevant expenditures for the retail stores used by management to calculate their value in use. Our testing included, but was not limited to, comparing key assumptions to internal forecasts, store improvement plans, industry landscape, overall economic environment and the competitors in local markets, as well as historical data and performance of the retail stores. We also involved our valuation experts to evaluate the discount rate applied by the Group.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2021

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	18	**(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	10	**(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	12		
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/(LOSS)		
Other comprehensive (loss)/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 (loss)/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:		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**72,446**	104,767
Gains on asset revaluation for change in use from owner-occupied properties to investment properties, net of tax	**188,288**	–
Net other comprehensive income that will not 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	*13*	**6,296,141**	6,733,209
Properties under development	*15*	**1,142,440**	522,973
Investment properties	*14*	**3,906,717**	2,137,929
Right-of-use assets	*22*	**8,526,315**	13,356,979
Goodwill	*16*	**10,189,488**	11,987,128
Other intangible assets	*17*	**265,158**	334,413
Investments in associates	*18*	**171,770**	176,638
Investment in a joint venture		**3,781**	3,781
Financial assets at fair value through other comprehensive income	*19*	**733,193**	854,052
Financial assets at fair value through profit or loss	*20*	**1,596,917**	1,490,596
Loans to investees	*21*	**–**	560,000
Deferred tax assets	*23*	**13,391**	7,211
Prepayments, other receivables and other assets	*26*	**689,776**	363,931
Total non-current assets		**33,535,087**	38,528,840
CURRENT ASSETS			
Inventories	*24*	**8,368,454**	7,688,114
Trade receivables	*25*	**427,682**	240,872
Prepayments, other receivables and other assets	*26*	**3,234,680**	3,207,558
Loans to investees	*21*	**–**	150,000
Due from related companies	*27*	**369,045**	244,576
Financial assets at fair value through profit or loss	*20*	**417,441**	589,648
Restricted cash	*28*	**14,544,592**	13,035,858
Cash and cash equivalents	*28*	**9,597,200**	8,186,507
Total current assets		**36,959,094**	33,343,133

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	29	**20,416,229**	20,119,408
Other payables and accruals	30	**4,991,622**	3,565,659
Due to related companies	27	**121,628**	174,268
Lease liabilities	22	**3,077,035**	3,123,314
Interest-bearing bank and other borrowings	31	**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	22	**5,747,808**	8,414,297
Interest-bearing bank and other borrowings	31	**9,617,396**	8,406,987
Derivative financial liabilities	32	**351,332**	–
Deferred tax liabilities	23	**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	33	**518,210**	518,322
Treasury shares	35	**(1,033,410)**	(1,086,657)
Reserves	36	**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

Zhang Da Zhong
Director

Zou Xiao Chun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent													
	Issued capital RMB'000 (note 33)	Treasury shares RMB'000 (note 35)	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share based payment reserve RMB'000	Asset revaluation reserve# RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Reserve funds RMB'000 (note 36)	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	518,322	(1,086,657)	13,829,135	657	(1,845,490)	-	117,468	(81,873)	1,738,024	(140,505)	(1,449,157)	11,599,924	(3,438,872)	8,161,052
Loss for the year	-	-	-	-	-	-	-	-	-	-	(6,993,816)	(6,993,816)	(209,831)	(7,203,647)
Other comprehensive income for the year:														
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	72,446	-	-	-	72,446	-	72,446
Change in use from owner-occupied properties to investment properties, net of tax	-	-	-	-	-	-	188,288	-	-	-	-	188,288	-	188,288
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(14,260)	-	(14,260)	-	(14,260)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	188,288	72,446	-	(14,260)	(6,993,816)	(6,747,342)	(209,831)	(6,957,173)
Transfer of fair value reserve upon the disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(20,069)	-	-	20,069	-	-	-
Shares repurchased	(112)	(12,420)	(5,535)	-	-	-	-	-	-	-	-	(18,067)	-	(18,067)
Equity settled share based arrangement	-	-	-	-	-	81,834	-	-	-	-	-	81,834	-	81,834
Shares awarded under share award scheme	-	65,667	(23,812)	-	-	(41,855)	-	-	-	-	-	-	-	-
At 31 December 2020	518,210	(1,033,410)	13,799,788*	657*	(1,845,490)*	39,979*	305,756*	(29,496)*	1,738,024*	(154,765)*	(8,422,904)*	4,916,349	(3,648,703)	1,267,646

The asset revaluation reserve arose from changes in use from owner-occupied properties to investment properties carried at fair value.

* These reserve accounts comprise the consolidated reserves of RMB5,431,549,000 (2019: RMB12,168,259,000) in the consolidated statement of financial position.

	Attributable to owners of the parent												
	Issued capital RMB'000 *(note 33)*	Treasury shares RMB'000 *(note 35)*	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Asset revaluation reserve# RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Reserve funds RMB'000 *(note 36)*	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	518,322	(1,086,657)	13,829,135	657	(1,845,490)	117,468	(186,640)	1,733,408	(147,841)	1,145,285	14,077,647	(2,993,883)	11,083,764
Loss for the year	–	–	–	–	–	–	–	–	–	(2,589,826)	(2,589,826)	(378,826)	(2,968,652)
Other comprehensive income for the year:													
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	104,767	–	–	–	104,767	–	104,767
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	7,336	–	7,336	–	7,336
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	104,767	–	7,336	(2,589,826)	(2,477,723)	(378,826)	(2,856,549)
Transfer from retained profits	–	–	–	–	–	–	–	6,260	–	(6,260)	–	–	–
Winding up of a subsidiary	–	–	–	–	–	–	–	(1,644)	–	1,644	–	–	–
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,875	1,875
Capital withdrawal by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(67,874)	(67,874)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(164)	(164)
At 31 December 2019	518,322	(1,086,657)	13,829,135	657	(1,845,490)	117,468	(81,873)	1,738,024	(140,505)	(1,449,157)	11,599,924	(3,438,872)	8,161,052

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(7,168,857)**	(2,896,357)
Adjustments for:			
Finance income	7	**(500,701)**	(428,388)
Finance costs	7	**1,966,040**	2,090,702
Share of losses of associates		**6,338**	105,241
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss	6	**55,740**	(582,571)
Derivative financial instruments embedded in the convertible bonds	6	**(116,494)**	–
Income on the net investment in finance leases		**(14,041)**	–
Losses/(gains) on lease modifications	6	**(40,550)**	13,265
Loss on disposal of a subsidiary		**–**	237
Gains on subleasing of right-of-use assets	5	**(44,255)**	(17,718)
Loss on disposal of property and equipment	6	**10,051**	10,613
Impairment losses on financial assets		**34,461**	8,977
Impairment losses on inventories		**19,219**	167,061
Impairment losses on property and equipment	6	**327,207**	210,073
Covid-19-related rent concessions from lessors		**(248,466)**	–
Changes in fair value of investment properties	6	**200,482**	(5,401)
Impairment losses on goodwill	6	**1,797,640**	–
Depreciation of property and equipment	6	**680,465**	819,844
Depreciation of right-of-use assets	6	**2,545,942**	3,074,393
Loss on derecognition of financial liabilities measured at amortised cost	6	**–**	54,637
Amortisation of other intangible assets	6	**69,255**	68,219
Share-based payment expense		**81,834**	–
		(338,690)	2,692,827
Decrease/(increase) in inventories		**(699,559)**	339,266
Decrease in prepayments, other receivables and other assets		**48,964**	2,092,332
Increase in trade receivables		**(202,403)**	(119,399)
Increase in amounts due from related companies		**(124,469)**	(95,864)
Decrease/(increase) in pledged deposits for bills payable		**1,417,674**	(425,112)
Increase in pledged deposits for litigation		**(15,087)**	–
Increase in property under development		**(311,528)**	(66,025)
Increase/(decrease) in trade and bills payables		**296,821**	(1,230,776)
Increase/(decrease) in contract liabilities		**1,127,450**	(135,596)
Decrease in refund liabilities		**(52,799)**	–
Increase/(decrease) in other payables and accruals		**456,395**	(908,722)
Increase/(decrease) in amounts due to related companies		**(52,640)**	77,870
Effect of foreign exchange rate changes, net		**(44,523)**	55,695
Cash generated from operations		**1,505,606**	2,276,496
Interest received		**325,521**	249,399
Income tax refunded/(paid)		**19,845**	(125,148)
Net cash flows from operating activities		**1,850,972**	2,400,747

	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities	**1,850,972**	2,400,747
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	**(1,403,331)**	(1,190,187)
Purchases of an investment property	**(105,121)**	(93,794)
Purchases of land use rights	**(9,663)**	(235,318)
Purchases of financial assets at fair value through profit or loss	**(522,283)**	(683,678)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**212,147**	–
Purchases of financial assets at fair value through other comprehensive income	**–**	(199,000)
Net cash used in acquisition of subsidiaries	**–**	(299,772)
Proceeds from disposal of property and equipment	**76,404**	109,037
Proceeds from disposal of a land use right	**–**	71,500
Proceeds from disposal of financial assets at fair value through profit or loss	**528,280**	1,523,197
Loans repayment from investees	**560,000**	500,000
Loans to investees	**–**	(710,000)
Finance lease rental receipts	**80,569**	52,768
Interest received from loans to investees	**1,558**	56,652
Increase in investment in an associate	**(1,470)**	–
Disposal of a subsidiary	**–**	(1,503)
Prepayment for acquisition of properties	**(395,000)**	–
Net cash flows used in investing activities	**(977,910)**	(1,100,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(2,081,721)**	(2,142,734)
Repurchase of shares	**(16,469)**	–
Proceeds from the issuance of corporate bonds	**285,210**	883,963
Proceeds from interest reserve on bonds payable	**166,545**	–
New bank and other borrowings	**15,116,441**	9,266,447
Repayment of loans from related companies	**–**	(1,672,006)
Principal portion of lease payments	**(1,107,831)**	(2,577,769)
Repayment of corporate bonds	**(3,870,945)**	(1,065,799)
Repayment of bank and other borrowings	**(7,100,501)**	(4,204,501)
Increase in pledged deposits for bank loans	**(3,084,319)**	(1,829,752)
Proceeds from the issuance of convertible bonds	**2,122,150**	–
Issuance cost of convertible bonds	**(28,018)**	–
Contribution from a non-controlling shareholder of a subsidiary	**–**	1,875
Capital withdrawal by a non-controlling shareholder of a subsidiary	**–**	(1,092)
Interest received from deposits pledged for bank and other borrowings	**178,515**	15,568
Dividends paid to a non-controlling shareholder of a subsidiary	**–**	(164)
Decrease in rental deposits	**13,769**	54,801
Net cash flows from/(used in) financing activities	**592,826**	(3,271,163)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,465,888**	(1,970,514)

	Note	2020 RMB'000	2019 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,465,888**	(1,970,514)
Cash and cash equivalents at 1 January		**8,186,507**	10,143,339
Effect of foreign exchange rate changes, net		**(55,195)**	13,682
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,597,200**	8,186,507
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**6,668,250**	6,147,237
Non-pledged time deposits with original maturity less than three months when acquired		**2,928,950**	2,039,270
	28	**9,597,200**	8,186,507

