GOME RETAIL HOLDINGS LIMITED
國美零售控股有限公司 *

Incorporated in Bermuda with limited liability

Stock Code : 493

2021 Annual Report

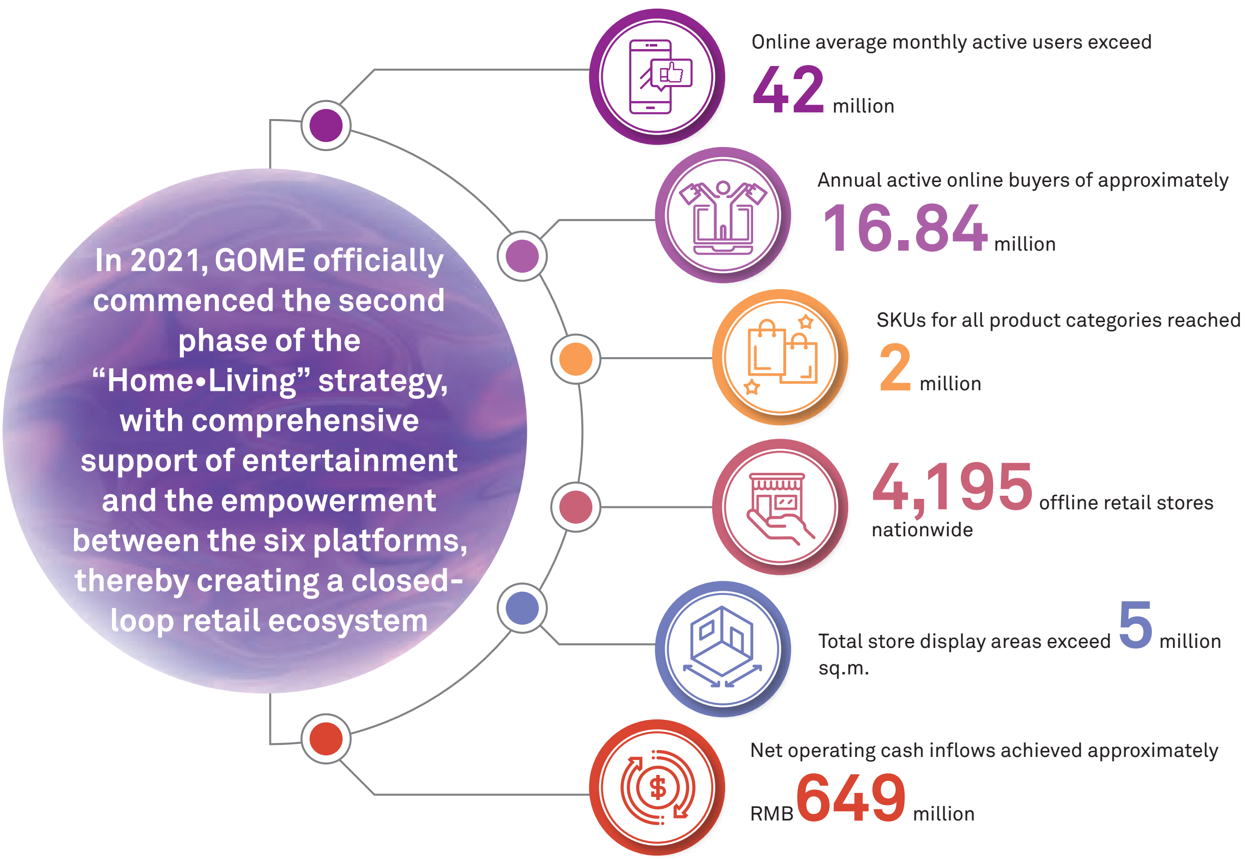
* For identification purpose only

Technology Empowered Omni-Retail Ecological Sharing Platform

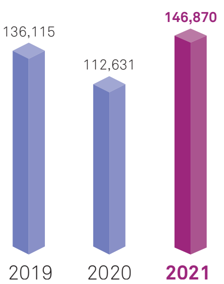
CONTENT

GOME at a Glance

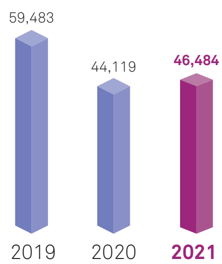
GOME Retail Holdings Limited has been listed on the Hong Kong Stock Exchange since July 2004 (stock code: 00493). Founded in China in 1987, GOME provides a full range of local daily living products and services, including home appliances, food and beverage, clothing, shoes and bags, home furnishings, 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.



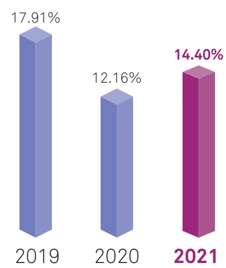
Total GMV
(RMB million)



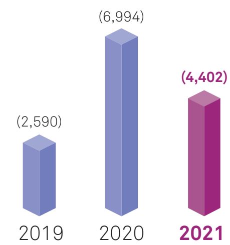
Revenue
(RMB million)



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 2021 RMB' 000	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
Revenue	**46,483,804**	44,119,113	59,482,827	64,356,031	71,574,873
Loss attributable to owners of the parent	**(4,402,037)**	(6,993,816)	(2,589,826)	(4,886,895)	(449,895)
Total assets	**80,922,859**	70,494,181	71,871,973	60,741,791	63,224,019
Total liabilities	**63,337,977**	69,226,535	63,710,921	49,658,027	45,697,793
Non-controlling interests	**(4,019,601)**	(3,648,703)	(3,438,872)	(2,993,883)	(2,386,899)
Net assets	**17,584,882**	1,267,646	8,161,052	11,083,764	17,526,226

"Home · Living" : GOME owns First Mover Advantages in Tapping into Larger Market With Long-term Deployment

China's largest omni-retail digital platform in "Home · Living" Sector

2017
GOME was the first in the industry both to promote **"Home · Living" strategy** and introduce home service scenarios to home decoration businesses

2018
Built a new retail ecosystem with proprietary capabilities of product and service, thus emerging as a **"Home · Living"** provider of integrated solution and service solution provider as well as supply chain exporter

2019
Shaped the prototype of the online and offline **omni-retail ecosystem** by integrating social e-commerce, GOME stores as well as traffic of GOME App, and converging the home appliance business and the non-home appliance business

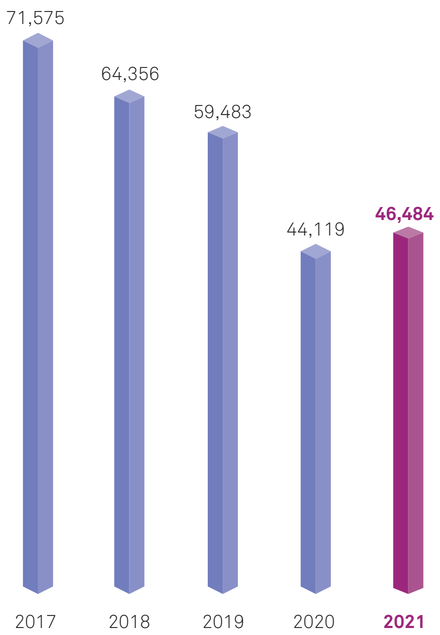
2020
Continued to implement **"Home · Living" strategy** and develop into a sci-tech local retail enterprise driven by online and offline dual platforms encompassing scenes of **online, in-store, in-home and to-home**

Early 2021
The vision and strategic planning of **the second phase of "Home · Living"** became gradually clear, with comprehensive support of entertainment and the empowerment between the six platforms, thereby creating a closed-loop retail ecosystem

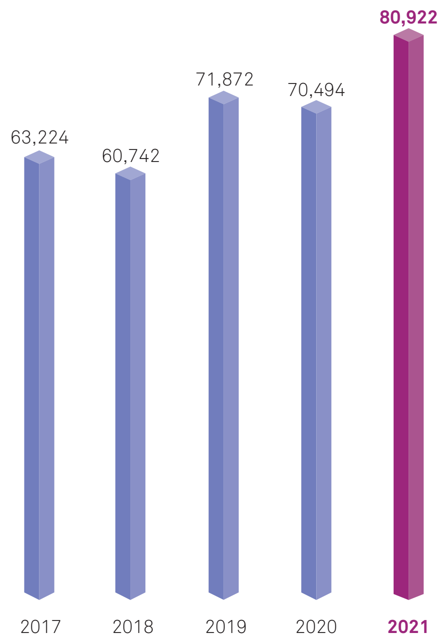
In October 2021
Completed the construction of the basic infrastructure of the **omni-retail ecological sharing platform** with the concept of "omni-scenario, omni-channel, omni-service and omni-mode", and ignited the new development phase at full speed

Financial and Operational Highlights

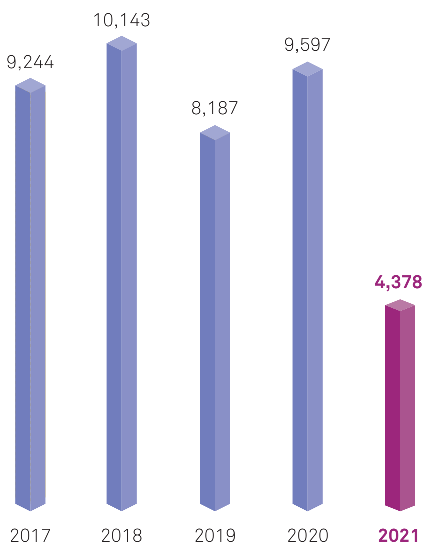
REVENUE
(RMB million)



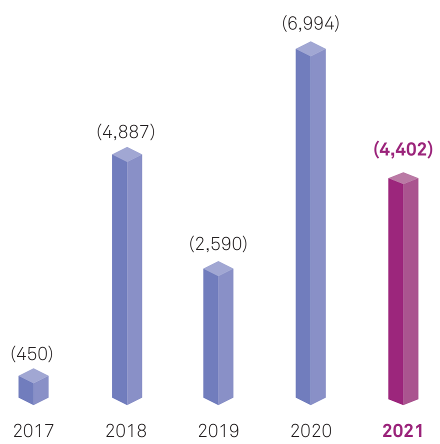
TOTAL ASSETS
(RMB million)



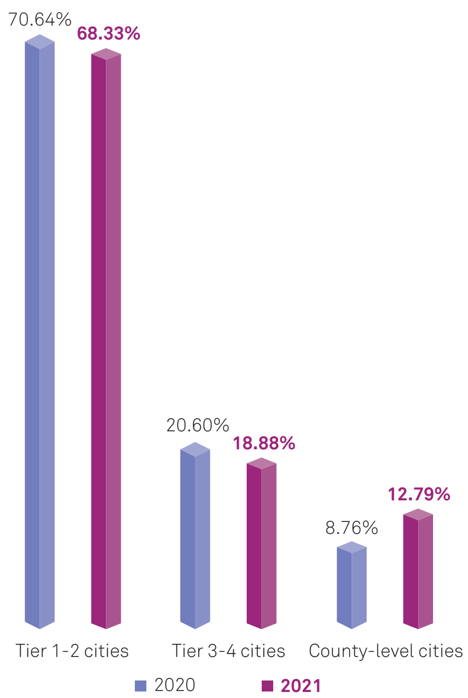
CASH AND CASH EQUIVALENTS
(RMB million)