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Automation (BVI) Limited	British Virgin Islands/ Hong Kong	US$50,000	100	–	Note (vi)
Grand Hope Investment Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Note (vi)
China Paradise Electronics Retail Limited	Cayman Islands	HK$235,662,979	100	–	Note (vi)
China Eagle Management Limited	Hong Kong	HK$10,000	100	–	Note (v)
Hong Kong Punching Centre Limited	Hong Kong	HK$100,000	–	100	Note (vii)
Hudson Assets Management Limited	British Virgin Islands	US$1	100	–	Note (vii)
Ocean Town Int'l Inc.	British Virgin Islands/ Hong Kong	US$50,000	–	100	Note (vi)
GOME Appliance Company Limited*** 國美電器有限公司	PRC/Mainland China	RMB1 billion	–	100	Note (vi)
Tianjin GOME Electrical Appliance Company Limited* 天津國美電器有限公司	PRC/Mainland China	RMB300 million	–	100	Note (iii)
Chongqing GOME Electrical Appliance Company Limited* 重慶市國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Chengdu GOME Electrical Appliance Company Limited* 成都國美電器有限公司	PRC/Mainland China	RMB450 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xi'an GOME Electrical Appliance Company Limited* 西安市國美電器有限公司	PRC/Mainland China	RMB400 million	–	100	Note (iii)
Kunming GOME Electrical Appliance Company Limited* 昆明國美電器有限公司	PRC/Mainland China	RMB100 million	–	100	Note (iii)
Shenzhen GOME Electrical Appliance Company Limited* 深圳市國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Fuzhou GOME Electrical Appliance Company Limited* 福州國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Guangzhou GOME Electrical Appliance Company Limited* 廣州市國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Wuhan GOME Electrical Appliance Company Limited* 武漢國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Shenyang GOME Electrical Appliance Company Limited* 瀋陽國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Jinan GOME Electrical Appliance Company Limited* 濟南國美電器有限公司	PRC/Mainland China	RMB400 million	–	100	Note (iii)
Qingdao GOME Electrical Appliance Company Limited* 青島國美電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Kunming GOME Logistics Company Limited* 昆明國美物流有限公司	PRC/Mainland China	RMB8 million	–	100	Note (iv)
Changzhou Jintaiyang Zhizun Home Appliances Company Limited* 常州金太陽至尊家電有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Pengze Real Estate Company Limited* 北京鵬澤物業有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vii)
Jiangsu Pengrun GOME Electrical Appliance Company Limited* 江蘇鵬潤國美電器有限公司	PRC/Mainland China	RMB568 million	–	100	Note (iii)
GOME Retail Co., Ltd.* 國美零售有限公司	PRC/Mainland China	RMB100 million	–	100	Note (vi)
Shenzhen eHome Commercial Chain Company Limited* 深圳易好家商業連鎖有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iii)
Gansu GOME Logistics Company Limited* 甘肅國美物流有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Nanjing Pengze Investment Company Limited* 南京鵬澤投資有限公司	PRC/Mainland China	RMB156 million	–	100	Note (vii)
Yongle (China) Electronics Retail Company Limited** 永樂(中國)電器銷售有限公司	PRC/Mainland China	RMB220 million	–	100	Note (iii)
Guangdong Yongle Electronics Retail Company Limited* 廣東永樂家用電器有限公司	PRC/Mainland China	RMB30 million	–	100	Note (iii)
Henan Yongle Electronics Retail Company Limited* 河南永樂生活電器有限公司	PRC/Mainland China	RMB150 million	–	100	Note (iii)
Jiangsu GOME Yongle Electronics Retail Company Limited* 江蘇國美永樂家用電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Shanghai Yongle Communication Equipment Company Limited* 上海永樂通訊設備有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Sichuan Yongle Electronics Retail Company Limited* 四川永樂家用電器連鎖有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xiamen Yongle Siwen Electronics Retail Company Limited* 廈門永樂思文家電有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Zhejiang GOME Yongle Electronics Retail Company Limited* 浙江國美永樂電器有限公司	PRC/Mainland China	RMB15 million	–	100	Note (iii)
Shaanxi Cellstar Telecommunication Retail Chain Company Limited* 陝西蜂星電訊零售連鎖有限責任公司	PRC/Mainland China	RMB10 million	–	100	Retailing of mobile phones and accessories
Shandong Longji Island Construction Company Limited* 山東龍脊島建設有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vi)
Beijing Dazhong Hengxin Ruida Trading Company Limited* 北京市大中恒信瑞達商貿有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iv)
GOME Customization (Tianjin) Home Appliances Co., Ltd.* 國美定制(天津)家電有限公司	PRC/Mainland China	RMB12 million	–	100	Note (iv)
Kuba Technology (Beijing) Co., Ltd.*# 庫巴科技(北京)有限公司	PRC/Mainland China	RMB83 million	–	–	Note (viii)
GOME-on-line e-Commerce Co., Ltd.*# 國美在線電子商務有限公司	PRC/Mainland China	RMB83 million	–	–	Note (viii)
Beijing Dazhong Home Appliances Retail Co., Ltd. * 北京市大中家用電器連鎖銷售有限公司	PRC/Mainland China	RMB400 million	–	100	Note (iii)
GOME International Trading Company Limited	Hong Kong	HK$1	100	–	Note (viii)
Shantou Shengyuan Yuexin Technology Co., Ltd. * 汕頭盛源悦信科技有限公司	PRC/Mainland China	US$30 million	–	100	Notes (iv)/(v)
GOME Smart Technology Co., Ltd. * 國美智能科技有限公司	PRC/Mainland China	RMB100 million	–	100	Note (ii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
GOME Big Data Holdings (H.K.) Limited	Hong Kong	HK$1	–	100	Note (vi)
Beijing GOME Anxun Technology Co., Ltd. * 北京國美安迅科技有限公司	PRC/Mainland China	RMB50 million	–	100	Note (i)
Shenyang GOME Anxun Technology Co., Ltd. * 瀋陽國美安迅科技有限公司	PRC/Mainland China	RMB50 million	–	100	Note (i)
Beijing GOME Steward IT Co., Ltd. * 北京國美管家信息技術有限公司	PRC/Mainland China	RMB10 million	–	65	Note (ii)
Ningbo GOME Anxun Technology Co., Ltd. * 寧波國美安迅科技有限公司	PRC/Mainland China	RMB102 million	–	100	Note (i)
GOME Big Data Technology Co., Ltd. *# 國美大數據科技有限公司	PRC/Mainland China	RMB50 million	–	–	Note (ii)
Chengdu GOME Big Data Technology Co., Ltd. * 成都國美大數據科技有限公司	PRC/Mainland China	RMB100 million	–	100	Note (ii)
Tianjin GOME Equity Investment Management Co., Ltd. * 天津國美股權投資管理有限公司	PRC/Mainland China	RMB30 million	–	100	Note (vi)
Tianjin GOME Xinchang Equity Investment Management Co., Ltd. * 天津國美信昌股權投資管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vi)
Dazi GOME Xinze Entrepreneurship Investment Management Co., Ltd. * 達孜國美信澤創業投資管理有限公司	PRC/Mainland China	RMB30 million	–	100	Note (vi)
Tianjin GOME Xinchangda Equity Investment LLP 天津國美信昌達股權投資合夥企業(有限合夥)	PRC/Mainland China	RMB305 million	–	100	Note (vi)
Artway Development Limited	British Virgin Islands	US$1	100	–	Note (vi)
Beijing Jinzun Technology Development Co., Ltd. * 北京金尊科技發展有限公司	PRC/Mainland China	RMB108.8 million	–	100	Note (vi)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
GOME Electrical Appliances Retail Co., Ltd. * 國美電器零售有限公司	PRC/Mainland China	RMB100 million	–	100	Note (iii)
Beijing GOME Logistics Co., Ltd. * 北京國美物流有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Beijing Dingrui Property Co., Ltd. * 北京鼎銳物業發展有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vii)
Anshan GOME Electrical Appliances Co., Ltd. * 鞍山國美電器有限公司	PRC/Mainland China	RMB5 million	–	100	Note (iii)
Daqing GOME Electrical Appliances Co., Ltd. * 大慶國美電器有限公司	PRC/Mainland China	RMB5 million	–	100	Note (iii)
Dalian Xinxundian Trading Co., Ltd. * 大連新訊點貿易有限公司	PRC/Mainland China	RMB500,000	–	100	Retailing of mobile phones and accessories
Datong Century North Electrical Appliances Co., Ltd. * 大同世紀北方電器有限責任公司	PRC/Mainland China	RMB5 million	–	100	Note (iii)
Guizhou GOME Electrical Appliances Co., Ltd. * 貴州國美電器有限公司	PRC/Mainland China	RMB5 million	–	100	Note (iii)
Henan GOME Electrical Appliances Co., Ltd. * 河南省國美電器有限公司	PRC/Mainland China	RMB140 million	–	100	Note (iii)
Hebei GOME Electrical Appliances Co., Ltd. * 河北國美電器有限公司	PRC/Mainland China	RMB100 million	–	100	Note (iii)
Heilongjiang Black Swan Home Appliances Co., Ltd. * 黑龍江黑天鵝家電有限公司	PRC/Mainland China	RMB70 million	–	100	Note (iii)
Jilin GOME Electrical Appliances Co., Ltd. * 吉林國美電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Jiangxi Pengrun GOME Electrical Appliances Co., Ltd. * 江西鵬潤國美電器有限公司	PRC/Mainland China	RMB120 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningbo Zhe GOME Electrical Appliances Co., Ltd. * 寧波浙國美電器有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iii)
Nanning GOME Electrical Appliances Co., Ltd. * 南寧國美電器有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iii)
Nanning GOME Logistics Co., Ltd. * 南寧國美物流有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iv)
Shanghai GOME Electrical Appliances Co., Ltd. * 上海國美電器有限公司	PRC/Mainland China	RMB140 million	–	100	Note (iii)
Shanxi GOME Electrical Appliances Co., Ltd. * 山西國美電器有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iii)
Wuxi GOME Electrical Appliances Co., Ltd. * 無錫國美電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Xiamen GOME Electrical Appliances Co., Ltd. * 廈門國美電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
Xinjiang GOME Appliances Co., Ltd. * 新疆國美電器有限公司	PRC/Mainland China	RMB300 million	–	100	Note (iii)
Zhejiang GOME Electrical Appliances Co., Ltd. * 浙江國美電器有限公司	PRC/Mainland China	RMB458 million	–	100	Note (iii)
Beijing Hengxin Damei Trading Co., Ltd. * 北京恒信達美商貿有限公司	PRC/Mainland China	RMB5 million	–	100	Note (iv)
Tianjin Zhansheng Trading Co., Ltd. * 天津戰聖商貿有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iv)
Tianjin Shengyuan Pengda Logistics Co., Ltd. * 天津盛源鵬達物流有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iv)
Dalian GOME Electrical Appliances Co., Ltd. * 大連國美電器有限公司	PRC/Mainland China	RMB70 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tianjin GOME Zhansheng Logistics Co., Ltd. * 天津國美戰聖物流有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iv)
Wuhai GOME Electrical Appliances Co., Ltd. * 烏海國美電器有限公司	PRC/Mainland China	RMB14 million	–	100	Note (iii)
Nanchang GOME Electrical Appliances Co., Ltd. * 南昌國美電器有限公司	PRC/Mainland China	RMB1 million	–	100	Note (iii)
Jiangyin GOME Electrical Appliances Co., Ltd. * 江陰國美電器有限公司	PRC/Mainland China	RMB5 million	–	100	Note (iii)
Luohe GOME Electrical Appliances Co., Ltd. * 漯河國美電器有限公司	PRC/Mainland China	RMB60 million	–	100	Note (iii)
Beijing GOME Baotou Electrical Appliance Co., Ltd. * 北京國美包頭電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
GOME Australia PTY. Ltd.	Australia	AUD1 million	–	51	Note (viii)
Chongqing Jiagou Technology Co., Ltd. * 重慶佳購科技有限公司	PRC/Mainland China	US$5 million	–	100	Note (iv)
Chongqing Weijie Commerce Co., Ltd. * 重慶微界商貿有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iii)
Chongqing GOME Huashang Commerce Co., Ltd. * 重慶國美華尚商貿有限公司	PRC/Mainland China	RMB10 million	–	100	Note (v)
Shanghai GOME E-commerce Co., Ltd. * 上海國美電子商務有限公司	PRC/Mainland China	RMB61 million	–	100	Note (viii)
Shanghai Yongle Minrong Consumer Goods Delivery Co., Ltd. * 上海永樂民融消費品配送有限公司	PRC/Mainland China	RMB10 million	–	100	Note (i)
Shandong Dazhong Electrical Appliances Co., Ltd. * 山東大中電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen GOME Huitai Network Technology Co., Ltd. *# 深圳市國美匯泰網絡科技有限公司	PRC/Mainland China	RMB5 million	–	–	Note (ii)
Meixin Network Technology Co., Ltd. ("Meixin Network")*# 美信網絡技術有限公司	PRC/Mainland China	RMB50 million	–	–	Note (ii)
Sanbian Wine Investment Co., Ltd. *# 三邊酒業投資有限公司	PRC/Mainland China	RMB50 million	–	–	Note (v)
Sanbian Club Co., Ltd. *# 三邊俱樂部有限公司	PRC/Mainland China	RMB50 million	–	–	Note (v)
Liuzhou GOME Electrical Appliances Co., Ltd. * 柳州國美電器有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iii)
Guangdong GOME Electrical Appliances Co., Ltd. * 廣東國美電器有限公司	PRC/Mainland China	RMB60 million	–	100	Note (iv)
Nanfang GOME Electrical Appliances Co., Ltd. * 南方國美電器有限公司	PRC/Mainland China	RMB3.5 billion	–	100	Note (iv)
Chengdu GOME Logistics Management Co., Ltd. * 成都國美供應鏈管理有限公司	PRC/Mainland China	RMB250 million	–	100	Note (iv)
Jinan GOME Logistics Management Co., Ltd. * 濟南國美供應鏈管理有限公司	PRC/Mainland China	RMB200 million	–	100	Note (iv)
Ningbo GOME Logistics Management Co., Ltd. * 寧波國美供應鏈管理有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iv)
Nanjing GOME Logistics Management Co., Ltd. * 南京國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Qingdao GOME Logistics Management Co., Ltd. * 青島國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Suzhou GOME Logistics Management Co., Ltd. * 蘇州國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tianjin GOME Logistics Management Co., Ltd. * 天津國美供應鏈管理有限公司	PRC/Mainland China	RMB60 million	–	100	Note (iv)
Xiamen GOME Logistics Management Co., Ltd. * 廈門國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Shaanxi Fengxing Logistics Management Co., Ltd. * 陝西蜂星供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Kunming GOME Electrical Appliances Co., Ltd. * 昆明國美家電有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iv)
Wuhan GOME Home Electrical Appliances Co., Ltd. * 武漢國美家電有限公司	PRC/Mainland China	RMB100 million	–	100	Note (iv)
Hainan GOME Taida Logistics Co., Ltd. * 海南國美泰達物流有限公司	PRC/Mainland China	RMB210 million	–	100	Note (iv)
Zhongshan GOME Logistics Management Co., Ltd. * 中山國美供應鏈管理有限公司	PRC/Mainland China	RMB30 million	–	100	Note (iv)
Yantai GOME Logistics Management Co., Ltd. * 煙台國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Zhejiang GOME Logistics Management Co., Ltd. * 浙江國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Shenyang GOME Logistics Management Co., Ltd. * 瀋陽國美供應鏈管理有限公司	PRC/Mainland China	RMB80 million	–	100	Note (iv)
Guizhou GOME Logistics Management Co., Ltd. * 貴州國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Shanghai GOME Logistics Management Co., Ltd. * 上海國美供應鏈管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Shanghai Yongle Minrong Logistics Co., Ltd. * 上海永樂民融供應鏈有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chongqing GOME Yuxin Electrical Appliances Co., Ltd. * 重慶國美渝信家電有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Xinjiang GOME Home Electrical Appliances Co., Ltd. * 新疆國美家電有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Xi'an GOME Commerce Co., Ltd. * 西安國美商業有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iv)
Zhanjiang GOME Commerce Co., Ltd. * 湛江國美商業有限公司	PRC/Mainland China	RMB100 million	–	100	Note (iv)
Foshan GOME Electrical Appliances Co., Ltd. * 佛山國美電器有限公司	PRC/Mainland China	RMB150 million	–	100	Note (iv)
GOME Logistics Technology Co., Ltd. * 國美供應鏈科技有限公司	PRC/Mainland China	RMB50 million	–	100	Note (ii)
Beijing GOME Cloud Network Technology Co., Ltd. *# 北京國美雲網絡科技有限公司	PRC/Mainland China	RMB50 million	–	–	Note (ii)
GOME Capital Management Co., Ltd. * 國美資本管理有限公司	PRC/Mainland China	RMB100 million	–	100	Note (vi)
Shenzhen GOME Yunzhi Technology Co., Ltd. * 深圳國美雲智科技有限公司	PRC/Mainland China	RMB100 million	–	100	Note (ii)
Ningbo Meishan Bonded Port GOME Investment Partnership (limited partnership) 寧波梅山保税港區國美投資合夥企業(有限合夥)	PRC/Mainland China	RMB5,000 million	–	100	Note (vi)
Ningbo Meishan Bonded Port GOME Xinshengda Investment Partnership (limited partnership) 寧波梅山保税港區國美信盛達創業投資合夥企業(有限合夥)	PRC/Mainland China	RMB1,500 million	–	100	Note (vi)
Tianjin GOME Xinxing Equity Investment Management Co., Ltd.* 天津國美信興股權投資管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vi)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tianjin GOME Xinsheng Equity Investment Management Co., Ltd.* 天津國美信盛股權投資管理有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vi)
Beijing GOME International Wine Trade Co., Ltd*# 北京國美國際酒業貿易有限公司	PRC/Mainland China	RMB100 million	–	–	Wine trade
Shanghai Minrong Investment Co., Ltd.* 上海民融投資有限公司	PRC/Mainland China	RMB80 million	–	100	Note (vi)
Beijing Huihai Tianyun Commercial Consultancy Co., Ltd. ("Huihai") *# 北京匯海天韻商務諮詢有限公司	PRC/Mainland China	RMB3 million	–	–	Note (vi)
Tianjin GOME Warehousing Co., Ltd.* 天津國美倉儲有限公司	PRC/Mainland China	RMB100 million	–	100	Note (i)
Jiaxing Ruohui Investment Management Co., Ltd. *# 嘉興若薈投資管理有限公司	PRC/Mainland China	RMB100 million	–	–	Note(vi)
Beijing GOME Meijia Technology Co., Ltd. *# 北京國美美嘉科技有限公司	PRC/Mainland China	RMB10 million	–	–	Note (vi)
Tianjin Pengze Real Estate Company Limited * 天津鵬澤物業有限公司	PRC/Mainland China	RMB83 million	–	100	Note (vii)
Tianjin Tonglve Enterprise Consultancy Co., Ltd. * 天津通略企業管理諮詢有限公司	PRC/Mainland China	RMB50 million	–	100	Note (vi)
Tianjin Zhansheng Ruida Logistics Co., Ltd. * 天津戰聖瑞達物流有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iv)
Chongqing Pengsheng Jiayue Trading Co., Ltd. * 重慶鵬聖嘉悦商貿有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iv)
Pengda Shangye Baoli (Tianjin) Co., Ltd. * 鵬達商業保理(天津)有限公司	PRC/Mainland China	RMB50 million	–	100	Note (v)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hainan GOME Electrical Appliance Company Limited * 海南國美電器有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iii)
Beijing GOME Big Data Technology Co., Ltd. * 北京國美大數據技術有限公司	PRC/Mainland China	RMB50 million	–	100	Note (ii)
Harbin GOME Technology Co., Ltd. * 哈爾濱國美科技有限公司	PRC/Mainland China	RMB45 million	–	100	Note (i)
Shantou GOME Logistics Company Limited * 汕頭市國美物流有限公司	PRC/Mainland China	RMB20 million	–	100	Note (iv)
Xi'an GOME Anxun Internet Technology Co., Ltd. * 西安國美安迅網絡科技有限公司	PRC/Mainland China	RMB147 million	–	100	Note (i)
Guangzhou GOME Information Technology Co., Ltd. * 廣州國美信息科技有限公司	PRC/Mainland China	RMB50 million	–	100	Note (vii)
GOME Holdings Group Guangzhou Co., Ltd. * 國美控股集團廣州有限公司	PRC/Mainland China	RMB50 million	–	100	Note (vii)
Guangzhou Peng Kang Property Development Co., Ltd. * 廣州市鵬康房地產開發有限公司	PRC/Mainland China	RMB50 million	–	100	Note (vii)
Chongqing Sheng'an Tonglve Trading Co., Ltd. * 重慶盛安通略商貿有限公司	PRC/Mainland China	RMB50 million	–	100	Note (iv)
Beijing Ourunlang Consultancy Co., Ltd. * 北京歐潤朗諮詢服務有限公司	PRC/Mainland China	RMB132 million	–	100	Note (v)
China Eagle Capital Co. Limited	Hong Kong	HK$10,000	–	100	Note (vi)
Capital Realty Development Company Limited	Hong Kong	HK$100,000	–	100	Note (vii)
Ever Castle International Limited	British Virgin Islands	US$1	–	100	Note (vi)

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

* Registered as limited liability companies under PRC law

** Registered as a Sino-foreign equity joint venture under PRC law

*** Registered as wholly-foreign-owned enterprises under PRC law. The respective registered capital of these subsidiaries has been fully paid up.

[#] The Company does not have legal ownership in the equity of these companies. Nevertheless, under certain contractual agreements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and its other legally owned subsidiaries. As a result, these structured entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

Notes:

(i) Provision of storage and delivery services

(ii) Provision of IT development and services

(iii) Retailing of electrical appliances, consumer electronic products and general merchandise products

(iv) Provision of logistics and procurement services

(v) Provision of business management services

(vi) Investment holding

(vii) Property holding

(viii) Online retailing of electrical appliances, consumer electronic products and general merchandise products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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.

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).

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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.

2.2 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 the 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.

(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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or International Financial Reporting Interpretations Committee ("IFRIC") 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the EURO Interbank Offered Rate ("EURIBOR") and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. 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 when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

Amendments to IAS 1 *Disclosure of Accounting Policies* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies. In assessing the materiality of accounting policy information, both quantitative and qualitative aspects need to be considered. Entity-specific accounting policy information is more useful for users of financial statements than the standardised information. The amendments also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments explain how entities use measurement techniques and inputs to develop accounting estimates and state that these can include estimation and valuation techniques. The amendments clarify that not all estimates will meet the definition of an accounting estimate, but rather may refer to inputs used in developing accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policy that may exits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, certain debt investments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life as follows:

Buildings	20 to 40 years
Leasehold improvements	The shorter of the remaining lease terms and five years
Equipment and fixtures	4 to 15 years
Motor vehicles	5 years
Aircraft	10 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment and depreciation" above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark and broadcasting licences

Trademark and broadcasting licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 20 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings and retail stores	1 to 20 years
Aircraft	10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee **(Continued)**

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor **(Continued)**

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement **(Continued)**

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement **(Continued)**

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and finance lease receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank and other borrowings, derivative financial liabilities, bills payables, lease liabilities, financial liabilities included in other payables and accruals and amounts due to related companies.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative embedded in the convertible bonds.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

***Subsequent measurement* (Continued)**

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option, extension option or redemption options of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories comprise merchandise purchased for resale and consumables and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

***Revenue from contracts with customers* (Continued)**

(a) *Sale of goods*

Revenue from the sale of electrical appliances and consumer electronic products recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the electrical appliances and consumer electronic products.

Some contracts for the sale of goods provide customers with rights of return and are subject to the loyalty points programme, which give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Loyalty points programme

Loyalty points programme allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for free products, subject to a minimum number of points obtained. The Group concluded that under IFRS 15 the loyalty points give rise to a separate performance obligation in the contract because they provide a material right to the customer and allocated a portion of the transaction price in the contract to the loyalty points awarded to customers based on the relative stand-alone selling price.

Other income

Management and purchasing service fee income, management fee income for air-conditioner installation and other services are recognised when such services have been rendered.

Rental income is recognised on a time proportion basis over the lease terms.

Commission income is recognised on a net basis when such services have been rendered or such products have been delivered.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share option scheme and a restricted share reward scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Salaries, bonuses, paid annual leave and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant PRC laws and regulations, the employees of the Group's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the salaries of their employees to the central pension scheme. The only obligation of these subsidiaries with respect to the central pension scheme is the ongoing required contributions.

Contributions made to the retirement benefit scheme are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Inventories

The Group does not have a general provisioning policy on inventories based on ageing given the nature of inventories and the purchase return or protections from suppliers. However, operational procedures are in place to monitor this risk as the majority of the Group's working capital is devoted to inventories. The Company reviews its inventory ageing on a periodical basis and compares the carrying values of the aged inventories with their respective net realisable values. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving inventories. In addition, physical counts are carried out on a periodical basis in order to determine whether allowance is needed in respect of any missing, obsolete or defective inventories identified.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB10,189,488,000 (2019: RMB11,987,128,000). Further details are given in note 16.

Provision for expected credit losses on trade receivables and financial assets included in prepayments, other receivables and other assets

The Group uses a provision matrix to calculate ECLs for trade receivables and financial assets included in prepayments, other receivables and other assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and financial assets included in prepayments, other receivables and other assets is disclosed in notes 25 and 26 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2020 was RMB3,906,717,000 (2019: RMB2,137,929,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment of all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to tax losses at 31 December 2020 was RMB56,992,000 (2019: RMB54,933,000). The amount of unrecognised tax losses at 31 December 2020 was RMB14,364,057,000 (2019: RMB10,148,372,000). Further details are contained in note 23 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable operating segment which is the operations and management of retail stores 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 is as follows:

	2020 RMB'000	2019 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 telecommunications 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

(i) Disaggregated revenue information

	2020 **RMB'000**	2019 RMB'000
Types of goods or services		
Sale of electrical appliances, 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

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

	2020 **RMB'000**	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of electrical appliances, consumer electronic products and general merchandise	**337,471**	482,799
Loyalty points programme	**217,578**	196,299
	555,049	679,098

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

Sale of electrical appliances, consumer electronic products and general merchandise
The Group recognises the product revenue from the Group's retail stores and online platforms on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. The performance obligation is satisfied upon delivery of the products where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

Commission income from providing online platforms
The Group charges commission fees to third-party merchants for participating in the Group's online platforms, where the Group generally is acting as an agent and its performance obligation is to arrange for the provision of the specified goods or services by those third-party merchants. Upon successful sales, the Group charges the third-party merchants a negotiated amount or a fixed rate commission fee based on the sales amount. Commission fee revenues are recognised on a net basis at the point of delivery of products, net of return allowances, as other income.

Installation services
The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

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

	2020 **RMB'000**	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,682,499**	542,961
After one year	**–**	12,088
	1,682,499	555,049

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year relate to loyalty points programme, of which the performance obligations are to be satisfied within one year. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. LOSS BEFORE TAX

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

	Notes	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	*13*	**680,465**	819,844
Depreciation of right-of-use assets	*22(a)*	**2,545,942**	3,074,393
Amortisation of other intangible assets*	*17*	**69,255**	68,219
Research and development costs		**59,662**	30,766
Impairment losses on property and equipment***	*13*	**327,207**	210,073
Losses on closing stores***#		**116,825**	173,628
Losses on disposal of property and equipment***		**10,051**	10,613
Losses/(gains) on lease modifications***		**(40,550)**	13,265
Gains on subleasing of right-of use assets	*5*	**(44,255)**	(17,718)
Covid-19-related rent concessions from lessors	*22(c)*	**(248,466)**	–
Lease payments not included in the measurement of lease liabilities		**527,456**	579,261
Fair value losses/(gains) on investment properties, net***	*14*	**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***	*16*	**1,797,640**	–
Impairment losses on trade receivables, net***	*25*	**15,593**	358
Impairment losses on financial assets included in prepayments, other receivables and other assets, net***	*26*	**18,868**	8,619
Auditors' remuneration		**5,000**	5,700
Staff costs excluding directors' and chief executive's remuneration (note 8):			
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 RMB104,969,000 (2019: RMB158,238,000) was included in this item.