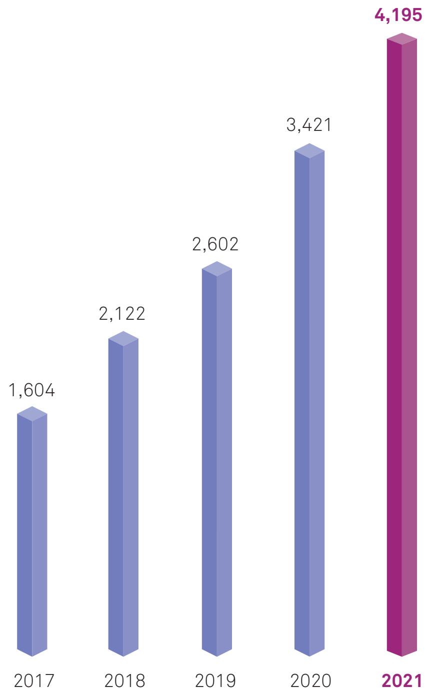
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT
(RMB million)



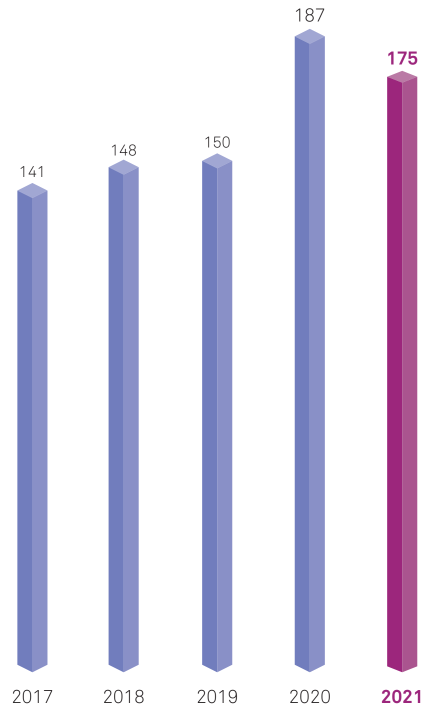
REVENUE BY TIERS OF CITIES



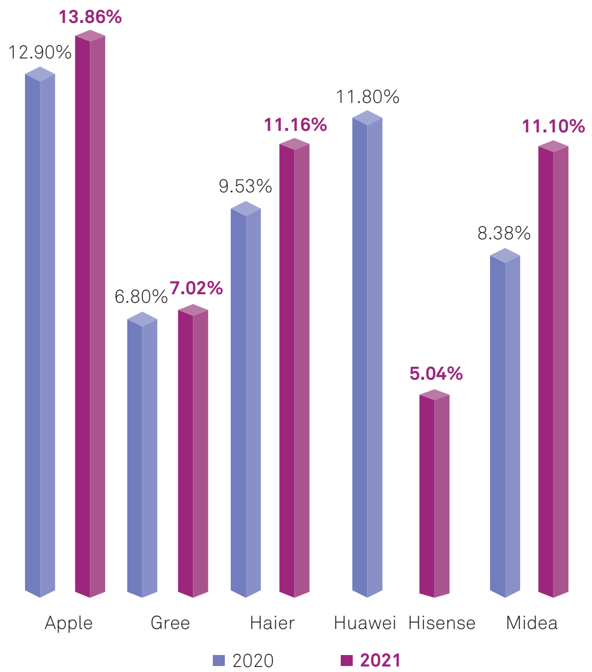
NUMBER OF STORES AT YEAR END



TRADE AND BILLS PAYABLES TURNOVER DAYS



TOP 5 SUPPLIERS




A.O.史密斯

“GOME’s retail ecosystem platform and other facilities have been developed according to the “Home•Living” strategy. These facilities have become its three core strengths and competitive edges for consolidating its presence in the “Home•Living” market: firstly, GOME has made initial success in the establishment of its business platform that covers the entire country with grid layout and digital services. Efforts has also been made to expand and enrich the platform; secondly, GOME has created an integrated model of scenario-based and family-based consumption. It has also transformed its traditional consumer base into consumer business through new models such as entertainment-oriented marketing and sharing and joint development platform, thereby building a closed-loop omni-retail ecosystem; thirdly, its service coverage has been fully extended to household scenario, creating a comprehensive service platform that encompasses online, offline, supply chain, integration and service functions.”

Chairman's Statement

ZHANG DA ZHONG

Chairman

Adhering to the Group's mission of enhancing efficiency and quality with the support of technology and wisdom, we will further develop the "Home • Living" market to pursue the growth of GOME with greater perseverance, insights and confidence.

Dear Shareholders,

Looking back on 2021, General Secretary Xi pointed out that "developing digital economy is a strategic choice to grasp new opportunities arising from the new round of technological revolution and industrial transformation". As the development of the new round of technological revolution and industrial transformation deepened, digital transformation has become a general trend. From a macro perspective, the development of the digital economy will accelerate economic transformation and high-quality advancement. Promoting consumption growth and increasing the proportion of consumption in economy will be the major tasks of national economic development in the near future.

To align with the trend of technology-driven development and evolving consumption models, GOME launched its strategy of establishing a full retail ecological sharing platform. Focusing on the retail and home service industry, GOME capitalised on its industry innovation and technology-enabled online and offline channels to establish and integrate its six business platforms, including online platform, offline platform, supply chain platform, logistics platform, big data & cloud platform and sharing and joint development platform. Through these six platforms which complement, support and empower each other, a GOME ecological system has been created to cover the entire range of products, scenarios, channels and linkages as well as product full life cycle management.

In 2021, we accelerated the implementation of the second phase of our "Home•Living" strategy and the critical moment for the establishment of GOME modern retail platform. Adhering to our mission of "Better home and lifestyle through GOME", we aim to meet people's pursuit of quality of life. It is essential for us to pave the future development of our retail business through capturing opportunities arising from the improvement of household quality of living and favourable policies. Our "Home• Living" strategy entirely focuses on household consumption and aims to improve our household-oriented consumer service portfolio which covers product selection for households and precise assembly services, and enhance our operation which targets household consumption. The aforesaid initiatives will become the core values of GOME Retail and the key elements attributing to our success in the "Home•Living" market. Our "full retail ecological sharing platform" has laid a solid foundation for the quality improvement and high-quality development of GOME and also represented a breakthrough in its development. Last year, we put great efforts in our supply-side, consumer-oriented and technology-empowered segments and drew up a strategy for "integrated & centralised, interconnected and sharing and joint development". Committed to creating an effective and comprehensive procurement process with lower cost, we have established an integration online and offline consumption scenario and an empowerment platform for product digitisation and continuous integration and expansion of our partners.

In October 2021, GOME Retail announced its provision of three-year management services for five subsidiaries of GOME, including GOME Home (國美家), Sharing and Joint Development (共享共建), Home Decoration (打扮家), Anxun Logistics (安迅物流) and GOME Collections (國美窖藏), which will not only generate revenue with the minimum amount guaranteed, but will also enhance the synergy effect among different business segments and integrate different industries. As such, a solid foundation will be laid for the development of GOME's platform-based business strategy.

As a results of our efforts in the past year, GOME has successfully captured the first mover advantage and tapped into the "Home • Living" market with extensive strategic values, and transformed from an appliances retail chain into a omni-scenario operation model encompassing scenes of in-store, in-home, online and to-home and covering entire range of products including electrical appliances, household items, home decoration, home furnishing and home services. In addition, we have constructed the "omni-retail" platform under the "Home • Living" strategy as our core system and business moat and a full retail ecosystem sharing platform based on the six platforms of integrated & centralised, interconnected and sharing and joint development to create a closed-loop value chain. In 2021, we also upgraded and transformed our entertainment platform. Serving as a driver integrating the development of our "omni-retail" and "Home • Living" platforms, the platform will be a significant element for our "Home • Living" concept and also our major strategic direction in the next two to three years.

2022 marks a meaningful year for GOME as it ushers in its 35th anniversary. These 35 years of challenges have never impeded GOME's pursuit of exploration and innovation. As a longstanding market leader in the retail industry for 35 years, we have always strived for achieve breakthroughs in traditional retail business and embraced new technologies. In our effort to keep abreast of industry development, one of our goals in 2022 is to "innovate". In 2022, GOME will continue to focus on the development of full retail ecosystem by tackling the obstacles in the traditional retail industry, inviting more business partners to join our ecosystem and attracting consumers on different entertainment and social platforms. We will also continue to improve our standard of "genuine products provided by selected merchants" through offering in-store demonstration to customers. Our service ability for omni-linkages, scenarios and patterns will be enhanced according to our customer-orientated approach, setting a new standard for the industry.

Finally, I would like to express my heartfelt appreciation on behalf of the Board to our shareholders for their support and trust, 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 attach new meanings to GOME ecosystem primarily based on the overall development of the Group. In response to the trust and support from society, we will continue to improve the culture and operating results to create a new and valuable GOME under the Group's mission of "enhancing efficiency with the support of technology and wisdom for good" and its philosophy of "integration of all businesses through mutual interaction, reliance and support".

Zhang Da Zhong
Chairman

Management Discussion and Analysis

In October 2021, GOME completed the construction of the basic infrastructure of the omni-retail ecological sharing platform with the concept of "omni-scenario, omni-linkage, omni-service and omni-mode", and ignited the new development phase at full speed.

OVERVIEW

During the year ended 31 December 2021 (the "Reporting Period"), in the consistent pursuit of its mission of "Better home and lifestyle through GOME", GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "GOME") focused on retail business and household service business to align with the principle of better serving the needs of modern Chinese households. With the second phase of the "Home•Living" strategy in full swing, GOME has laid a solid foundation for embarking on its extensive upgrade and high-quality development. It is currently expediting its efforts of becoming a full retail ecosystem sharing platform of integrated & centralised, interconnected and sharing and joint development.

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

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

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

BUSINESS ENVIRONMENT

In respect of the macroeconomy, during the Reporting Period, variants and recurring outbreaks of COVID-19 dampened the global economic recovery. Continuous conflicts between China and the United Stated fueled geopolitical risks, which may further hamper the economic recovery. The effective control of the pandemic in China accelerated the growth of its export trade and related production sectors. However, as the global pandemic will finally be brought under control in the future, the rapid growth of exports will be impeded while the growth of domestic investment may be stalled as a result of government policies. As such, consumption recovery will become the main driving force to support long-term economic growth in the future, and will serve as the basis for the long-term stable development of China.