7. FINANCE (COSTS)/INCOME

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

	Notes	2020 RMB'000	2019 RMB'000
Finance costs:			
Interest on bonds payable		**(613,897)**	(673,149)
Interest on bank borrowings		**(890,415)**	(645,631)
Interest on borrowings from related parties	*41(a)*	**(2,530)**	(58,283)
Interest on lease liabilities	*22(c)*	**(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)

	Note	2020 RMB'000	2019 RMB'000
Finance income:			
Bank interest income		**474,727**	387,676
Interest income from loans to investees	*41(a)*	**22,870**	28,361
Interest income from loans to third parties		**3,104**	–
Others		**–**	12,351
		500,701	428,388

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	**2,136**	2,112
Other emoluments:		
Salaries, allowances and other expenses	**3,955**	3,392
Share award expense	**2,816**	–
Pension scheme contributions	**8**	51
	8,915	5,555

During the year, the chief executive was granted restricted share units, in respect of his services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such restricted share units, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Lee Kong Wai, Conway	**356**	352
Ms. Liu Hong Yu	**356**	352
Mr. Wang Gao	**356**	352
	1,068	1,056

There was no other emolument payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive director, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and other expenses RMB'000	Share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020					
Executive director:					
Mr. Zou Xiao Chun	–	356	–	–	356
	–	356	–	–	356
Non-executive directors:					
Mr. Zhang Da Zhong	356	–	–	–	356
Ms. Huang Xiu Hong	356	–	–	–	356
Mr. Yu Sing Wong	356	–	–	–	356
	1,068	–	–	–	1,068
Chief executive:					
Mr. Wang Jun Zhou	–	3,599	2,816	8	6,423
	1,068	3,955	2,816	8	7,847

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive director, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and other expenses RMB'000	Share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019					
Executive director:					
Mr. Zou Xiao Chun	–	352	–	–	352
	–	352	–	–	352
Non-executive directors:					
Mr. Zhang Da Zhong	352	–	–	–	352
Ms. Huang Xiu Hong	352	–	–	–	352
Mr. Yu Sing Wong	352	–	–	–	352
	1,056	–	–	–	1,056
Chief executive:					
Mr. Wang Jun Zhou	–	3,040	–	51	3,091
	1,056	3,392	–	51	4,499

(c) Five highest paid individuals

The five highest paid individuals during the year included the chief executive (2019: the chief executive). Details of the chief executive's remuneration are set out above. Details of the remuneration for the year of the remaining four highest paid individuals who are neither a director nor the chief executive of the Group are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowances and other expenses	**13,918**	11,434
Pension scheme contributions	**123**	193
Share award expense	**6,650**	–
	20,691	11,627

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(c) Five highest paid individuals (Continued)

The number of non-director and non-chief executive highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2020	2019
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	2
HK$5,500,001 to HK$6,000,000	**2**	–
HK$8,500,001 to HK$9,000,000	**1**	–
	4	4

During the year, restricted share units were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such restricted share units, which has been recognised in the statement of profit or loss over the vesting period, was determined as the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. PENSION SCHEMES

All of the Group's PRC subsidiaries are required to participate in the employee retirement benefit schemes operated by the relevant local government authorities in the PRC. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC and are within the scope of the relevant PRC regulations at rates ranging from 8% to 20% of the employees' salaries for the year ended 31 December 2020 (2019: 8% to 20%).

All the Hong Kong subsidiaries of the Group are required to participate in the MPF scheme under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Group is required to make contributions for those employees who are registered as permanent residents in Hong Kong and are within the scope of the relevant Hong Kong regulations at the lesser of HK$18,000 and 5% of the employees' salaries for the years ended 31 December 2020 and 2019.

The Group's contributions to pension schemes for the year ended 31 December 2020 amounted to approximately RMB245,472,000 (2019: RMB611,242,000).

10. 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.

10. INCOME TAX BENEFIT/(EXPENSE) (Continued)

	2020 RMB'000	2019 RMB'000
Current – charge for the year	**15,578**	56,477
Deferred *(note 23)*	**19,212**	15,818
Total tax charge for the year	**34,790**	72,295

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

2020	**Hong Kong RMB'000**	**Mainland China RMB'000**	**Total RMB'000**
Loss before tax	**(515,420)**	**(6,653,437)**	**(7,168,857)**
Income tax at the statutory tax rate	**(85,044)**	**(1,663,359)**	**(1,748,403)**
Tax effect of preferential tax rates*	**–**	**(9,637)**	**(9,637)**
Expense not deductible for tax	**84,141**	**473,055**	**557,196**
Tax losses utilised from previous years	**(19,222)**	**(128,865)**	**(148,087)**
Tax losses not recognised	**20,123**	**1,363,598**	**1,383,721**
Tax (credit)/charge at the Group's effective rate	**(2)**	**34,792**	**34,790**

2019	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	25,056	(2,921,413)	(2,896,357)
Income tax at the statutory tax rate	4,134	(730,353)	(726,219)
Tax effect of preferential tax rates*	–	(16,388)	(16,388)
Income not subject to tax	(72,926)	–	(72,926)
Expense not deductible for tax	68,793	123,996	192,789
Tax losses utilised from previous years	–	(70,381)	(70,381)
Tax losses not recognised	–	765,420	765,420
Tax charge at the Group's effective rate	1	72,294	72,295

* Under the relevant PRC income tax law, except for certain preferential treatments available to the Group, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% (2019: 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.

The share of tax attributable to associates amounting to RMB2,000 (2019: RMB8,000) is included in "Share of losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

Pursuant to the board of directors' 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.

12. 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 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 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:

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

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

13. PROPERTY AND EQUIPMENT

31 December 2020

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Aircraft RMB'000	Total RMB'000
At 1 January 2020:							
Cost	6,654,112	3,110,725	2,316,125	94,491	872,270	340,138	13,387,861
Accumulated depreciation and impairment	(1,628,815)	(2,810,198)	(1,934,172)	(79,191)	–	(202,276)	(6,654,652)
Net carrying amount	5,025,297	300,527	381,953	15,300	872,270	137,862	6,733,209
At 1 January 2020:	5,025,297	300,527	381,953	15,300	872,270	137,862	6,733,209
Additions	693,264	393,891	29,612	3,316	665,982	–	1,786,065
Disposals	–	(61,702)	(5,876)	(1,289)	(17,588)	–	(86,455)
Impairment	(243,876)	(83,331)	–	–	–	–	(327,207)
Depreciation provided during the year	(183,693)	(298,472)	(157,473)	(6,341)	–	(34,486)	(680,465)
Transfers to investment properties	(240,752)	–	–	–	(621,778)	–	(862,530)
Transfers from construction in progress	501,541	–	60,000	–	(561,541)	–	–
Transfers to properties under development	–	–	–	–	(266,476)	–	(266,476)
At 31 December 2020, net of accumulated depreciation and impairment	5,551,781	250,913	308,216	10,986	70,869	103,376	6,296,141
At 31 December 2020:							
Cost	7,580,174	3,161,038	2,339,488	87,040	70,869	340,138	13,578,747
Accumulated depreciation and impairment	(2,028,393)	(2,910,125)	(2,031,272)	(76,054)	–	(236,762)	(7,282,606)
Net carrying amount	5,551,781	250,913	308,216	10,986	70,869	103,376	6,296,141

13. PROPERTY AND EQUIPMENT (Continued)

31 December 2019

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Aircraft RMB'000	Total RMB'000
At 1 January 2019:							
Cost	6,034,343	3,051,071	2,134,821	101,758	762,136	–	12,084,129
Accumulated depreciation and impairment	(1,458,184)	(2,404,037)	(1,770,519)	(82,041)	–	–	(5,714,781)
Net carrying amount	4,576,159	647,034	364,302	19,717	762,136	–	6,369,348
At 1 January 2019	4,576,159	647,034	364,302	19,717	762,136	–	6,369,348
Additions	38,791	342,901	198,848	3,497	756,531	–	1,340,568
Additions as a result of ownership of the leased assets transferred to the Group	–	–	–	–	–	172,432	172,432
Acquisition of subsidiaries *(note 38)*	–	–	328	100	–	–	428
Disposals	–	(111,131)	(4,725)	(736)	(3,058)	–	(119,650)
Impairment	–	(210,073)	–	–	–	–	(210,073)
Depreciation provided during the year	(170,631)	(368,204)	(239,161)	(7,278)	–	(34,570)	(819,844)
Transfers from construction in progress	580,978	–	62,361	–	(643,339)	–	–
At 31 December 2019, net of accumulated depreciation and impairment	5,025,297	300,527	381,953	15,300	872,270	137,862	6,733,209
At 31 December 2019:							
Cost	6,654,112	3,110,725	2,316,125	94,491	872,270	340,138	13,387,861
Accumulated depreciation and impairment	(1,628,815)	(2,810,198)	(1,934,172)	(79,191)	–	(202,276)	(6,654,652)
Net carrying amount	5,025,297	300,527	381,953	15,300	872,270	137,862	6,733,209

13. PROPERTY AND EQUIPMENT (Continued)

Certain of the buildings in Mainland China with the aggregate net carrying amounts of RMB1,295,525,000 (2019: RMB1,063,874,000) and RMB1,459,713,000 (2019: RMB1,128,372,000), respectively, were pledged as security for bills payable (note 29) and interest-bearing bank and other borrowings (note 31) of the Group as at 31 December 2020.

An aircraft of the Group with the aggregate net carrying amount of RMB103,376,000 (2019: RMB137,862,000) was pledged as security for interest-bearing bank and other borrowings (note 31) of the Group as at 31 December 2020.

An impairment of RMB327,207,000 (2019: RMB210,073,000) was recognised for a building and certain leasehold improvements related to retail stores with an aggregate carrying amount of RMB735,714,000 as at 31 December 2020 (2019: RMB244,487,000) during the year as the Group continued to record losses for the related retail stores. The aggregate recoverable amount of the building and these retail stores was RMB408,507,000 as at 31 December 2020 (2019: RMB34,414,000).

The recoverable amounts of these leasehold improvements at 31 December 2020 were 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 rate applied to the cash flow projections is 12.99% (2019: 12.68%). Factors leading to the impairment include lower than expected operating performance compared to internal forecasts, as well as to historical data and performance. Other key assumptions adopted during the evaluation include estimated growth rates, expected gross profit margins, and relevant expenditures of related retail stores, and the above assumptions are based on the previous performance and management's expectations on market development.

The recoverable amount of the building at 31 December 2020 was determined based on its fair value less costs of disposal, which has been determined using the valuation performed by the management. The fair value measurement hierarchy of the building is categorized as Level 3.

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of the building:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2020	2019
Building located in Mainland China	Direct comparison approach	Market value (RMB per square metre)	**32,478**	N/A
		Discount rate	**12.99%**	N/A

Under the direct comparison approach, fair value is estimated by making reference to comparable sale evidence as available in the relevant market of the building. A significant increase or decrease in the market value would result in a significant increase or decrease in the fair value of the building.

14. INVESTMENT PROPERTIES

	2020 Completed investment properties RMB'000	2020 Investment properties under construction RMB'000	2020 Total RMB'000	2019 Completed investment properties RMB'000	2019 Investment properties under construction RMB'000	2019 Total RMB'000
Carrying amount at 1 January	**917,658**	**1,220,271**	**2,137,929**	907,044	–	907,044
Additions	**–**	**138,589**	**138,589**	–	154,058	154,058
Acquisition of subsidiaries *(note 38)*	**–**	**–**	**–**	–	1,066,213	1,066,213
Transfer from owner-occupied properties	**331,598**	**771,008**	**1,102,606**	–	–	–
Transfer from owner-occupied right-of-use assets *(note 22(a))*	**55,116**	**685,056**	**740,172**	–	–	–
Net gain/(loss) from a fair value adjustment	**(118,746)**	**(81,736)**	**(200,482)**	5,401	–	5,401
Exchange realignment	**(12,097)**	**–**	**(12,097)**	5,213	–	5,213
Carrying amount at 31 December	**1,173,529**	**2,733,188**	**3,906,717**	917,658	1,220,271	2,137,929

The Group's investment properties comprise commercial properties in Mainland China and New York, the United States of America, and an industrial property and car parks in Hong Kong that are leased to third parties.

The Group's investment properties are stated at fair value, which has been determined with reference to the valuations performed by Beijing Northern Yashi Assets Appraisal Co., Ltd. and B.I. Appraisals Limited, independent firms of professionally qualified valuers at RMB3,906,717,000 as at 31 December 2020. The Group's management has discussed with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

As at 31 December 2020, the Group's investment properties of approximately RMB36,191,000 (2019: RMB39,413,000), RMB181,601,000 (2019: RMB268,878,000) and RMB3,688,925,000 (2019: RMB1,829,638,000) were located in Hong Kong, New York and Mainland China, respectively. The investment properties are leased to third parties under operating leases further summary details of which are included in note 22 to the financial statements.