In respect of domestic policies, based on the dual circulation development pattern of China, the economy has entered a transition period of high-quality development. On the one hand, it is essential for the policies to revitalise the supply side, boost technological innovation and facilitate business upgrade. On the other hand, initiatives should be introduced to promote consumption through raising resident income to align with business upgrade.

The management of the Group concurs that, based on the needs of the current economic situation and the inherent requirements of the domestic economy for high-quality development through transformation, the major tasks of national economic development in the future will be to boost consumption growth and increase the proportion of consumption in the economy. Relevant stimulus policies are expected.

MARKET DEVELOPMENT POTENTIAL

According to the forecasts by professional institutions, the market of "Home • Living" will reach RMB30 trillion and there are a large number of blue ocean segments with huge growth potential. In particular, the markets of in-store, in-home, online and to-home segments are expected to reach RMB15.4 trillion, RMB3.6 trillion, RMB2.8 trillion and RMB8.5 trillion, respectively. The "Home • Living" market represents the core part of domestic consumption and is full of energy and opportunities. The development of a Omni-retail ecosystem is indispensable to the upgrade of the retail industry and modern logistics system. It is also the vantage point and new driving force of the industry. The current retail industry and the logistics industry have come to a critical time for transformation and upgrade. For a long time, the platform development of Internet e-commerce has been so overwhelming that the commercial value of offline entities has been undermined, resulting in higher operating costs of manufacturers in general, limited consumers' rights and potential risks of monopoly. As such, there have been online and offline opinions suggesting the establishment of a "full-scenario" interaction which would enable the "omni-linkage" and "omni-mode" of sales and logistics in an effective and fair manner, and the satisfaction of consumers' need for better lifestyle services in terms of "material" and "mental" well-being. To fulfill the mission and goal of creating a "full range of products and services" that embody greater sense of achievement, happiness and security, an "omni-retail" ecosystem has been developed, which is also crucial for the high-quality development of the retail industry and the modern logistics system.

BUSINESS REVIEW

Embarking on the Second Phase of the "Home• Living" Strategy

Creating a general solution for omni-retail ecosystem sharing platform of integrated, centralised & interconnected and sharing and joint development.

During the Reporting Period, based on its strengths in retail and having fully considered the economic and social functions of retailing, the Group created a general solution for a closed-loop omni-retail ecosystem sharing platform which integrates its six platforms, namely "online platform, offline platform, supply chain platform, logistics platform, big-data & cloud platform and sharing and joint development platform", with an aim to lower retail cost, enhance efficiency and raise value. The implementation of this solution is now in full swing. Characterised by its "integrated and centralised", "interconnected" and "sharing and joint development" features and synergy effects, the full retail ecosystem model of GOME provides a leading, systematic and sustainable general solution to full retail ecosystem with unique practicality.

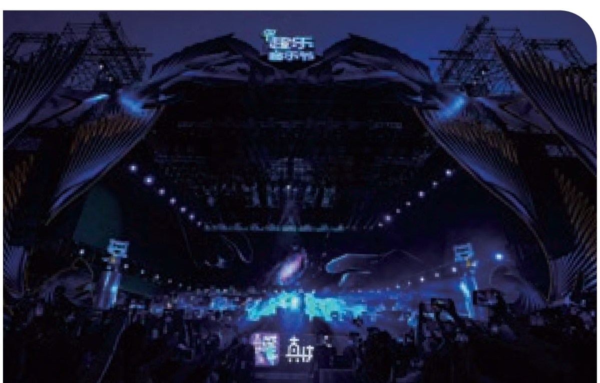
During the Reporting Period, the Group achieved online and offline full-scenario interaction by capitalising on the integrated innovation of digital technology and the combined application of in-house operation, joint operation, franchise and other models. This full-scenario interaction resulted in the comprehensive and effective chain management covering product chains, logistics network and aftersales services. The consumption needs for better "Home•Living" experience were also fulfilled as the full-scenario interaction

enabled the integration of an extensive range of products and services, including electrical appliances, household items, home decoration, home furnishing and home services. Efforts were also made to effectively integrate the key elements in the retail industry, namely "people, goods and venues". Through streamlining and optimising the entire chain of its retail business, the Group significantly lowered cost for all parties, enhanced its overall operation efficiency and consolidated the development of the omni-retail ecosystem.

In addition, based on its precise online and offline positioning, GOME placed an emphasis on the advantages of product display and whole-process service response of its online platform, "FUN (真快樂)" APP, as well as the advantage of outlet experience and local lifestyle services of its offline platform, "GOME Home (國美家)" stores. With a grid layout covering the entire country, online and offline platforms effectively complemented each other. As part of the full retail ecosystem of GOME, these online and offline platforms had separate development trajectories while creating synergy effects with each other. Having fully revitalised its physical outlets in urban areas, GOME was successful in its full integration of in-store, online and home services under its O2O synergistic development and its advanced retail solution for the integrated development of digital economy and real economy.

Moreover, with the combined functions and advantages of the above platforms, GOME attached great importance to its "sharing and joint development" platform, on which specialised retail resources are available for sharing with external partners while the resources and skills of various partners are available for integration. It allowed GOME to build a truly socialised, open and fair retail ecosystem featuring innovative infrastructure for sharing, which resulted in the perfect balance between the business interests of enterprises and the benefits of society.

Through the integration of the six major platforms, we have developed our core strengths of integrated & centralised, interconnected and sharing and joint development and created a closed-loop value chain and business moat based on the omni-retail ecosystem sharing platform featuring omni-linkage, omni-scenario and omni-mode. Omni-retail ecosystem sharing platform is the integration of the retail philosophies, resources and creative ideas of the Group. It also exemplifies the technological achievements and innovative corporate missions of GOME in the new era. Currently, with the completion of the core model and key components of the omni-retail ecosystem, the Group will enjoy stronger synergy effects and accelerate more achievements and benefits.



The Group's nationwide retail network

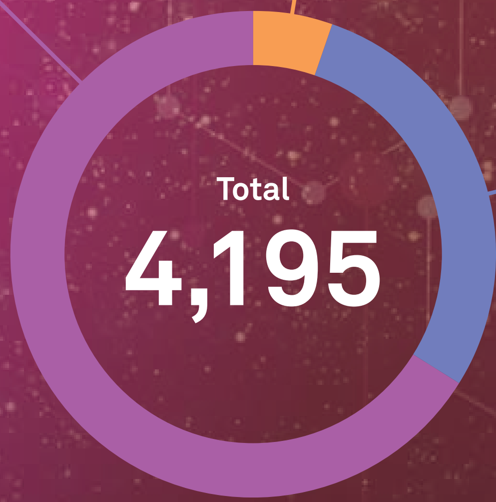
As at 31 December 2021

"on 31 December 2021, the total number of stores operating under the Group reached 4,195 and spanned 1,439 cities and towns."

New retail stores
2,763

Flagship stores
232

Community stores
1,200



Expansion of Store Network	Total	GOME	China Paradise	Dazhong	Cell Star
Flagship stores	232	197	18	17	–
Community stores	1,200	1,067	96	30	7
New retail stores	2,763	2,496	189	78	–
Total	**4,195**	**3,760**	**303**	**125**	**7**
Net increase/(decrease) in store number	774	714	63	43	(46)
Newly-opened stores	1,227	1,084	87	51	5
Closed stores	453	370	24	8	51
Number of cities and towns accessed	1,439				
Among them:					
Primary market	38				
Secondary market	387				
Tier 3-6 cities	1,014				
Cities and towns newly accessed	141				

1) Online platform: Centred on the mobile application of "FUN (真快樂)" and positioned as an online shopping mall, the online platform of the Group recorded excellent SKU sales as the Group enabled the timely delivery of the products and services with entertaining features from selected merchants on its supply chain. After a year of hard work, the "Entertainment (樂)" channel and the "Purchase (購)" segment of the "FUN (真快樂)" APP have created synergy effects and positive interaction. The Group launched the "Selected Products (真選)" channel under its "Purchase (購)" segment in strict accordance with the existing consumption promotion policy of China. A wide variety of quality products were selected according to eight stringent selection principles and standards. Moreover, featuring professional buyers and strong supply chain, the channel was well-positioned to offer value-of-money products to its users. As for the "Entertainment (樂)" segment, quality contents were introduced on various media, including matches and short videos, based on the deployment and planning for rapid upgrade as well as the entertainment-oriented marketing features. The result was the entertaining interaction among different users and between users and platforms. During the Reporting Period, the gross merchandise volume (GMV) of the "FUN (真快樂)" APP recorded a year-on-year increase of 108.4%, with monthly active users (MAU) consistently at 50 million or above and single-day active users (DAU) of nearly 10 million.

2) Offline platform: The offline platform is the major marketplace of the daily life services of the Group. By focusing on product display experiences, home value-added services and home entertainment, the platform provides home users with in-store, to home and online services. Through streamlining and optimising the entire chain of its retail business, the Group significantly lowered cost for all parties, enhanced its overall operation efficiency and consolidated the development of the omni-retail ecosystem. During the Reporting Period, the Group achieved online and offline full-scenario interaction which ensured the omni-linkage covering product supply chains, logistics network and aftersales services. The consumption needs for better "Home•Living" experience were also fulfilled as the full-scenario interaction enabled the consolidation of the entire range of products and services, including electrical appliances, household items, home decoration, home furnishing and home services. Having stepped up its effort in the past year, the Group has transformed its existing stores from electrical appliance outlets to new showrooms which are characterised by their product display experiences and local lifestyle services. Currently, the Group has entered into contracts with no less than 60% of major suppliers based on new operation models. In addition, GOME (including GOME Home (國美家)) has entered into contracts with 35 parties and proposed to enter into contracts with 65 parties regarding these new model stores, with the area under management of approximately 1 million sq.m. The model stores of GOME Home (國美家) will be launched and commence operation in 2022.

3) Supply chain platform: As part of the strategy of the Group, the consumption features of the supply chain platform were further enhanced through introducing stronger integrated consumption services that focus on selected household items, precise matching capability and household needs, while household-oriented operation was also improved. After a year of effort in enriching products and services on the platform, the Group recorded SKUs of nearly 2 million with higher service quality and lower cost. Furthermore, the supply-side features of the supply chain platform were continuously refined through optimising and integrating supply chain resources and improving supply chain efficiency and quality. Based on the "Home • Living" strategy and household consumption characteristics, the platform continued to offer products and services of different categories under combined, packaged or one-stop overall home solutions, creating a super supply chain of entire range of products and services for household consumption.