Certain of the investment properties of the Group in Mainland China with the aggregate carrying amounts of RMB368,586,000 (2019: RMB135,492,000) and RMB2,290,079,000 (2019: RMB1,365,419,000), respectively, were pledged as security for bills payable (note 29) and interest-bearing bank loans (note 31) of the Group as at 31 December 2020.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2020 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**3,870,526**	**3,870,526**
Industrial property and car parks	**–**	**–**	**36,191**	**36,191**
	–	**–**	**3,906,717**	**3,906,717**

	Fair value measurement as at 31 December 2019 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	2,098,516	2,098,516
Industrial property and car parks	–	–	39,413	39,413
	–	–	2,137,929	2,137,929

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Industrial property and car parks RMB'000
Carrying amount at 1 January 2019	868,491	38,553
Additions	154,058	–
Acquisition of subsidiaries *(note 38)*	1,066,213	–
Exchange realignment	4,353	860
Net gain from a fair value adjustment recognised in other income and gains	5,401	–
Carrying amount at 31 December 2019 and 1 January 2020	2,098,516	39,413
Additions	**138,589**	**–**
Transfer from owner-occupied properties	**1,102,606**	**–**
Transfer from owner-occupied right-of-use assets	**740,172**	**–**
Exchange realignment	**(12,100)**	**3**
Net loss from a fair value adjustment recognised in other income and gains	**(197,257)**	**(3,225)**
Carrying amount at 31 December 2020	**3,870,526**	**36,191**

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2020	2019
Commercial properties located in Mainland China	Income approach	Estimated rental value (RMB per square metre and per month)	**33.0 – 300.0**	39.0 -285.0
		Rental growth (per annum)	**1.5% – 3.0%**	1.5% – 2.0%
		Long term vacancy rate	**5.0% – 6.0%**	3.0% – 5.0%
		Discount rate	**6.0%**	6.0%
Industrial property and car parks located in Hong Kong	Direct comparison approach	Market value (RMB per square metre)	**27,340**	29,774
Commercial properties located in New York	Direct comparison approach	Market value (RMB per square metre)	**139,628**	206,733

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Under the income approach, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase or decrease in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase or decrease in the fair value of the investment properties. A significant increase or decrease in the long term vacancy rate and the discount rate in isolation would result in a significant decrease or increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the discount rate and long term vacancy rate.

Under the direct comparison approach, fair value is estimated by making reference to comparable sale evidence as available in the relevant market by taking into account the current rent and licence fee passing and the reversionary income potential of the property. A significant increase or decrease in the market value would result in a significant increase or decrease in the fair value of the investment properties.

15. PROPERTIES UNDER DEVELOPMENT

The Group's properties under development were located in Mainland China and stated at the lower of cost and net realisable value.

The Group's properties under development with an aggregate carrying value of RMB875,963,000(2019: RMB522,973,000) were pledged as security for interest-bearing bank loans (note 31) of the Group as at 31 December 2020.

16. GOODWILL

	2020 RMB'000	2019 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 *(note 38)*	**–**	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 RMB'000	2019 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%).

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

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 losses 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.

Key assumptions used in the value in use calculations

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

Revenue growth rate: the basis used to determine the future revenue are historical sales and average and expected growth rates of the retail market in the PRC.

Gross profit margins: the gross profit margins are based on the historical margin achieved in the past.

Expenses: the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rates: the discount rates used are pre-tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for each unit, regard has been given to the applicable borrowing rate of the Group in the current year.

Change in working capital: the working capital is the capital available for conducting the day-to-day operations of each unit and is calculated by subtracting the current liabilities of each unit (accounts payable) from its current assets (accounts receivable and inventories). Change in working capital reflects past experience to maintain the daily operations.

Sensitivity analysis to changes in key assumptions

In the opinion of the Company's directors, the value in use calculations are sensitive to the key assumptions adopted and a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount of each cash-generating unit would cause the cash-generating unit's carrying amount to exceed its recoverable amount.

The following table demonstrates the sensitivity to a reasonably possible change in the growth rate, gross profit margins, expenses, discount rates or change in working capital with all other variables held constant, of the Group's carrying amount of goodwill.

	Decrease in goodwill RMB'000
If revenue growth rate decreases by 1%	778,629
If gross profit margins decrease by 1%	242,052
If expenses increases by 1%	301,993
If discount rates increases by 1%	60,857
If change in working capital increases by 1%	125,541

17. OTHER INTANGIBLE ASSETS

	Trademarks RMB'000	Broadcasting licenses RMB'000	Total RMB'000
31 December 2020			
At 1 January 2020:			
Cost	**692,607**	**60,000**	**752,607**
Accumulated amortisation	**(395,789)**	**(22,405)**	**(418,194)**
Net carrying amount	**296,818**	**37,595**	**334,413**
Cost at 1 January 2020, net of accumulated amortisation	**296,818**	**37,595**	**334,413**
Amortisation provided during the year	**(45,889)**	**(23,366)**	**(69,255)**
At 31 December 2020	**250,929**	**14,229**	**265,158**
At 31 December 2020:			
Cost	**692,607**	**60,000**	**752,607**
Accumulated amortisation	**(441,678)**	**(45,771)**	**(487,449)**
Net carrying amount	**250,929**	**14,229**	**265,158**
31 December 2019			
At 1 January 2019:			
Cost	692,607	–	692,607
Accumulated amortisation	(349,975)	–	(349,975)
Net carrying amount	342,632	–	342,632
Cost at 1 January 2019, net of accumulated amortisation	342,632	–	342,632
Additions	–	60,000	60,000
Amortisation provided during the year	(45,814)	(22,405)	(68,219)
At 31 December 2019	296,818	37,595	334,413
At 31 December 2019:			
Cost	692,607	60,000	752,607
Accumulated amortisation	(395,789)	(22,405)	(418,194)
Net carrying amount	296,818	37,595	334,413

17. OTHER INTANGIBLE ASSETS (Continued)

The cost mainly represents the fair values of the trademarks arising from the acquisitions of 常州金太陽至尊家電有限公司 ("Changzhou Jintaiyang Zhizun Home Appliance Co., Ltd.") of RMB25,915,000, China Paradise of RMB129,000,000, Dazhong Appliances of RMB284,319,000, and Artway Group of RMB229,740,000 and the fair value of the additions of broadcasting licences of RMB60,000,000, which are amortised on the straight-line basis over management's estimate of their useful lives of 10 years, 20 years, 20 years,10 years and 3 years, respectively.

18. INVESTMENTS IN ASSOCIATES

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Share of net assets		**73,994**	78,862
Goodwill on acquisition	*(i)*	**97,776**	97,776
Net carrying amount		**171,770**	176,638

The Group's shareholdings in the associates all comprise equity shares held through wholly-owned subsidiaries of the Company.

Note:

(i) On 27 December 2017, the Group acquired 21.65% of equity interest of 深圳十分到家服務科技有限公司 ("Shenzhen Shifen Daojia Service Technology Co., Ltd."), which is a company mainly providing home appliance repair and maintenance service to the customers in Mainland China. The initial investment exceeding the Group's share of net assets was recognised as goodwill on acquisition.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' losses for the year and total comprehensive loss	**(6,338)**	(105,241)
Aggregate carrying amount of the Group's investments in the associates	**171,770**	176,638

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Listed equity shares			
Gome Telecom	*(i)*	**303,886**	396,769
Others		**234,003**	262,686
		537,889	659,455
Unlisted equity investment	*(ii)*	**195,304**	194,597
		733,193	854,052

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

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately RMB490,036,000.

Certain of the financial assets at fair value through other comprehensive income of the Group with an aggregate fair value of RMB537,889,000 (2019: Nil) were pledged as security for interest-bearing bank and other borrowings (note 31) of the Group.

Notes:

(i) The balance represented the fair value of the Group's investments in 19.99% of the issued shares of 國美通訊設備股份有限公司 ("Gome Telecom Equipment Co., Ltd." or "Gome Telecom"). Gome Telecom is a company established in the PRC and listed on the Shanghai Stock Exchange. With reference to Gome Telecom's memorandum and articles of association and by taking into account the current shareholding structure of Gome Telecom, the directors of the Company consider that the Group has no absolute right to determine the composition of the board of directors of Gome Telecom or appoint directors to Gome Telecom and thus the Group does not have control or significant influence over Gome Telecom.

(ii) The balance represented the fair value of 19.9% equity investment in 寧波惠融國際貿易有限公司 ("Ningbo Huirong International Trading Co., Ltd." or "Ningbo Huirong"). According to Ningbo Huirong's articles of association, shareholders enjoy interests and the decision-making power in accordance with the shareholding ratio. The resolutions of shareholders' meetings require the approval of more than half of the shareholders. Ningbo Huirong does not have a board of directors but just one executive director. Based on the shareholding ratio and the above terms, the directors of the Company consider the Group does not have control or significant influence over Ningbo Huirong.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current		
Listed equity investment	**417,441**	566,748
Unlisted debt securities	**–**	22,900
	417,441	589,648
Non-current		
Listed equity investments	**53,137**	87,861
Unlisted equity investments	**1,543,780**	1,402,735
	1,596,917	1,490,596

The above equity investments at 31 December 2020 were classified as financial assets at fair value through profit or loss as they were held for trading or as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The above unlisted debt securities at 31 December 2019 were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Certain of the financial assets at fair value through profit or loss of the Group with an aggregate fair value of RMB413,487,000 (2019: RMB566,748,000) were pledged as security for interest-bearing bank and other borrowings (note 31) of the Group.

21. LOANS TO INVESTEES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current		
Loan to a subsidiary of Gome Telecom	**–**	150,000
Non-current		
Loan to Gome Telecom	**–**	560,000

The loan of RMB150,000,000 provided to a subsidiary of Gome Telecom (Zhejiang Dejing Electronic Technology Co., Ltd. 浙江德景電子科技有限公司) is unsecured, repayable in July 2021 and bears interest at 4.35% per annum. The loan receivable had been reclassified into other receivables after the entire interest in this company had been disposed of by Gome Telecom during the year.

The loan of RMB560,000,000 provided to Gome Telecom with original maturity term in October 2021 was unsecured and bears interest at 4.35% per annum. During the year, Gome Telecom fully repaid the loan of RMB560,000,000.

22. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, retail stores, land and an aircraft used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 20 years. The aircraft generally has lease terms of 10 years. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings and retail stores RMB'000	Aircraft RMB'000	Total RMB'000
As at 1 January 2019	1,418,640	13,493,584	172,432	15,084,656
Additions	235,318	2,980,375	–	3,215,693
Depreciation charge	(37,850)	(3,036,543)	–	(3,074,393)
Disposals	(68,604)	(209,733)	–	(278,337)
Disposals as a result of ownership transferred to the Group	–	–	(172,432)	(172,432)
Modifications	–	(1,418,208)	–	(1,418,208)
As at 31 December 2019 and 1 January 2020	**1,547,504**	**11,809,475**	**–**	**13,356,979**
Additions	**9,663**	**1,565,262**	**–**	**1,574,925**
Depreciation charge	**(40,200)**	**(2,505,742)**	**–**	**(2,545,942)**
Disposals	**–**	**(2,660,516)**	**–**	**(2,660,516)**
Modifications	**–**	**(165,364)**	**–**	**(165,364)**
Transferred to investment properties *(note 14)*	**(740,172)**	**–**	**–**	**(740,172)**
Transferred to properties under development	**(293,595)**	**–**	**–**	**(293,595)**
As at 31 December 2020	**483,200**	**8,043,115**	**–**	**8,526,315**

Certain of the leasehold land of the Group with a net carrying amount of RMB95,227,000 (2019: RMB1,175,438,000) were pledged as security for interest-bearing bank and other borrowings (note 31) of the Group as at 31 December 2020.

22. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**11,537,611**	12,627,515
New leases	**1,436,274**	2,892,808
Accretion of interest recognised during the year	**623,269**	875,210
Modifications and terminations	**(2,792,745)**	(1,404,943)
Covid-19-related rent concessions from lessors	**(248,466)**	–
Payments	**(1,731,100)**	(3,452,979)
Carrying amount at 31 December	**8,824,843**	11,537,611
Analysed into:		
Current portion	**3,077,035**	3,123,314
Non-current portion	**5,747,808**	8,414,297

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings and retail stores during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**623,269**	875,210
Depreciation charge of right-of-use assets	**2,545,942**	3,074,393
Expense relating to short-term leases	**460,216**	532,942
Variable lease payments not included in the measurement of lease liabilities	**67,240**	46,319
Covid-19-related rent concessions from lessors	**(248,466)**	–
Total amount recognised in profit or loss	**3,448,201**	4,528,864

22. LEASES (Continued)

The Group as a lessee (Continued)

(d) Variable lease payments

The Group leased a number of the retail stores and the leases contain variable payment terms that are based on the revenue generated from the retail stores. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2020

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	**1,723,569**	**–**	**1,723,569**
Variable rent with minimum payment	**7,531**	**2,403**	**9,934**
Variable rent only	**–**	**64,837**	**64,837**
	1,731,100	**67,240**	**1,798,340**

2019

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	3,443,547	–	3,443,547
Variable rent with minimum payment	9,432	7,581	17,013
Variable rent only	–	38,738	38,738
	3,452,979	46,319	3,499,298

(e) The total cash outflow for leases is disclosed in note 39(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of commercial properties, an industrial property and car parks under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

The Group leases certain right-of-use assets consisting of buildings under finance lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Rental income recognised by the Group during the year was RMB114,820,000 (2019: RMB136,977,000), details of which are included in note 5 to the financial statements.