4) Logistics platform: The logistics platform of the Group has been committed to providing society with an open platform of professional third-party logistics solutions covering omni-linkage. It provides quality services for entire society and maintains a leading position in medium- and large-scale home delivery in urban areas. During the Reporting Period, greater platform-based measures were taken to promote the development of the logistics platform of the Group by leveraging its well-established warehouse network layout. The proportion of third-party logistics business was 48% or above with a total warehouse area of more than 5 million sq.m, spanning nine cities and ten self-developed logistics bases. Six logistics bases commenced operation with the total area of warehouse facilities of approximately 400,000 sq.m. and office supporting facilities of approximately 80,000 sq.m. while the remaining four logistics bases were under construction. In respect of the service platform, "Whole-process video shopping guides (全程視頻導購)", an innovative central home one-stop service, was fully launched during the Report Period after a year of deployment and iteration and is currently running smoothly. This platform realised the omni-scenario interaction of online and offline shopping and covered omni-linkage of pre-sales, sales and after-sales services. As a result, cost was significantly reduced while efficiency and value were enhanced.

5) Big-data & cloud platform: The big-data & cloud platform serves as the digitalised "corporate brain" of the Group as it fully supports the digitalised operation of online platform, offline platform, supply chain platform, logistics platform and sharing and joint development platform. It formulates consistent standards for data products and services across all the platforms and continues to develop big data products. Efforts were also made to provide data service capabilities to external parties. During the Reporting Period, the Group not only issued the Data Management Report (數據治理白皮書), but also launched the data standard management system, "Ma Liang Portrait Platform (馬良畫像平台)", Kunpeng Product Series (鯤鵬系列產品) and Bole Real-time Data Full-scenario Platform (伯樂實時數據全景平台). The existing Hujing data platform (虎鯨數據平台) was also upgraded and expanded to support the access, storage, analysis and modeling of massive data as well as the development and operation of various real-time and offline computation with high efficiency and stability. Product development has been driven by data management and intelligent analysis with significantly higher efficiency in data collection, application and processing. As the data system has been further consolidated, the Group was able to carry out digitalised operation.

6) Sharing and joint development platform: The sharing and joint development platform capitalises on the functions and strengths of various businesses and the online data resources to achieve the integration of extensive retail resources based on social needs as well as the sharing of smart distribution initiatives across different fields. During the Reporting Period, the sharing and joint development platform ensured the systematic integration and availability of scenario/traffic, supply chain, promotion, operation services and other resources and capacity of GOME and its partners to facilitate membership access, data sharing and loyalty point exchange among producers, marketing agencies and franchisees. With overwhelming responses from its partners, the trial operation of the platform is progressing smoothly.

CORPORATE GOVERNANCE

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the "Board") consists of two executive directors, two 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, the Group further ensured "authentic products", "fast delivery" and "entertaining experience" with the support of technology and wisdom. Committed to its business integrity, the Group introduced the core value of "Taking Pride in being Trustworthy" which stresses the importance of "trustworthiness in interpersonal interaction, corporate development and successful business". Various activities were carried out to strengthen staff participation in corporate development and enhance their sense of belonging. The Group also encouraged its entire staff to incorporate and uphold the value of "Trust" in all the aspects and processes of its corporate development, operation and management. These values of the Group have become its corporate code of conduct for communicating with consumers, partners, employees and stakeholders in society and ultimately gaining the confidence, trust and reliance of all these parties. As such, joint development between the Group and all parties in society were achieved through harmonious interaction and mutual trust.

HUMAN RESOURCES

During the Reporting Period, the Group planned its human resources to facilitate the promotion of the "Home•Living" strategy. By optimising the recruitment strategy and channels and organising a variety of training programmes, operational efficiency of the Group and the implementation of strategies were enhanced with the support of our talented employees.

In respect of staff recruitment, the Group attaches great importance to diversified staff composition and stringently prevents discrimination in terms of race, gender, origin, age and disability. In 2021, over 300 senior executive and key personnel in the fields of automobile sales, real estate, logistics, supply chain, offline retail, e-commerce and technological research and development were recruited.

In respect of staff training, GOME is committed to providing training for its staff and management. Regular training programmes of the Company include: Training plans for new employees, three-month intensive induction training programmes for senior executives, on-the-job leadership training (echelon training programmes) and expertise training programmes. As for leadership of the management, the Company jointly launched various training programmes with external institutions during the year, such as the academic qualification enhancement programme with the Open University of China (國開大學) and the leadership programme with CEIBSONLINE.COM (中歐商業在線). These programmes allowed the Company to enhance the leadership of its management in four major aspects, namely strategy implementation, organisational construction, team management and synergy enhancement.

FINANCIAL REVIEW

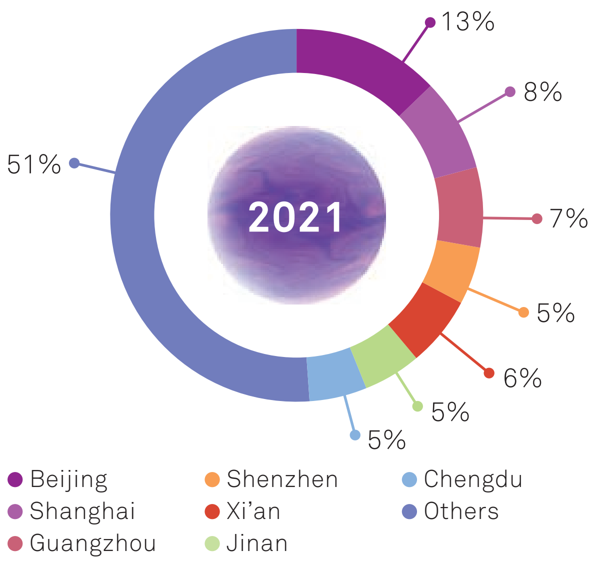
Revenue

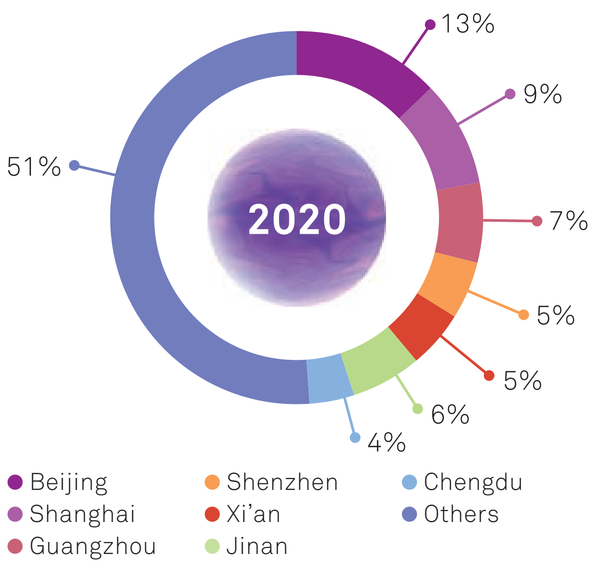
With the gradual alleviation of the COVID-19 pandemic in Mainland China and the launch of the stimulating policies in consumption by the Chinese government, the business environment continued to improve and thus created new opportunities for all industries during the Reporting Period. The Group accelerated the implementation of its "Home•Living" strategy and drove the growth of its business performance simultaneously. Sales revenue was approximately RMB46,484 million during the Reporting Period, increased by 5.36% as compared with RMB44,119 million for the corresponding period last year. Among that the proportion of revenue from county-level stores has increased from 8.76% for the corresponding period last year to approximately 12.79%. These businesses are expected to grow further in the future and drive the overall revenue growth of the Group.

Cost of sales and gross profit

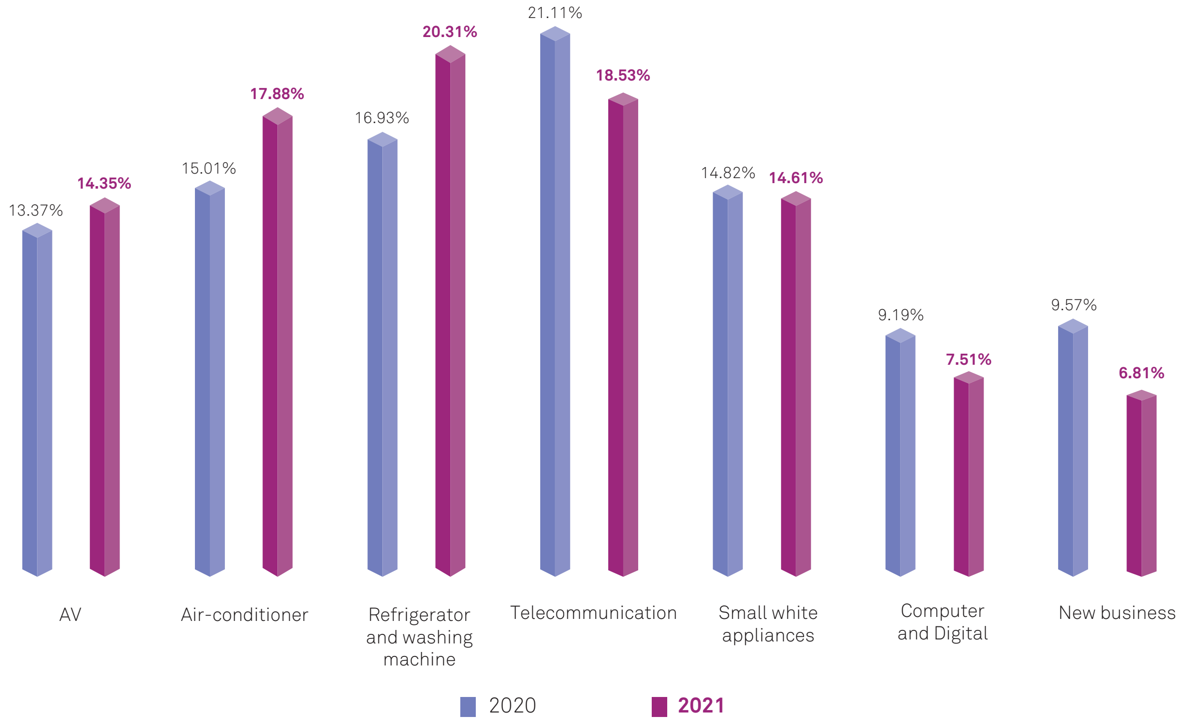
Cost of sales of the Group was approximately RMB40,977 million during the Reporting Period, accounted for 88.15% of the revenue, as compared with 89.69% for the corresponding period in 2020. With the increase in revenue, gross profit increased by 21.03% from RMB4,550 million for the corresponding period last year to approximately RMB5,507 million. The gross profit margin was approximately 11.85%, increased by 1.54 percentage points as compared with 10.31% for the corresponding period last year. The main reason for the increase in gross profit margin was that the gross profit margins for higher-margin products such as AV, refrigerator and washing machine and small white appliances increased and also the sales of these products accounted for a relative larger proportion as compared with the pandemic period last year. The proportion of sales of these categories increased from 45.12% for the corresponding period last year to 49.27% during the Reporting Period.

SALES REVENUE OF THE GROUP BY REGION:

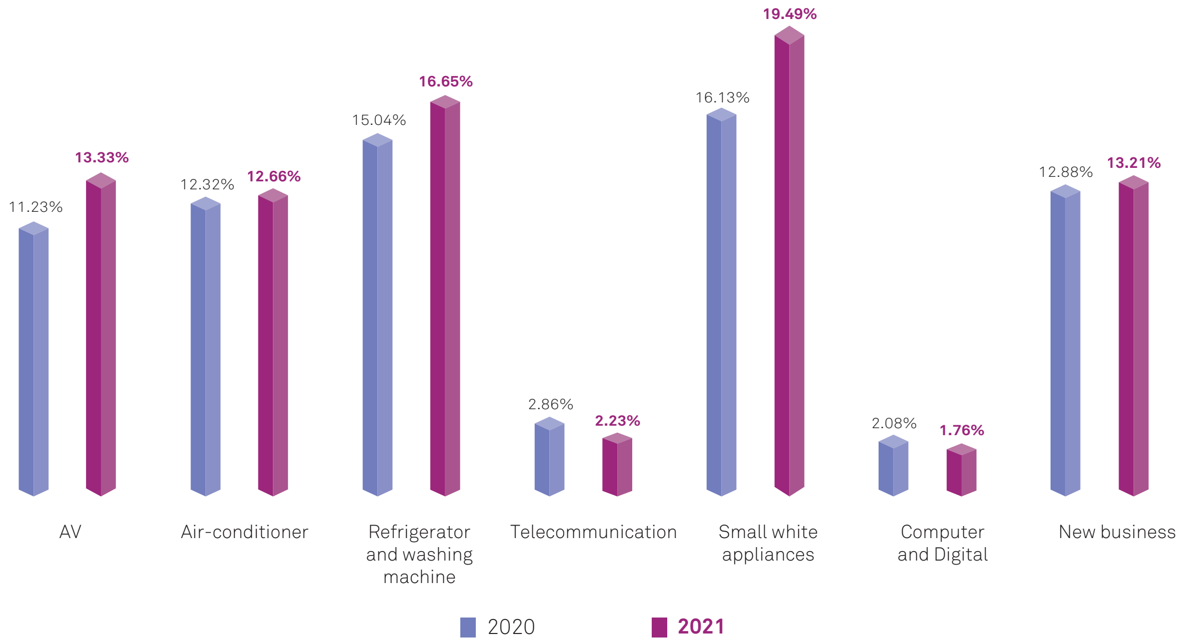




PROPORTION OF REVENUE FROM EACH PRODUCT CATEGORY OVER TOTAL REVENUE IS AS FOLLOWS:



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

Summary of other income and gains:

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

Consolidated gross profit margin

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

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

Operating expenses

During the Reporting Period, the Group's total operating expenses (including selling and distribution expenses, administrative expenses and other expenses) were approximately RMB10,056 million, decreased by 8.82% as compared with RMB11,029 million for the corresponding period last year. The expenses ratio was approximately 21.63%, decreased by 3.37 percentage points as compared with 25.00% for the corresponding period in 2020. The decrease in operating expenses was mainly due to impairment losses on goodwill significant decreased during the Reporting Period.

Summary of operating expenses:

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

Selling and distribution expenses

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

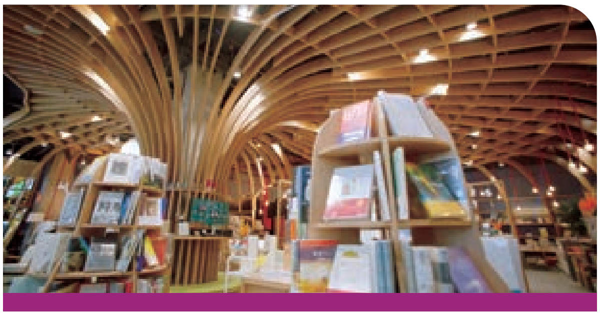
The selling and distribution expenses as a percentage over sales revenue was approximately 15.78%, increased by 1.23 percentage points as compared with 14.55% for the corresponding period in 2020.

Summary of selling and distribution expenses:

	2021	2020
As a percentage of sales revenue:		
Rental	**0.50%**	0.55%
Salaries	**3.79%**	3.38%
Utility charges	**0.85%**	0.90%
Advertising expenses	**2.07%**	0.70%
Delivery expenses	**1.82%**	1.36%
Depreciation	**5.19%**	6.34%
Others	**1.56%**	1.32%
Total	**15.78%**	14.55%

Administrative expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB2,568 million, increased by 39.79% as compared with RMB1,837 million for the corresponding period last year. Among which, salaries increased from RMB877 million for the corresponding period last year to approximately RMB1,085 million, depreciation expenses increased from RMB489 million for the corresponding period last year to approximately RMB775 million. The proportion over sales revenue was 5.52%, increased by 1.36 percentage points as compared with 4.16% for the corresponding period in 2020. The Group has always strive to strengthen its control over administrative expenses in order to maintain its expenses ratio at a relatively low level in the industry.



Other expenses

During the Reporting Period, the other expenses of the Group mainly comprised impairment losses on goodwill of approximately RMB72 million, impairment losses on property and equipment of approximately RMB3 million, losses on disposal of property and equipment of approximately RMB23 million and others amounted to approximately RMB53 million. The total amount of other expenses was approximately RMB151 million, decreased by 94.55% as compared with RMB2,773 million for the corresponding period last year. This was mainly due to the record of the impairment losses on goodwill of RMB1,798 million and impairment losses on property and equipment of RMB327 million in the last year. The other expenses ratio was approximately 0.33%, as compared with 6.29% for the corresponding period of 2020.

Loss before finance income/(costs) and tax

With the gradual alleviation of the COVID-19 pandemic in Mainland China, both sales revenue and consolidated gross profit increased, the Group recorded a loss before finance income/(costs) and tax amounted to approximately RMB3,402 million, reduced by 40.36% as compared with a loss of RMB5,704 million for the corresponding period last year.

Net finance (costs)/income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were approximately RMB1,327 million, as compared with RMB1,465 million in 2020. The decrease in the net finance costs was mainly due to, among others, the bank interest income increased from RMB475 million for the corresponding period last year to approximately RMB613 million.

Loss before tax

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

Income tax expense

During the Reporting Period, the Group's income tax expense amounted to approximately RMB44 million, as compared with RMB35 million for the corresponding period last year. The management of the Company considers the effective tax rate applied to the Group during the Reporting Period is reasonable.

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

During the Reporting Period, the loss attributable to the owners of the parent was approximately RMB4,402 million, reduced by 37.06% as compared with a loss of RMB6,994 million for the corresponding period last year. During the Reporting Period, the Group's basic loss per share was approximately RMB17.8 fen, reduced by 48.85% as compared with a basic loss per share of RMB34.8 fen for the corresponding period last year.

Cash and cash equivalents

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

Inventories

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

Prepayments, other receivables and other assets (current)

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

Trade and bills payables

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

Capital expenditure

During the Reporting Period, capital expenditure incurred by the Group amounted to approximately RMB377 million, as compared with RMB1,403 million for 2020. The capital expenditure during the year was mainly for the development of logistic centers and upgrading the information system of the Group.

Cash flows

During the Reporting Period, mainly due to, among others, the increase in other payables and accruals, the Group's net cash flows generated from operating activities was approximately RMB649 million, as compared with cash flows of RMB1,851 million generated for the corresponding period last year.

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

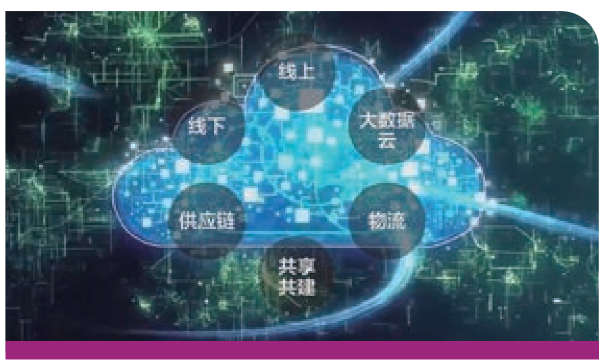
During the Reporting Period, net cash flows used in financing activities amounted to approximately RMB3,871 million, as compared with RMB593 million generated in 2020. Mainly due to, among others, the Group has repaid bonds payable and interest-bearing bank loans of net amounted to approximately RMB2,546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

Dividend and dividend policy

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 so as to preserve capital for the funding needs of the Group.

Contingent liabilities and capital commitment

At the end of the Reporting Period, the Group has no material contingent liabilities, while there were capital commitments of approximately RMB701 million.



Foreign currencies and treasury policy

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

Financial resources and gearing ratio

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

As at 31 December 2021, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds.

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

	Fixed rate *RMB'000*	Floating rate *RMB'000*	Total *RMB'000*
Denominated in EUR	978,630	–	978,630
Denominated in RMB	18,523,176	65,761	18,588,937
	19,501,806	65,761	19,567,567

The above loans were repayable within 1 year.

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

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

The corporate bonds comprised:

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

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

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

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

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

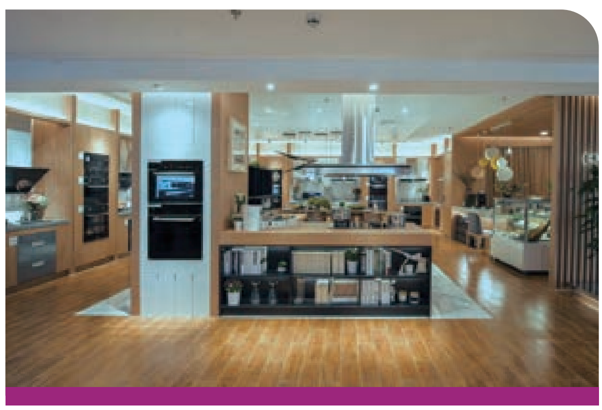
Convertible bonds comprised:

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

(2) 5% convertible bonds due 2023 (with an option to extend to 2025) in the aggregate principal amount of US$100 million issued in June 2020. As at 31 December 2020, the net proceeds of US$50.31 million have been used to repay the debts and related interests of the Group, the remaining balance of approximately US$48.80 million have been fully used to repay the debts and related interests of the Group during the Reporting Period.