22. LEASES (Continued)

The Group as a lessor (Continued)

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within one year	**118,842**	121,061
After one year but within two years	**96,235**	120,894
After two years but within three years	**67,474**	87,154
After three years but within four years	**57,167**	68,218
After four years but within five years	**95,357**	55,497
After five years	**243,098**	121,377
	678,173	574,201

23. DEFERRED TAX

Deferred tax liabilities

	2020						
	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Fair value adjustments on financial instruments at fair value through profit or loss RMB'000	Fair value adjustments on investment properties RMB'000	Fair value adjustments on transfer of own-occupied properties to investment properties RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2019	349,380	37,389	24,099	39,155	–	2,904,144	3,354,167
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(16,643)	37,050	1,623	–	–	(439,937)	(417,907)
Acquisition of subsidiaries *(note 38)*	72,326	–	–	–	–	–	72,326
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	405,063	74,439	25,722	39,155	–	2,464,207	3,008,586
Deferred tax charged to the statement of comprehensive income during the year	–	–	–	51,708	12,153	–	63,861
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	(16,644)	8,917	(6,845)	–	–	(782,567)	(797,139)
Gross deferred tax liabilities at 31 December 2020	388,419	83,356	18,877	90,863	12,153	1,681,640	2,275,308

23. DEFERRED TAX (Continued)

Deferred tax assets

	Loss available for offsetting against future taxable profits RMB'000	Fair value adjustments on financial assets at fair value through profit or loss RMB'000	Fair value adjustments on investment properties RMB'000	Fair value adjustments on transfer of own-occupied properties to investment properties RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	42,381	2,177	674	22,813	2,904,144	2,972,189
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	12,552	–	–	12	(446,289)	(433,725)
Gross deferred tax assets at 31 December 2019 and 1 January 2020	54,933	2,177	674	22,825	2,457,855	2,538,464
Deferred tax credited/ (charged) to the statement of profit or loss during the year *(note 10)*	2,059	–	3,270	–	(821,680)	(816,351)
Gross deferred tax assets at 31 December 2020	56,992	2,177	3,944	22,825	1,636,175	1,722,113

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**13,391**	7,211
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(566,586)**	(477,333)
	(553,195)	(470,122)

The Group has not recognised deferred tax assets in respect of tax losses arising in Hong Kong of RMB686 million (2019: RMB684 million), that are available indefinitely, and in the PRC of RMB13,678 million (2019: RMB9,464 million), that will expire in one to five years, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

24. INVENTORIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Electrical appliances and customer electronic products	**8,035,758**	7,407,343
General merchandise and others	**332,696**	280,771
	8,368,454	7,688,114

25. 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

25. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
At beginning of year	**21,203**	20,845
Impairment losses *(note 6)*	**15,593**	358
Amount written off as uncollectible	**(17,038)**	–
At end of year	**19,758**	21,203

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

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

As at 31 December 2020

		Past due			
	Current	**Less than 3 months**	**3 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.69%**	**1.49%**	**49.72%**	**100.00%**	**4.42%**
Gross carrying amount (RMB'000)	**410,688**	**10,100**	**19,647**	**7,005**	**447,440**
Expected credit losses (RMB'000)	**2,834**	**150**	**9,769**	**7,005**	**19,758**

As at 31 December 2019

		Past due			
	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.60%	0.60%	13.37%	100.00%	8.09%
Gross carrying amount (RMB'000)	222,001	16,860	3,971	19,243	262,075
Expected credit losses (RMB'000)	1,328	101	531	19,243	21,203

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2020 RMB'000	2019 RMB'000
Current			
Advances to suppliers		**1,074,821**	1,369,481
Deposits and other receivables	*(i)*	**848,747**	765,551
Other receivables from Zhejiang Dejing		**159,269**	2,726
Prepaid rentals		**–**	24,663
Prepaid tax-value added tax		**740,376**	430,597
Other prepaid expenses		**15,719**	21,585
Interest receivables	*(ii)*	**285,860**	315,168
Receivables from payment operators		**143,193**	248,333
Others		**13,959**	57,850
		3,281,944	3,235,954
Impairment allowance		**(47,264)**	(28,396)
		3,234,680	3,207,558
Non-current			
Rental deposits		**163,128**	176,897
Prepayment for property acquisition		**395,000**	–
Finance lease receivables		**131,648**	187,034
		689,776	363,931

Set out below is the information about the credit risk exposure on the Group's prepayments, other receivables and other assets as at 31 December 2020:

	Lifetime ECLs – not credit impaired financial assets RMB'000	Lifetime ECLs – credit impaired financial assets RMB'000	Total RMB'000
At the beginning of year	**5,698**	**22,698**	**28,396**
Impairment losses	**12,223**	**6,645**	**18,868**
	17,921	**29,343**	**47,264**

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

(i) Deposits and other receivables mainly represent deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

(ii) Certain of the Group's interest receivables with the aggregate carrying amounts of RMB34,189,000 (2019: RMB27,145,000) and RMB251,671,000 (2019: RMB288,023,000), respectively, were pledged as security for bills payable (note 29) and interest-bearing bank and other borrowings (note 31) of the Group as at 31 December 2020.

27. DUE FROM/TO RELATED COMPANIES

Due from related companies

	Notes	2020 RMB'000	2019 RMB'000
Advances to associates	*(i)*	**133,501**	57,445
Due from other related companies	*(i)*	**235,544**	187,131
		369,045	244,576

Due to related companies

	Notes	2020 RMB'000	2019 RMB'000
Due to GOME Ruidong*	*(i)*	**66,667**	66,667
Due to Anxun Logistics*	*(ii)*	**19,762**	65,377
Due to other related companies	*(i)*	**35,199**	42,224
		121,628	174,268

* These companies represent 北京國美銳動電子商務有限公司 ("Beijing GOME Ruidong e-Commerce Co., Ltd." or "GOME Ruidong") and 安迅物流有限公司 ("Anxun Logistics Co., Ltd." or "Anxun Logistics"), which are owned by Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company.

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

(ii) This balance was interest-free, unsecured and repayable within 45 days.

28. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Notes	2020 RMB'000	2019 RMB'000
Cash and bank balances		**6,668,250**	6,147,237
Time deposits		**17,473,542**	15,075,128
		24,141,792	21,222,365
Less: Pledged time deposits for bills payable	*29*	**(4,052,867)**	(5,470,541)
Pledged time deposits for interest-bearing bank and other borrowings	*31*	**(10,476,638)**	(7,392,319)
Interest reserve on bonds payable		**–**	(172,998)
Restricted cash		**(15,087)**	–
		(14,544,592)	(13,035,858)
Cash and cash equivalents		**9,597,200**	8,186,507

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB24,037,444,000 (2019: RMB20,569,140,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances of the Group earn interest at floating rates based on daily bank deposit rates. Short term deposits of the Group are made for varying periods of between one day and three months, and earn interest at the respective short term deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

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

29. TRADE AND BILLS PAYABLES (Continued)

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 RMB'000	2019 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 (note 28) amounting to RMB4,052,867,000 (2019: RMB5,470,541,000) and related interest receivables (note 26) amounting to RMB34,189,000 (2019: RMB27,145,000);

(ii) mortgages over the Group's buildings (note 13) 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 (note 14) 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.

30. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Deferred revenue		**37,072**	32,129
Contract liabilities	*(a)*	**1,682,499**	555,049
Refund liabilities		**15,618**	68,417
Other payables	*(b)*	**2,404,315**	2,290,546
Accruals		**852,118**	619,518
		4,991,622	3,565,659

Notes:

(a) Contract liabilities include short-term advances received to deliver goods and provision for customer loyalty points programme.

(b) Other payables are non-interest-bearing and have an average term of three months.

31. 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

31. 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 (note 13) 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) the Group's aircraft (note 13) with a net carrying amount at the end of the reporting period of approximately RMB103,376,000 (2019: RMB137,862,000);

(c) certain of the Group's investment properties (note 14) 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 properties under development (note 15) 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) certain of the Group's leasehold land (note 22) situated in Mainland China which had an aggregate net carrying amount of approximately RMB95,227,000 (2019: RMB1,175,438,000) at the end of the reporting period;

(f) certain of the Group's time deposits (note 28) amounting to approximately RMB10,476,638,000 (2019: RMB7,392,319,000) and related interest receivables (note 26) amounting to RMB251,671,000 (2019: RMB288,023,000), respectively, at the end of the reporting period;

(g) certain of the Group's financial assets at fair value through other comprehensive income (note 19) with an aggregate fair value at the end of the reporting period of approximately RMB537,889,000 (2019: Nil); and

(h) certain of the Group's financial assets at fair value through profit or loss (note 20) with an aggregate fair value at the end of the reporting period 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 at the end of the reporting period.

32. 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 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.

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 2020, the fair value of the derivative embedded was RMB351,332,000 (2019: Nil).

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.

33. ISSUED CAPITAL

Shares at 31 December 2019

	Number of shares '000	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.025 each	200,000,000	5,000,000	
Issued and fully paid:			
Ordinary shares of HK$0.025 each	21,557,627	538,941	518,322

Shares at 31 December 2020

	Number of shares '000	**HK$'000**	**Equivalent to RMB'000**
Authorised:			
Ordinary shares of HK$0.025 each	**200,000,000**	**5,000,000**	
Issued and fully paid:			
Ordinary shares of HK$0.025 each	**21,552,627**	**538,816**	**518,210**

A summary of movements in the Group's share capital is as follows:

	Number of shares in issue '000	**share capital HK$'000**	**Equivalent to RMB'000**
At 1 January 2019, 31 December 2019 and 1 January 2020	**21,557,627**	**538,941**	**518,322**
Shares repurchased and cancelled	**(5,000)**	**(125)**	**(112)**
At 31 December 2020	**21,552,627**	**538,816**	**518,210**

34. SHARE-BASED PAYMENTS

Restricted Share Award Scheme

The Company operates a restricted share award scheme (the "RSA Scheme") to grant restricted shares units ("RSU") and/or awarded shares to selected individuals being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company and/or its subsidiaries (the "Selected Participants"): (1) to recognise and motivate the contributions by Selected Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group; (2) to attract suitable personnel for further development of the Group; and (3) to provide certain employees with a direct economic interest in attaining a long-term employer-employee relationship between the Group and the employees. The RSA Scheme became effective on 3 October 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum amount of the fund to be contributed by the Company for purchasing the Company's shares for the pool of the RSA Scheme is initially set at HK$2,000,000,000. The maximum amount may be refreshed for such or other amount and at such time as determined by the board of directors after having taking into account the results and all relevant circumstances and affairs of the Group. The shares will be acquired by an independent trustee (the "Trustee") at the cost of the Company and be held in trust for the Selected Participants until the end of each vesting period, then grant the premium above the exercise price to the Selected Participants after selling certain amount of the shares. Under the RSA Scheme, the Trustee shall not purchase any further shares if the relevant purchase would result in the Trustee holding in aggregate more than 10% of the total number of shares of the Company in issue.

As at 31 December 2020, an accumulated sum of approximately HK$1,289,065,000 (2019: HK$1,275,540,000) (excluding transaction costs) has been used by the Company to acquire 1,506,543,000 (2019: 1,491,543,000) ordinary shares of the Company by the Trustee, and 1,040,739,000 (2019:1,018,243,000) forfeited or unawarded shares were held by the share award scheme trust and would be granted in future.

Old RSU Program

During the year ended 31 December 2019, 516,200,000 RSUs have been granted to certain employees of the Group under the RSA Scheme, with the vesting of these RSUs subject to the fulfilment of certain non-market conditions that the audited financial results of the Group are required to reach certain pre-determined amounts and the employees' continuous service to the Group through the vesting period (the "Old RSU Program"). During the year ended 31 December 2019, the Group did not recognise any share award expenses for these RSUs granted, and reversed share award expenses of RMB641,000 into the consolidated statement of profit or loss because in the opinion of the directors the performance and/or service conditions for these RSUs under the Old RSU Program granted to the employees are not and will not be fulfilled before the end of the respective vesting period.

34. SHARE-BASED PAYMENTS (Continued)

Restricted Share Award Scheme (Continued)

***Old RSU Program* (Continued)**

The following RSUs were outstanding under the Old RSU Program during the year:

	2020 Weighted average exercise price HK$ per share	2020 Number of RSUs '000	2019 Weighted average exercise price HK$ per share	2019 Number of RSUs '000
At 1 January	**0.38**	**473,300**	1.00	203,994
Granted during the year	**–**	**–**	0.38	516,200
Forfeited during the year	**–**	**–**	0.55	(58,700)
Lapsed during the year	**0.38**	**(473,300)**	1.00	(188,194)
Total		**–**	0.38	473,300

New RSU Program

During the year ended 31 December 2020, 487,028,000 RSUs have been granted to certain employees of the Group under the RSA Scheme, with the vesting of these RSUs subject to the fulfilment of certain market conditions that the market capitalisation of the Company is required to reach certain pre-determined values, non-market conditions and service conditions that the employees' continuous service to the Group through the vesting period (the "New RSU Program"). No exercise price is assigned to the RSUs.

The following RSUs were outstanding under the New RSU Program during the year:

	2020 Number of RSUs '000
At 1 January	**–**
Granted during the year	**487,028**
Forfeited during the year	**(25,938)**
Vested during the year	**(81,755)**
Total	**379,335**

34. SHARE-BASED PAYMENTS (Continued)

Restricted Share Award Scheme (Continued)

***New RSU Program* (Continued)**

The fair value of RSUs granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the RSUs were granted. The following table lists the inputs to the model used:

Dividend yield (%)	–
Expected volatility (%)	35.223~37.382
Historical volatility (%)	35.223~37.382
Risk-free interest rate (%)	1.005~1.040
Expected life of RSUs (year)	3
Weighted average share price (HK$ per share)	0.69-1.00

The expected life of the RSUs is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the RSUs granted was incorporated into the measurement of fair value.

During the year ended 31 December 2020, 81,755,000 RSUs have been vested with the fulfilment of certain market, non-market and service conditions and accordingly 81,755,000 awarded shares have been granted to employees of the Group under the New RSU Program. As at 31 December 2020, the weighted average remaining life of the RSUs under the New RSU Program is 2.30 years.

The total share award expenses recognised by the Group related to the RSUs granted under the New RSU Program for the year ended 31 December 2020 amounted to RMB78,852,000 (2019: Nil).