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

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



Charge on group assets

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

OUTLOOK AND PROSPECTS

Looking forward to the future, the Group will continue to focus on the retail and home services industries, seize the policy empowerment of improving the quality of family life, and comprehensively implement the second phase of the "Home • Living" strategy. Capitalising on the six in one integrated, intensive and interconnected omni-retail ecological sharing platform of "online, offline, supply chain, logistics, big data & cloud and sharing and joint development" and leveraging on the core advantage of the omni-retail model, the Group will further enhance its entertainment business to boost its growth momentum and closely grasp the huge business opportunities of home life market with total value of the market expected to reach RMB30 trillion. In the next three years, the Group will strive to increase the market share of "Home • Living" business to 2% to 3%.

Online and offline interact with synchronous improvement of sales and taste

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

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

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

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

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

Sharing and co-constructing data and resources and leading strategic partners to achieve win-win cooperation and mutual development

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

In 2021, the Group also upgraded and transformed the entertainment platform. Serving as a driver integrating the development of the "omni-retail" and "Home • Living" platforms, the platform will be a significant element for the "Home • Living" concept and also a major strategic direction of the Group in the next two to three years.

Highlights of the Year

2021.1

The conference regarding the official launch of the "FUN (真快樂)" APP and the strategies of GOME Group were successfully held in Beijing. On that day, Mr. Ye Tan, a financial critic, and well-known entrepreneurs, media experts and KOLs from all over the country were invited to discuss with the senior management of GOME and share their views on the trend and future of platform-based and entertainment-based retail development.

2021.4

"Home Decoration (打扮家)" APP of GOME Holdings was officially launched, and the "BIM Intelligent Furnishing Platform" was also put into operation, with an aim to relieve consumers' worry and effort in home furnishing. In addition, by offering technology-empowered services to home furnishing companies and designers, the home furnishing industry has started a new round of industry upgrades.

GOME was awarded the honorary title of "Charity Partner of the Living Water Project in 2020 (2020年度活水計劃項目愛心傳播夥伴)" by the China Foundation for Poverty Alleviation. GOME made full use of in-store multimedia to promote the "Living Water Project" of the China Foundation for Poverty Alleviation, and actively participated in the formulation of the long-term poverty alleviation mechanism in the western China. By utilising its advantages in retailing channels, GOME has actively supported the poverty alleviation.

2021.5

GOME Retail's "FUN discounts on 1 May (五一放價真快樂)" promotion event completed successfully. According to the latest report, the number of UV (visitors) of "FUN (真快樂)" APP on GOME Retail platform during the 1 May festival increased by 297.3% as compared with last year, and the GMV (transaction value) of the whole network increased by 123% from that of April.

At the press conference of the Brand Value List of Chinese Listed Companies in 2021 (2021中國上市公司品牌價值榜) jointly organised by the China Business Research Center of the School of Economics and Management of Tsinghua University and the National Business Daily, Professor Zhao Ping, the Director of the China Business Research Center of Tsinghua University, and Feng Ming, the Executive General Manager of the National Business Daily, jointly announced the Brand Value List of Chinese Listed Companies in 2021, and GOME Retail was listed as one of the Top 100.

2021.6

Relying on its accurate market insights and its understanding of consumers' preferences and demands, "FUN (真快樂)" APP of GOME has decided to use the combination of "low price + entertainment" to break the stalemate of the weak promotion, and facilitated its promotion with a theme of "18 June Real Fun (618值•得快樂)", which brought a new shopping experience to its consumers with full of fun.

2021.7

Shenzhen Investment Holding Capital, Eternal Asia and GOME Retail entered into a strategic cooperation agreement, which will integrate the advantages of Eternal Asia and the industrial layout of Shenzhen Investment with GOME's omni-channel and omni-scenario traffic integration resources, direct supply from business partners and exclusive supply. The cooperation in capital, supply chain, channels, traffic operation, industrial link integration and other aspects have been deepened, so as to form the largest traffic sharing retail platform in China.

2021.8

GOME has launched a proposal for sharing and joint development of "Home • Living" retail community for the entire industry, clearly expressing its views on the sharing and joint development of the new retail infrastructure, which focuses on connecting the retail infrastructure in respect of "people, goods and venues", various resources and a full set of service toolkits for sharing with all stakeholders, building a win-win situation, and achieving a long-term balance between business interests and social benefits.

GOME Retail's Double Discount (折上折) organised an event for Chinese Valentine's Day. Double Discount (折上折) APP platform would cooperate with thousands of merchants to continuously improve the usage scenarios, so that merchants, platforms and consumers can work together to create a healthy and fair business ecosystem. GOME has adopted the genuine Chinese traditional business spirit as its operating philosophy.

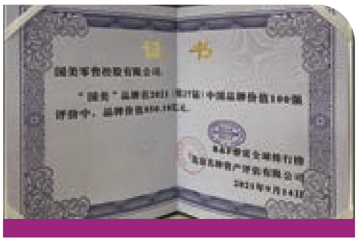
China Chain Store & Franchise Association (CCFA) released the list of the "Top 100 Chain Stores in China for 2020" and GOME ranked the first runner up in the list.

2021.9

The 2021 Top 500 Chinese Private Companies Summit was jointly organised by the All-China Federation of Industry and Commerce (ACFIC) and the People's Government of Hunan Province and held in Changsha. With its innovative business strategy, stable revenue model and active social responsibilities, GOME has topped the list, ranking 12th.

The 2021 Top 500 Chinese Companies Summit was held by the China Enterprise Confederation and China Entrepreneurs Association in Changchun, Jilin and announced the list of "2021 Top 500 Chinese Companies". GOME was shortlisted again and topped the list in the retail industry in China.

The Group's Special General Meeting has approved the long-term leasing transaction of RMB17.865 billion. The Group leased three properties in GOME Commercial Capital (國美商都), Pengrun Building (鵬潤大廈) and No. 9 Xiangjiang (湘江玖號) for a term of 20 years. As such, GOME's "Home • Living" strategy had been further implemented which would play a strong role in boosting its confidence in a long-term growth.



R&F Global Ranking Information Group and Beijing Brand Asset Valuation Limited released the 2021 (27th) Top 100 Chinese Brand Value Research Report, and GOME was selected as one of the "Top 100 Chinese Brand Value" again.

2021.10

The Group held a strategic meeting for the second phase of the "Home • Living" strategy. The meeting focused on "the goals and implementation path of the whole retail sharing platform", and carried out a systematic presentation and work deployment on the interpretation of GOME's retail strategic goals, the explanation of the implementation path and key work requirements. Mr. Wong Kwong Yu, the founder of GOME, together with all of middle and senior management of the Group and persons in charge of relevant companies, participated in the meeting and made special presentations.

A trial operation conference of the new version of the "FUN (真快樂)" APP was held. By focusing on two featured sections of "Purchase (購)" and "Entertainment (樂)", two channels of selected products and shops were put into operation with competition platform and list functions.

2021.11

During the 11 November Festival, the "FUN (真快樂)" APP performed well. In addition to the upgrading of "FUN Shopping (樂•購)", the live promotion broadcast of "New Products Debut (真選首秀)", "Selected Products Night (嚴選之夜)" and "Happy Season (全民快樂季)" were launched. The number of viewers reached 305,000 and the total transaction volume exceeded RMB5 million. The total transaction volume increased by 498% year-on-year. The transaction volume of the "Happy Season (全民快樂季)", one of the live promotion broadcasts, increased by 762% year-on-year, and UV increased by 108% year-on-year.

2021.12

At the "New Start for You – GOME Whole Retail Ecosystem Partnership Conference and GOME's 35th Anniversary Ceremony (全心為你 全新出發 — 國美全零售生態夥伴大會暨國美35周年慶啟動儀式)", major operating companies of GOME Group entered into contracts with hundreds of strategic partners through online and offline linkages. In 2022, GOME will cooperate with 6,000 well-known brands in the industry to serve 200,000 merchants across the region, achieving matual benefitting cooperation and sharing and establishing a new future of retail.

Directors and Senior Management Profile

CHAIRMAN

Mr. ZHANG Da Zhong

Mr. ZHANG Da Zhong, aged 73, 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 52, 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 (中國稅務師資格證書) 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.

Ms. HUANG Xiu Hong

Ms. HUANG Xiu Hong, aged 49, has been a non-executive Director since 24 June 2015 and redesignated as an executive Director on 1 April 2022. Ms. Huang joined 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.

NON-EXECUTIVE DIRECTORS

Ms. DONG Xian Hong

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Kong Wai, Conway

Mr. LEE Kong Wai, Conway, aged 67, 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 58, 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 56, 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, Sineng Electric Co., Ltd., 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 November 2015, 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

Ms. WEI Qiu Li, aged 54, has been the Senior Vice President of the Group and Chairman of the Executive Committee. She 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 joined GOME in 2000, she 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 and was appointed as the Chairman of the Executive Committee since October 2021. Ms. Wei has nearly 20 years of experience in strategic management, human resources and administrative management.

Mr. FANG Wei, aged 50, has been the Vice Chairman of the Investing and Financing Committee, Senior Vice President and concurrently Chief Financial Officer of the Group. 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, the 2021 Global Investment Carnival － Most Innovative Award (2021全球投資嘉年華最具創新力獎) by Gelonghui and the Best Hong Kong Company for Stock Connect and the Best IR Team of the Year presented by 6th Golden Hong Kong Securities Awards (第六屆金港股評選－年度最佳港股通公司及最佳IR團隊獎) by Zhitong Finance in 2021. 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).

Mr. WANG Wei, aged 45, has been a Vice President of the Group. Mr. Wang joined the Group in April 2001 and served as the General Manager of regional branches and Business Director. He has been the Vice President of the Group since January 2019, in charge of the daily management of the operation command system, responsible for planning the implementation strategy and path of the company's business strategy, commanding and controlling the effective implementation of the operation of companies under various industries.

Mr. WANG Bo, aged 54, has been a Vice President of the Group, in charge of the implementation of strategy and the overall management of the electrical appliance business of the Group. Mr Wang joined the Group in 2005, he has served as General Manager of Shenyang GOME, Dalian GOME, Kunming GOME, Black Swan GOME and Northeast region. He has been engaged in the home appliance industry for more than 20 years, and experienced the brutal price wars, channel wars and establishment of the marketing and distribution system in the home appliance industry. In 2015, he was awarded the title of "Outstanding Entrepreneur" by the Heilongjiang Decoration Materials and Home Appliances Lighting Industry Union. In 2016, he was awarded the Integrity Awards under the "Heilongjiang Power–2016 First Heilongjiang Corporate Social Responsibility List".

Mr. HE Jing Yu, aged 41, has been a Chief Technology Officer of the Group. Mr. He has 17 years of experience in software and Internet R&D management, and has worked for Yahoo and Amazon, etc. Mr. He joined the Group in 2018 and served as the Chief Technology Officer of GOME Fun E-Commerce Co., Ltd., Vice President of operation support technology system and supply chain platform system, and led the creation of a product R&D team with comprehensive capabilities of Internet, artificial intelligence, edge computing, and hybrid cloud that integrates online and offline omni-channel of GOME retail, with elements including people, goods and venues. To build the six middle platform system for supply chain, traffic, smart store, matches, augmented reality and big data & AI processing that support the GOME's new retail model of full scenario, multi-industry, entertainment and social & sharing, driving the digital and intelligent upgrade of GOME business development and breakthroughs with the introduction of industry-leading technology. Mr. He graduated from Tsinghua University and holds a master's degree in business administration.

Ms. Ding Wei, has been the Executive Vice President of GOME Fun E-Commerce Co., Ltd. in charge of the daily operation and the overall management. Since joined GOME in June 2021, Ms. Ding has served as Chief Operating Officer of GOME Fun E-Commerce Co., Ltd.. Ms. Ding served in large Internet companies such as Amazon and Alibaba before joining the GOME Group. Not only she has many years of Internet company operation and management experience, but also experiences in the overall operation in the offline retail industry. Ms. Ding graduated from the Graduate School of Chinese Academy of Social Sciences and Ukraine Branch of Wisconsin International University and holds a master degree in business administration.

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 2021 (the "Reporting Period").

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 Reporting Period is set out in note 5 to the financial statements on pages 134 to 136.

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss on page 79 and Consolidated Statement of Comprehensive Income on page 80.

The state of affairs of the Group as at 31 December 2021 is set out in the Consolidated Statement of Financial Position on pages 81 to 82.

The cash flows of the Group for the Reporting Period are set out in the Consolidated Statement of Cash Flows on pages 85 to 87.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 32 to the financial statements on pages 173 to 174.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period 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 Reporting Period are set out in note 44 to the financial statements on page 199 and in the Consolidated Statement of Changes in Equity on pages 83 to 84.

As at 31 December 2021, 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 Reporting Period 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 Reporting Period attributable to the Group's major suppliers are as follows:

– the largest supplier	13.86%
– five largest suppliers combined	48.18%

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 Reporting Period attributable to the Group's five largest customers was less than 30% of the Group's total turnover.

DONATIONS

During the Reporting Period, the Group has made direct charitable and other donations in Hong Kong and China totaling approximately RMB342,000.

DIRECTORS

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

Executive Director

Mr. ZOU Xiao Chun
Ms. HUANG Xiu Hong (redesignated from non-executive Director as executive Director on 1 April 2022)

Non-Executive Directors

Mr. ZHANG Da Zhong
Ms. DONG Xiao Hong (appointed on 1 April 2022)
Mr. YU Sing Wong (resigned on 31 March 2022)

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 26, 37 and 40 to the financial statements on page 167, page 179 and pages 182 to 183, 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 31 December 2021 or at any time during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, 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 國美真快樂電子商務有限公司 ("GOME Fun E-Commerce Co., Ltd." or "GOME Fun", formerly known as "GOME-on-line e-Commerce., Ltd"), 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 2021, 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
Huang Xiu Hong	100,000	–	–	–	100,000	0.00

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

Save as disclosed above, as at 31 December 2021, 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 Reporting Period 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 2022, 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 2021, a sum of approximately HK$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 Shares, representing approximately 4.46% 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 33 and note 34 to the financial statements on pages 174 to 177 and page 177.

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 2021, 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	20,504,644,115	60.74
Ms. Du Juan *(Note 2)*	Interest in controlled corporation	20,504,644,115	60.74
Ever Ocean Investments Limited *(Note 3)*	Interest in controlled corporation	14,063,940,777	41.66
GOME Holdings Limited *(Note 3)*	Interest in controlled corporation	14,063,940,777	41.66
Power Charm Holdings Limited *(Note 3)*	Interest in controlled corporation	14,063,940,777	41.66
GOME Home Appliances (H.K.) Limited *(Note 3)*	Interest in controlled corporation	14,063,940,777	41.66
GOME Management Limited *(Note 3)*	Beneficial owner	14,063,940,777	41.66
Shinning Crown Holdings Inc. *(Note 4)*	Beneficial owner	4,454,979,938	13.20

Notes:

1. Of these 20,504,644,115 Shares, 14,063,940,777 Shares were held by GOME Management Limited, 4,454,979,938 Shares were held by Shinning Crown Holdings Inc. and 379,016,736 Shares were held by Shine Group Limited (all the above companies are 100% beneficially owned by Mr. Wong, the Controlling Shareholder), and 1,200,000,000 Shares were held by Element Assets Management Limited, 160,000,000 Shares were held by Hillwood Assets Management Limited, 246,706,664 Shares were held by Smart Captain Holdings Limited (all the above companies are 100% beneficially owned by Mr. Wong) in the capacity as trustee of a family trust established by 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.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2021 are set out in note 1 to the financial statements on pages 88 to 101.

CONNECTED TRANSACTIONS

During the Reporting Period, 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 Reporting Period, the total transaction amount under the 2019 Master Merchandise Purchase Agreement was approximately RMB5,822.00 million.

On 26 November 2021, GOME Appliance and GOME Fun entered into the 2022 Master Merchandise Purchase Agreement to renew the 2019 Master Merchandise Purchase Agreement, pursuant to which GOME Fun agreed to, and will procure any member of a group of companies (other than the Group) controlled or more than 50% owned by Mr. Wong (the "Parent Group") to, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Master Merchandise Purchase Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB28 billion, RMB35 billion and RMB45 billion, respectively. The resolutions in relation to the 2022 Master Merchandise Purchase Agreement and the annual caps were approved by the independent shareholders of the Company at the special general meeting held on 25 January 2022.

(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 Reporting Period, the total transaction amount under the 2019 Master Merchandise Supply Agreement was approximately RMB4,659.00 million.

On 26 November 2021, GOME Appliance and GOME Fun entered into the 2022 Master Merchandise Supply Agreement to renew the 2019 Master Merchandise Supply Agreement, pursuant to which GOME Appliance agreed to, and will procure any member of the Group to, supply general merchandise (including but not limited to electrical appliances and consumer electronics products) to GOME Fun or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Master Merchandise Supply Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB30 billion, RMB40 billion and RMB50 billion, respectively. The resolutions in relation to the 2022 Master Merchandise Supply Agreement and the annual caps were approved by the independent shareholders of the Company at the special general meeting held on 25 January 2022.

(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 Reporting Period, 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 Reporting Period, the total transaction amount under the Second 2019 Logistics Services Agreement was approximately RMB695.08 million.

On 26 November 2021, GOME Appliance, GOME Fun and GOME Holding entered into the 2022 Logistics Services Agreement to renew the Second 2019 Logistics Services Agreement, pursuant to which GOME Holding agreed to, and will procure any member of the Parent Group to, provide logistics services (including delivery of general merchandise to end customers) to GOME Appliance, GOME Fun or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Logistics Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB900 million for each of the three years ending 31 December 2022, 2023 and 2024.

(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 Reporting Period, the total transaction amount under the First 2019 Warehouse Services Agreement was approximately RMB119.15 million.

On 26 November 2021, GOME Appliance and GOME Fun entered into the First 2022 Warehouse Services Agreement to renew the First 2019 Warehouse Services Agreement, pursuant to which GOME Appliance agreed to, and will procure any member of the Group to, provide warehousing services (including storage of general merchandise) to GOME Fun or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Warehouse Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB900 million for each of the three years ending 31 December 2022, 2023 and 2024.

(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 Reporting Period, the total transaction amount under the Second 2019 Warehouse Services Agreement was approximately RMB10.70 million.

On 26 November 2021, GOME Appliance, GOME Fun and GOME Holding entered into the Second 2022 Warehouse Services Agreement to renew the Second 2019 Warehouse Services Agreement, pursuant to which GOME Holding agreed to, and will procure any member of the Parent Group to, provide warehousing services (including storage of general merchandise) to GOME Appliance, GOME Fun or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Warehouse Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB900 million for each of the three years ending 31 December 2022, 2023 and 2024.

(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 Reporting Period, the total transaction amount under the 2019 Property Development Management Services Agreement was approximately RMB20.86 million.

On 26 November 2021, GOME Appliance and GOME Holding entered into the 2022 Property Development Management Service Agreement to renew the 2019 Property Development Management Service Agreement, pursuant to which GOME Holding agreed to, and will procure any member of the Parent Group to, provide property development management services to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Property Development Management Services Agreement. The annual caps of the transaction amounts (excluding value added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceeding RMB300 million, RMB400 million and RMB500 million, respectively.

(8) The First Services Agreement

On 26 November 2021, GOME Appliance, GOME Fun and GOME Holding entered into the First 2022 Services Agreement, pursuant to which GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, provide services (including technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services) to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB8 billion, RMB12 billion and RMB15 billion, respectively.

(9) The Second Services Agreement

On 26 November 2021, GOME Appliance, GOME Fun and GOME Holding entered into the Second 2022 Services Agreement, pursuant to which GOME Appliance and GOME Fun agreed to, and will procure any member of the Group to, provide services (including technical services, platform services and inbound marketing services) to GOME Holding or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB10 billion, RMB15 billion and RMB20 billion, respectively.

(10) The First Offline Display Services Agreement

On 26 November 2021, GOME Appliance, GOME Fun and GOME Holding entered into the First 2022 Offline Display Services Agreement, pursuant to which GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, provide offline display services to GOME Appliance or any member of the Group pursuant to their requests from time to time, to showcase and display their products at the Parent Group's offline platforms for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Offline Display Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB800 million, RMB1,500 million and RMB2,500 million, respectively.

(11) The Second Offline Display Services Agreement

On 26 November 2021, GOME Appliance, GOME Fun and GOME Holding entered into the Second 2022 Offline Display Services Agreement, pursuant to which GOME Appliance and GOME Fun agreed to, and will procure any member of the Group to, provide offline display services to GOME Holding or any member of the Parent Group pursuant to their requests from time to time, to showcase and display their products at the Group's offline platforms for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Offline Display Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB1 billion, RMB2 billion and RMB3 billion, respectively.

(12) The After Sale Services Agreement

On 26 November 2021, GOME Appliance and GOME Fun entered into the 2022 After Sale Services Agreement, pursuant to which GOME Appliance agreed to, and will procure any member of the Group to, provide after sale and installation services to GOME Fun or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 After Sale Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB300 million, RMB400 million and RMB500 million, respectively.

(13) The 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 Reporting Period, the total rental expense under the 2017 Pengrun Lease Agreement was approximately RMB146.66 million.

(14) The Framework Agreement

On 11 October 2021, the Company entered into the Framework Agreement with and GOME Management Limited ("GOME Management") (a company with 100% equity interest held by Mr. Wong and his associates and thus a connected subsidiary of the Company), pursuant to which the Group agreed to provide management services to the subsidiaries and affiliates of GOME Management, including GOME Eco-net Technology Holding Limited (國美生態科技控股有限公司), 海南海思企業管理有限公司("Hainan Haisi Enterprise Management Co., Ltd."), 海南貝智企業管理有限公司("Hainan Beizhi Enterprise Management Co., Ltd."), Rocket Gain Investments Limited and 眾買秀（寧波）科技有限公司("Zhongmaixiu (Ningbo) Technology Co., Ltd.") (collectively, the "Target Companies") for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Framework Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB800 million, RMB1,000 million and RMB1,000 million, respectively. Pursuant to the Framework Agreement, the Company has also been granted the option to acquire equity interest in the Target Companies, exercisable at the discretion of the Company during the three years ending 31 December 2024.