Awarded shares

During the year ended 31 December 2020, 4,714,000 awarded shares, which have no vesting conditions, have been granted to certain employees of the Group under the RSA Scheme, and share award expenses recognised by the Group related these awarded shares granted amounted to RMB2,982,000 (2019: Nil). The fair value of the awarded shares granted was determined based on the market value of the Company's shares at the grant date.

Share Option Scheme

The shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") on 12 September 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Under the terms of the Share Option Scheme, the Company may grant up to 10% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting, while in no event should the further grants result in the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other share incentive schemes exceeding 30% of the total number of shares of the Company in issue from time to time.

During the years ended 31 December 2020 and 2019, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding at 31 December 2020 and at the date of the financial statements.

35. TREASURY SHARES

	Number of shares '000	HK$'000	Equivalent to RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	1,491,543	1,279,867	1,086,657
Repurchase	15,000	13,573	12,420
Granted under RSA scheme	(86,469)	(74,238)	(65,667)
At 31 December 2020	**1,420,074**	**1,219,202**	**1,033,410**

36. RESERVES

The movements in the reserves of the Group are set out in the consolidated statement of changes in equity of the financial statements.

Reserves funds

Pursuant to the relevant PRC laws and regulations, Sino-foreign equity joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profits after income tax, as determined in accordance with the PRC accounting rules and regulations, to the reserve funds, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, each of Mainland China domestic companies is required to transfer 10% of the profit after income tax, as determined in accordance with the PRC accounting regulations, to the statutory common reserve fund, until the balance of the fund reaches 50% of its registered capital of these companies. Subject to certain restrictions as set out in the relevant PRC laws and regulations, the statutory common reserve fund may be used to offset against accumulated losses, if any.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
Percentage of equity interest held by non-controlling interests:		
GOME-on-line e-Commerce., Ltd ("GOME-on-line")	**40%**	40%

	2020 RMB'000	2019 RMB'000
Loss for the year allocated to non-controlling interests:		
GOME-on-line	**(239,947)**	(411,229)
Accumulated balances of non-controlling interests at the reporting date:		
GOME-on-line	**(3,435,648)**	(3,195,701)

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of GOME-on-line. The amounts disclosed are before any inter-company eliminations:

	2020 RMB'000	2019 RMB'000
Revenue	**1,067,228**	2,821,176
Total expense	**(799,059)**	(1,237,875)
Total comprehensive income for the year	**(599,865)**	(1,028,073)
Total assets	**1,017,232**	1,984,992
Total liabilities	**(10,236,748)**	(10,688,473)

38. BUSINESS COMBINATION

On 13 September 2018, the Group entered into an agreement with Pengrun Holdings Co., Ltd., a company of which Ms. Huang Xiu Hong is a controlling shareholder, pursuant to which the Group has conditionally agreed to acquire all the equity interests in GOME Holdings Group Guangzhou Co., Ltd. (the "Target Company"), a company registered in the PRC with limited liability. The Target Company and its wholly-owned subsidiary (the "Target Group") jointly own a property development project in Guangzhou, the PRC. On 25 January 2019, the acquisition was completed.

The fair values of the identifiable assets and liabilities of the Target Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property and equipment	*13*	428
Investment property	*14*	1,066,213
Properties under development		456,948
Other receivables		263,046
Cash and cash equivalents		1,920
Trade payables		(2)
Other payables		(475,052)
Interest-bearing bank loans		(700,000)
Deferred tax liabilities	*23*	(72,326)
Total identifiable net assets at fair value		541,175
Goodwill on acquisition	*16*	62,209
		603,384
Satisfied by:		
Cash		301,692
Prepayments, other receivables and other assets		301,692
		603,384

38. BUSINESS COMBINATION (Continued)

The fair value of the other receivables as at the date of acquisition amounted to RMB263,046,000. The gross contractual amount of other receivables was RMB263,046,000.

The Group incurred transaction costs of RMB450,000 for this acquisition. These transaction costs have been expensed and are included in the consolidated statement of profit or loss.

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

	RMB' 000
Cash consideration	(301,692)
Cash and cash balances acquired	1,920
Net outflow of cash and cash equivalents included in cash flows from investing activities	(299,772)
Transaction costs of the acquisition included in cash flows from operating activities	(450)
	300,222

Since the acquisition, the Target Company and its wholly-owned subsidiary did not generate any revenue and incurred a loss of RMB5,224,000 to the Group's consolidated loss for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2019 would have been RMB59,482,827,000 and RMB2,969,575,000, respectively.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,574,925,000 (2019: RMB3,215,693,000) and RMB1,436,274,000 (2019: RMB2,892,808,000), respectively, in respect of lease arrangements for property and equipment.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

2020

	Liabilities		
	Interest-bearing bank and other borrowings and related interest payable RMB'000	Lease liabilities RMB'000 *(Note 22)*	Loans from related companies and related interest payable RMB'000 *(Note 27)*
At 31 December 2019	**27,268,416**	**11,537,611**	**–**
Changes from financing cash flows	**5,107,695**	**(1,731,100)**	**(2,530)**
New leases	**–**	**1,436,274**	**–**
Foreign exchange movement	**(70,212)**	**–**	**–**
Modifications and terminations	**–**	**(2,792,745)**	**–**
Covid-19-related rent concessions from lessors	**–**	**(248,466)**	**–**
Interest expense	**993,140**	**623,269**	**2,530**
At 31 December 2020	**33,299,039**	**8,824,843**	**–**

2019

	Liabilities		
	Interest-bearing bank and other borrowings and related interest payable RMB'000	Lease liabilities RMB'000 *(Note 22)*	Loans from related companies and related interest payable RMB'000 *(Note 27)*
At 1 January 2019	21,299,249	12,627,515	1,750,682
Changes from financing cash flows	4,111,870	(3,452,979)	(1,808,965)
Acquisition of subsidiaries *(Note 38)*	700,000	–	–
New leases	–	2,892,808	–
Foreign exchange movement	68,744	–	–
Modifications and terminations	–	(1,404,943)	–
Derecognition	54,637	–	–
Interest expense	1,033,916	875,210	58,283
Interest paid classified as operating cash flows			
At 31 December 2019	27,268,416	11,537,611	–

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**527,456**	532,942
Within financing activities	**1,731,100**	3,452,979
	2,258,556	3,985,921

40. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Property and equipment	**733,996**	1,124,451

41. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES

(a) In addition to the transactions and balances which are disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties and investees:

	Notes	2020 RMB'000	2019 RMB'000
Transactions with GOME Property:	*(i)*		
Rental expenses*		**144,565**	148,736
Construction expenses*		**60,377**	25,000
Purchase of property***		**395,000**	–
Transactions with Beijing Xinhengji:	*(i)*		
Rental expenses***		**18,052**	18,990
Transactions with Anxun Logistics:	*(i)*		
Service fee*		**594,897**	645,291
Warehousing service income*		**146,449**	97,707
Warehousing service expenses*		**29,354**	42,645
Transactions with GOME Holding:	*(i)*		
Other service income**		**12,068**	9,434
Interest expense**		**2,530**	54,554
Transactions with GOME Financial:	*(i)*		
Interest expense**		**–**	3,729

41. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES (Continued)

(a) In addition to the transactions and balances which are disclosed elsewhere in the financial statements, the Group had the following significant transactions with the related parties and investees: (Continued)

	Notes	2020 RMB'000	2019 RMB'000
Transactions with Meiyunbao:	*(i)*		
Supply of goods or service*		**14,416**	13,528
Purchase of goods or service*		**27,502**	51,609
Transactions with associates:	*(ii)*		
Purchases of goods***		**215,690**	20,929
Transactions with investees:	*(iii)*		
Interest income***		**22,870**	28,361

(i) These companies represent 國美地產控股有限公司 ("GOME Property Co., Ltd." or "GOME Property"), 北京新恒基房地產集團有限公司 ("Beijing Xinhengji Property Co., Ltd." or "Beijing Xinhengji"), GOME Holding, GOME Financial, Anxun Logistics and 美雲保 (北京)科技服務有限公司 ("Meiyunbao Beijing Tech Service Co., Ltd." or "Meiyunbao"). Except for Beijing Xinhengji, which is owned by a close member of the family of Mr. Wong, other companies are all owned by Mr. Wong.

(ii) The balance represented transactions with Gome Telecom (Zhejiang) Co., Ltd and its subsidiary.

(iii) The balance represented interest income related to loans to Gome Telecom, which is accounted for as financial assets at fair value through other comprehensive income, and its subsidiary Zhejiang Dejing Electronic Technology Co., Ltd, which had been fully disposed of by GOME Telecom during the year, and the interest income from this related party represented interest income up to the disposal date (note 21).

* The transactions constitute continuing connected transactions under the Listing Rules.

** The transactions constitute continuing connected transactions under the Listing Rules, but are exempted from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

*** The transactions do not constitute continuing connected transactions under the Listing Rules.

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

	2020 RMB'000	2019 RMB'000
Fees	**2,136**	2,112
Other emoluments:		
Salaries, allowances and other expense	**19,470**	17,987
Pension scheme contributions	**179**	293
Share award expense	**9,466**	–
	31,251	20,392

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

All the above related party transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved. The board of directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income	–	733,193	–	733,193
Financial assets at fair value through profit or loss	–	–	2,014,358	2,014,358
Trade receivables	427,682	–	–	427,682
Financial assets included in prepayments, other receivables and other assets	1,684,581	–	–	1,684,581
Due from related companies	369,045	–	–	369,045
Restricted cash	14,544,592	–	–	14,544,592
Cash and cash equivalents	9,597,200	–	–	9,597,200
	26,623,100	733,193	2,014,358	29,370,651

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	32,927,553	–	32,927,553
Trade and bills payables	20,416,229	–	20,416,229
Lease liabilities	8,824,843	–	8,824,843
Financial liabilities included in other payables and accruals	2,404,315	–	2,404,315
Derivative financial instruments	–	351,332	351,332
Due to related companies	121,628	–	121,628
	64,694,568	351,332	65,045,900

42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2019

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income	–	854,052	–	854,052
Loans to investees	710,000	–	–	710,000
Financial assets at fair value through profit or loss	–	–	2,080,244	2,080,244
Trade receivables	240,872	–	–	240,872
Financial assets included in prepayments, other receivables and other assets	1,667,313	–	–	1,667,313
Due from related companies	244,576	–	–	244,576
Restricted cash	13,035,858	–	–	13,035,858
Cash and cash equivalents	8,186,507	–	–	8,186,507
	24,085,126	854,052	2,080,244	27,019,422

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	26,852,012
Trade and bills payables	20,119,408
Lease liabilities	11,537,611
Financial liabilities included in other payables and accruals	2,290,546
Due to related companies	174,268
	60,973,845

43. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments, other than lease liabilities and those with carrying amounts that reasonably approximate to fair values, largely due to the short term maturities of the instruments or because they bear floating interest rates if they have long term maturities, are as follows:

	Carrying amounts		Fair values	
	31 December 2020 RMB'000	31 December 2019 RMB'000	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Financial assets				
Financial assets at fair value through other comprehensive income	**733,193**	854,052	**733,193**	854,052
Financial assets at fair value through profit or loss	**2,014,358**	2,080,244	**2,014,358**	2,080,244
Loans to investee – non-current	**–**	560,000	**–**	497,834
Financial assets included in prepayments, other receivables and other assets – non-current	**294,776**	363,931	**275,273**	334,535
Total	**3,042,327**	3,858,227	**3,022,824**	3,766,665

	Carrying amounts		Fair values	
	31 December 2020 RMB'000	31 December 2019 RMB'000	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Financial liabilities				
Derivative financial liabilities	**351,332**	–	**351,332**	–
Bank and other borrowings with fixed interest rates – non-current	**6,409,039**	5,751,757	**6,451,764**	5,724,117
Total	**6,760,371**	5,751,757	**6,803,096**	5,724,117

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, current loans to investees, trade and bills payables, financial assets included in prepayments, other receivables and other assets with short term maturities, financial liabilities included in other payables and accruals, amounts due from/to related parties, and interest-bearing bank and other borrowings with short term maturities or bearing floating interest rates approximate to their carrying amounts largely due to the short term maturities of these instruments or because they bear floating interest rates if they have long term maturities.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: the fair values of non-current loans to investees, financial assets included in prepayments, other receivables and other assets with long term maturities and the non-current portion of other borrowings with fixed interest rates have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of other borrowings with fixed interest rates as at 31 December 2020 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments included in financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple and price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments included in financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group issued convertible bonds with certain embedded derivatives. These embedded derivatives are measured using valuation techniques. The models incorporate significant unobservable inputs including volatility of stock price and risk-free interest rate. The carrying amounts of derivative financial instruments are the same as their fair values.

43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of fair value to the input
Investment entities	Prior transaction method	The latest transaction price	Not applicable	Not applicable
Other unquoted investments	Market approach and enterprise value allocation model	LOMD*	31 December 2020: 12.00%-35.00% (31 December 2019: 22.00%-26.00%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB2 million to RMB40 million.
		P/E	31 December 2020: 36.50-39.65 (31 December 2019: 43.21-98.18)	5% increase (decrease) in the P/E would result in increase (decrease) in fair value by RMB1 million.
		P/S	31 December 2020: 0.86-1.72 (31 December 2019: 1.0-1.8)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value by RMB1 million to RMB10 million.
Derivative financial liabilities	Binominal tree model	Spot stock price	31 December 2020: HK$0.93 (31 December 2019: not applicable)	5% increase (decrease) in the spot stock price would result in increase (decrease) in the fair value by RMB31 million.
		Discount rate	31 December 2020: 10.271% (31 December 2019: not applicable)	5% increase (decrease) in the discount rate would result in decrease (increase) in the fair value by RMB0.1 million.
		Risk-free rate	31 December 2020: 0.323% (31 December 2019: not applicable)	5% increase (decrease) in risk-free rate will result in increase (decrease) in the fair value by RMB18 million.

* The discount for lack of marketability ("LOMD") represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020:

		Fair value measurement using		
	Total RMB'000	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Financial assets at fair value through other comprehensive income	**733,193**	**537,889**	**–**	**195,304**
Financial assets at fair value through profit or loss	**2,014,358**	**470,578**	**–**	**1,543,780**
Total	**2,747,551**	**1,008,467**	**–**	**1,739,084**

As at 31 December 2019:

		Fair value measurement using		
	Total RMB'000	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Financial assets at fair value through other comprehensive income	854,052	659,455	–	194,597
Financial assets at fair value through profit or loss	2,080,244	654,609	–	1,425,635
Total	2,934,296	1,314,064	–	1,620,232

43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2020:

		Fair value measurement using		
	Total RMB'000	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Derivative financial liabilities	**351,332**	**–**	**–**	**351,332**

The Group did not have any financial liabilities measured at fair value as at 31 December 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2019: Nil).

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

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at fair value through profit or loss RMB'000	Derivative financial liabilities RMB'000
At 1 January 2019	–	851,668	–
Additions	199,000	688,300	–
Disposal	–	(93,234)	–
Total losses recognised in the statement of profit or loss	–	(21,099)	–
Total losses recognised in other comprehensive income	(4,403)	–	–
At 31 December 2019 and 1 January 2020	194,597	1,425,635	–
Additions	–	95,319	(504,092)
Disposal	–	(22,900)	–
Total gains recognised in the statement of profit or loss	–	45,726	116,494
Total gains recognised in other comprehensive income	707	–	–
Exchange realignments	–	–	36,266
At 31 December 2020	195,304	1,543,780	(351,332)

43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 31 December 2020

		Fair value measurement using		
	Total RMB'000	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Financial assets included in prepayments, other receivables and other assets – non-current	**275,273**	**–**	**–**	**275,273**

As at 31 December 2019

		Fair value measurement using		
	Total RMB'000	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Loans to investees – non-current	497,834	–	–	497,834
Financial assets included in prepayments, other receivables and other assets – non-current	334,535	–	–	334,535
Total	832,369	–	–	832,369

43. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

		Fair value measurement using		
	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings with fixed interest rates – non-current	**6,451,764**	**–**	**–**	**6,451,764**

As at 31 December 2019

		Fair value measurement using		
	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings with fixed interest rates – non-current	5,724,117	–	–	5,724,117

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and other investments, comprise cash and cash equivalents, restricted cash and interest-bearing bank and other borrowings (including lease liabilities). The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, other receivables and payables and amounts due from/to related companies, which arise directly from its operations.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's exposure to the risk of changes in market interest rates relates primarily to the debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2020, the Group had bank borrowings of RMB3,486,804,000 with floating interest rates (2019: RMB5,741,304,000).

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Group's loss before tax (due to changes in finance costs).

	Increase/ (decrease) in basis points	**Increase/(decrease) in loss before tax RMB'000**
2020		
If interest rate increases by	**5**	**840**
If interest rate decreases by	**(5)**	**(840)**

	Increase/ (decrease) in basis points	Increase/(decrease) in loss before tax RMB'000
2019		
If interest rate increases by	5	3,481
If interest rate decreases by	(5)	(3,481)

Foreign currency risk

As at 31 December 2020, the Group had cash and bank balance, and time deposits of RMB104,348,000 (2019: RMB653,225,000), interest-bearing bank loans of RMB2,826,898,000 (2019: RMB3,774,432,000), bonds payable of RMB1,638,098,000 (2019: RMB3,321,508,000), and derivative financial liabilities of RMB351,332,000 (2019: Nil) which were denominated in foreign currencies, mainly in USD, EUR and HKD. At 31 December 2020, the Group had financial assets at fair value through profit or loss of RMB65,319,000, which were denominated in HKD.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of USD, EUR and HKD with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities). Other components of equity would not change.

	Change in foreign currency rate	Increase/ (decrease) in loss before tax RMB'000
2020		
If RMB weakens against USD	**5%**	**104,708**
If RMB strengthens against USD	**5%**	**(104,708)**
If RMB weakens against HKD	**5%**	**(1,330)**
If RMB strengthens against HKD	**5%**	**1,330**
If RMB weakens against EUD	**5%**	**112,973**
If RMB strengthens against EUD	**5%**	**(112,973)**

	Change in foreign currency rate	Increase/ (decrease) in loss before tax RMB'000
2019		
If RMB weakens against USD	5%	231,539
If RMB strengthens against USD	5%	(231,539)
If RMB weakens against HKD	5%	(5,561)
If RMB strengthens against HKD	5%	5,561
If RMB weakens against EUD	5%	101,142
If RMB strengthens against EUD	5%	(101,142)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades on credit only with third parties who have an established trading history with the Group and who have no history of default. It is the Group's policy that new customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, restricted cash, other receivables, loans to investees and amounts due from related companies, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial instruments. Concentrations of credit risk are managed by analysis by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different geographical regions.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	447,440	447,440
Financial assets included in prepayments, other receivables and other assets					
– Not yet past due	1,466,648	–	–	–	1,466,648
– Doubtful*/**	–	125,674	7,875	131,648	265,197
Restricted cash					
– Not yet past due	14,544,592	–	–	–	14,544,592
Cash and cash equivalents					
– Not yet past due	9,597,200	–	–	–	9,597,200
Due from related companies	369,045	–	–	–	369,045
	25,977,485	125,674	7,875	579,088	26,690,122

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	262,075	262,075
Financial assets included in prepayments, other receivables and other assets					
– Not yet past due	1,357,952	–	–	–	1,357,952
– Doubtful*/**	–	128,025	22,698	187,034	337,757
Restricted cash					
– Not yet past due	13,035,858	–	–	–	13,035,858
Cash and cash equivalents					
– Not yet past due	8,186,507	–	–	–	8,186,507
Loans to investees	710,000	–	–	–	710,000
Due from related companies	244,576	–	–	–	244,576
	23,534,893	128,025	22,698	449,109	24,134,725

* For trade receivables and finance lease receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 25 and note 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds based on the maturity of its financial instruments, financial assets and liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings (including lease liabilities). Management has reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period, based on contractual undiscounted payments.

	2020			
	On demand or within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	**3,417,928**	**6,238,820**	**2,098,369**	**11,755,117**
Interest-bearing bank and other borrowings	**24,106,786**	**8,885,790**	**2,659,193**	**35,651,769**
Trade and bills payables	**20,416,229**	**–**	**–**	**20,416,229**
Financial liabilities included in other payables and accruals	**2,404,315**	**–**	**–**	**2,404,315**
Derivative financial liabilities	**–**	**351,332**	**–**	**351,332**
Due to related companies	**121,628**	**–**	**–**	**121,628**
	50,466,886	**15,475,942**	**4,757,562**	**70,700,390**

	2019			
	On demand or within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	3,216,084	8,030,923	2,923,607	14,170,614
Interest-bearing bank and other borrowings	19,275,054	7,072,390	3,171,906	29,519,350
Trade and bills payables	20,119,408	–	–	20,119,408
Financial liabilities included in other payables and accruals	2,290,546	–	–	2,290,546
Due to related companies	174,268	–	–	174,268
	45,075,360	15,103,313	6,095,513	66,274,186

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from financial assets at fair value through other comprehensive income (note 19) and financial assets at fair value through profit or loss (note 20) as at 31 December 2020.

The following table demonstrates the sensitivity to 10% decrease in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the other equity investments, the impact is deemed to be on the other investment revaluation reserve and no account is given for factors such as impairment which might impact on the consolidated statement of profit or loss.

	Carrying amount RMB'000	**Increase in loss before tax RMB'000**	**Decrease in equity* RMB'000**
2020			
Financial assets at fair value through other comprehensive income	**733,193**	**–**	**73,319**
Financial assets at fair value through profit or loss	**2,014,358**	**201,436**	**–**

	Carrying amount RMB'000	Increase in loss before tax RMB'000	Decrease in equity* RMB'000
2019			
Financial assets at fair value through other comprehensive income	854,052	–	85,405
Financial assets at fair value through profit or loss	2,080,244	208,024	–

* Excluding accumulated losses

The Group is also exposed to equity price risk arising from the embedded derivative of the convertible bonds issued (note 32) and the related sensitivity analysis is disclosed in note 43 to the financial statements.

Capital management

The primary objective of the Group's capital management is to ensure that the Group has healthy capital structure in order to support the Group's stability and growth.

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings (other than convertible bonds), amounts due to related companies, trade and bills payables and certain other payables and accruals, less cash and cash equivalents and restricted cash. Capital includes the equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade and bills payables *(note 29)*	**20,416,229**	20,119,408
Other payables and accruals *(note 30)*	**4,991,622**	3,565,659
Due to related companies *(note 27)*	**121,628**	174,268
Lease liabilities *(note 22(b))*	**8,824,843**	11,537,611
Interest-bearing bank and other borrowings *(note 31)*	**32,927,553**	26,852,012
Less:Cash and cash equivalents *(note 28)*	**(9,597,200)**	(8,186,507)
Restricted cash *(note 28)*	**(14,544,592)**	(13,035,858)
Net debt	**43,140,083**	41,026,593
Equity attributable to owners of the parent	**4,916,349**	11,599,924
Total capital	**4,916,349**	11,599,924
Capital and net debt	**48,056,432**	52,626,517
Gearing ratio	**90%**	78%

45. 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 the outstanding aggregate principal amount of RMB937,399,000, and the coupon rate will remain at 7.6% per annum with a 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 has completed the renewal of the domestic bonds with bond holders holding the outstanding aggregate principal amount of RMB16,211,000, and the coupon rate will remain at 7.8% per annum with a 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 (approximately RMB3,707,195,000).

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Financial assets at fair value through profit or loss	65,320	–
Investments in subsidiaries	7,817,971	15,186,568
Total non-current assets	7,883,291	15,186,568
CURRENT ASSETS		
Prepayments, other receivables and other assets	9,875	77,802
Restricted cash	–	225,402
Cash and cash equivalents	64,915	387,410
Total current assets	74,790	690,614
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,737	2,712,406
Bonds payable	–	3,321,508
Other payables and accruals	21,098	65,718
Total current liabilities	24,835	6,099,632
NET CURRENT ASSETS/(LIABILITIES)	49,955	(5,409,018)
TOTAL ASSETS LESS CURRENT LIABILITIES	7,933,246	9,777,550
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,465,035	1,062,026
Amounts due to subsidiaries	1,925,082	647,018
Derivative financial liabilities	351,332	–
Total non-current liabilities	6,741,449	1,709,044
Net assets	1,191,797	8,068,506
EQUITY		
Issued capital	518,210	518,322
Reserves (note)	673,587	7,550,184
Total equity	1,191,797	8,068,506

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium RMB'000	Contributed surplus RMB'000 *Note (i)*	Capital reserve RMB'000	Share-based payment reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	(1,086,657)	13,829,135	42,849	(830,425)	–	(49,695)	(805,382)	11,099,825
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	(384,106)	(3,165,535)	(3,549,641)
At 31 December 2019 and 1 January 2020	**(1,086,657)**	**13,829,135**	**42,849**	**(830,425)**	**–**	**(433,801)**	**(3,970,917)**	**7,550,184**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(640,567)**	**(6,299,909)**	**(6,940,476)**
Shares repurchased	**(12,420)**	**(5,535)**	**–**	**–**	**–**	**–**	**–**	**(17,955)**
Shares awarded under share award scheme	**65,667**	**(23,812)**	**–**	**–**	**(41,855)**	**–**	**–**	**–**
Equity-settled share-based payment	**–**	**–**	**–**	**–**	**81,834**	**–**	**–**	**81,834**
At 31 December 2020	**(1,033,410)**	**13,799,788**	**42,849**	**(830,425)**	**39,979**	**(1,074,368)**	**(10,270,826)**	**673,587**

Note:

(i) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Capital Automation (BVI) Limited and the value of net assets of the underlying subsidiaries acquired as at 27 March 1992. At the Group level, the contributed surplus is reclassified into various components of reserves of the underlying subsidiaries.

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or after the payment would be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2021.

Corporate Information

DIRECTORS

Executive Director

ZOU Xiao Chun

Non-executive Directors

ZHANG Da Zhong *(Chairman)*
HUANG Xiu Hong
YU Sing Wong

Independent Non-executive Directors

LEE Kong Wai, Conway
LIU Hong Yu
WANG Gao

COMPANY SECRETARY

SZETO King Pui, Albert

AUTHORISED REPRESENTATIVES

ZOU Xiao Chun
SZETO King Pui, Albert

PRINCIPAL BANKERS

China Construction Bank
Industrial Bank
ICBC
Agricultural Bank
China Everbright Bank

AUDITOR

Ernst & Young
Registered Public
Interest Entity Auditor

REGISTERED OFFICE

Victoria Place
5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

HEAD OFFICE

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

PRINCIPAL SHARE REGISTRAR IN BERMUDA

MUFG Fund Services
(Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited
Level 54 Hopewell Centre
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国美

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