(15) The Merchandise Framework Agreement

On 10 March 2021, GOME Appliances and 拉近網娛集團有限公司 ("Lajin Entertainment Network Group Limited" or "Lajin Network") (a company which is listed on the Growth Enterprise Market operated by the Stock Exchange (stock code: 8172) and 47.1% equity interest held by Mr. Wong and his associates at the date of the agreement and thus a connected person of the Company for the purpose of Listing Rules) entered into the Merchandise Framework Agreement, pursuant to which Lajin Network agreed to supply various general merchandise, including, without limitation, cosmetics and personal care products, clothing and accessories, shoes, headwear, luggage cases, bags, jewellery, clocks and watches, household products, food, alcohol and beverages, medicine and healthcare products, sporting goods and outdoor products, etc to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2021 to 31 December 2023, unless otherwise terminated in accordance with the terms of the Merchandise Framework Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2021, 2022 and 2023 shall not exceed RMB50 million, RMB57.5 million and RMB66 million, respectively. During the Reporting Period, the total transaction amount under the Merchandise Framework Agreement was approximately RMB2.07 million.

(16) The Content Production Agreement

On 10 March 2021, GOME Appliances and Lajin Network entered into the Content Production Agreement, pursuant to which Lajin Network agreed to provide content production services for the e-commerce platform of the Group. The services will include but not limited to arranging artists, internet celebrities and production teams under Lajin Network's management to produce live broadcast or promotional videos for the products or promotional activities of the Group, managing social media accounts created by the Group, and producing live broadcast variety shows for the Group from time to time, for a period of three years from 1 January 2021 to 31 December 2023, unless otherwise terminated in accordance with the terms of the Content Production Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2021, 2022 and 2023 shall not exceed RMB30 million, RMB34.5 million and RMB40 million, respectively. During the Reporting Period, the total transaction amount under the Content Production Agreement was approximately RMB0.64 million.

(17) The 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 RMB21.97 million.

(18) The Convertible Bond Investment Agreement

On 26 November 2021, 寧波鵬信興宇信息技術有限公司("Ningbo Pengxin Xingyu Information Technology Co., Ltd." or the "Subscriber") (a company with 100% equity interest held by the Group), 北京鵬潤時代物業管理有限公司("Beijing Pengrun Times Property Management Company Limited" or the "Issuer") (a company with 19.5% equity interest held by the Subscriber and the remaining 81.5% equity interest held by Mr. Wong and his associates and thus a connected subsidiary of the Company), 國美倉儲投資有限公司("GOME Warehouse Investment Co., Ltd." or "GOME Warehouse") (a company with 100% equity interest held by the Issuer) and Anxun Logistics Co., Ltd. (a company with 100% equity interest held by GOME Warehouse) entered into the Convertible Bond Investment Agreement, pursuant to which the Subscriber agreed to subscribe for the convertible bond in the principal amount of RMB900 million (the "Bond") at an interest rate of 5% per annum for a term of 5 years with an option to extend for an additional period of 2 years subject to mutual agreement between the Subscriber and the Issuer. According to the Convertible Bond Investment Agreement, the Subscriber has the discretion to exercise the option by way of capital increase at the exercise price equivalent to the principal amount of the Bond during the term of the Bond.

(19) The Leasing Agreement

On 7 April 2021, the Company and GOME Management entered into the Leasing Agreement, pursuant to which GOME Management agreed to lease the GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building (collectively, the "Properties") to the Company for a term commencing respectively on 1 July 2021 and 1 March 2023 and ending on 31 December 2040. The aggregate consideration for the Properties under the Leasing Agreement of RMB17,865,157,700 will be settled by the Company as to RMB17,575,581,950 by way of the issue of 9,923,940,777 shares of the Company (the "Consideration Shares") and as to RMB289,575,750 by the transfer of the entire equity interest in Hudson Assets Management Limited, a wholly-owned subsidiary of the Company, to GOME Management. The resolutions in relation to the Leasing Agreement and Whitewash Waiver were approved by the independent shareholders of the Company at the special general meeting held on 17 September 2021.

All independent non-executive Directors have reviewed the continuing connected transactions as set out in the paragraphs (1) - (16) 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 during the Reporting Period:

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 2021, the Group employed a total of 32,278 employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package 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 39 to the financial statements on page 181.

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 43 to the financial statements on pages 192 to 193.

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

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

2) On 1 March 2021, the Group renewed the domestic bonds issued in 2019 in the PRC, the renewed aggregate principal amount was RMB16,211,000 with 7.8% coupon rate per annum and remaining term of 4 years. The Group will be entitled to adjust the coupon rate and the investors will be entitled to sell back the domestic bonds to the Group at the end of the second year.

3) On 2 March 2021, a total of 2,279,976,000 ordinary shares of the Company have been successfully placed at the placing price of HK$1.97 per share. Please refer to the details of the placing in the paragraph headed "Placing of new shares under general mandate".

4) On 27 September 2021, the Company completed the issue of the 9,923,940,777 Consideration Shares. Please refer to the details of the issuance in the paragraph headed "Connected transactions".

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 2 March 2021, the Company conducted a top-up placing under which an aggregate 2,279,976,000 ordinary shares of the Company have been placed to not less than six independent placees at the placing price of HK$1.97 per share under the general mandate granted to the directors on 29 June 2020. The 2,279,976,000 placing shares represent approximately 10.58% of the issued share capital of the Company as at the date of the subscription agreement and approximately 9.57% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares. The placing shares have a nominal value of HK$56,999,400 and a market value of approximately HK$5,289.5 million, based on the closing price of HK$2.32 per Share on the 1 March 2021, the last trading day before the entering into of the placing agreement. The net price per share for the placing is approximately HK$1.95 per Share. The net proceeds received by the Company from the placing, after deducting relating fees and expenses, were approximately HK$4,449,453,000. As at 30 June 2021, the net proceeds of approximately HK$4,449,453,000 have been used for business operation and to repay the debts and related interests of the Group. Details of the placing, please refer to the announcement of the Company dated 2 March 2021.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save for the outstanding convertible bonds as set out in note 31 to the financial statement on page 172, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2021.

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 Reporting Period.

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 199.

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 2021, which provides appropriate cover for the Directors. The permitted indemnity provision was in force during the Reporting Period 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 2021, 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 Reporting Period, the Company made contribution to the matters of environmental, social and governance, the details of which are set out in the environmental, social and governance report published by the Company on the same date as this annual report. :

On behalf of the Board

Zhang Da Zhong
Chairman

Hong Kong, 31 March 2022

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 2021, 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 2021 (the "Reporting Period"), 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 2021.

BOARD OF DIRECTORS

Board composition

During the year ended 31 December 2021 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	*(Executive Director) (redesignated on 1 April 2022)*
Ms. Dong Xiao Hong	*(Non-executive Director) (appointed on 1 April 2022)*
Mr. Yu Sing Wong	*(Non-executive Director) (resigned on 31 March 2022)*
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 33 to 38 of this Annual Report.

Each of Ms. Huang Xiu Hong and Mr. Yu Sing Wong, both being a non-executive Director, Ms. Liu Hong Yu, being an independent non-executive Director, was re-elected at the 2021 Annual General Meeting of the Company with a specific term of 3 years from 29 June 2021. 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. Mr. Zhang Da Zhong, being a 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. 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 2021, 10 Board meetings and 3 general meetings of the Company were held. Details of the Directors' attendance records during the Reporting Period are as follows:

Directors	Annual General Meeting held on 29 June 2021 Attendance	Special General Meeting held on 6 September 2021 Attendance	Adjourned Special General Meeting held on 17 September 2021 Attendance	Board Meeting Attendance
Mr. Zhang Da Zhong	1/1	1/1	1/1	10/10
Mr. Zou Xiao Chun	1/1	1/1	1/1	10/10
Ms. Huang Xiu Hong	1/1	1/1	1/1	10/10
Mr. Yu Sing Wong	1/1	1/1	1/1	10/10
Mr. Lee Kong Wai, Conway	1/1	1/1	1/1	10/10
Ms. Liu Hong Yu	1/1	1/1	1/1	10/10
Mr. Wang Gao	1/1	1/1	1/1	10/10

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 in effect in 2021 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 Reporting Period were sent to all Directors in compliance with the said requirement. Agenda accompanying Board papers relating to all regular Board meetings during the Reporting Period 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 in effect in 2021. 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 Reporting Period, the Board performed the above duties set out in the CG Code.

Directors' Trainings

As an internal routine, during the Reporting Period, 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 2021 on, among others, updates on the Listing Rules for 1 hour (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 Reporting Period 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 2021.
	–	Attended the training on the Overview of the Latest Regulations on the Supervision of Listed Companies organised by Hai Wen Law Firm for 1 hour in March 2021.
	–	Attended the training on the Continuing Obligations of a Hong Kong Listed Company organised by Freshfields Bruckhaus Deringer for 1 hour in April 2021.
	–	Attended the training on the Compliance Considerations for Directors of A-share Listed Companies, Legal and Regulatory Updates and Duties of Directors and Supervisors and AML Supervision organised by Hai Wen Law Firm, Freshfields Bruckhaus Deringer and Hangzhou Qixin Enterprise Management Consulting Limited, respectively for 1 hour in August 2021.
	–	Attended the training on the Disclosure of Interests organised by Cleary Gottlieb for 0.3 hour in December 2021.
	–	Attended the training on the Recent Enforcements by the Stock Exchange organised by Sullivan & Cromwell for 1 hour in December 2021.
	–	Attended the training on the General Duties of Directors and Cases organised by Paul Hastings for 1 hour in December 2021.
	–	Attended the training on Hong Kong Regulatory Express Seminar organised by King & Wood Mallesons for 1.5 hours in December 2021.
	–	Attended the ESG Training organised by Ernst & Young for 1 hour in December 2021.
	–	Attended the Fourth Session of the Independent Directors Follow-up Training organised by Shanghai Stock Exchange for a total of 20 hours in December 2021.
Ms. Liu Hong Yu	–	Attended the Annual In-house Training.
		Attended the Second Session of the Independent Directors Follow-up Training organised by Shanghai Stock Exhange for a total of 4 days in August 2021.
Mr. Wang Gao	–	Attended the Annual In-house Training.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code in effect in 2021, 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 the CG Code during the Reporting Period. Mr. Zhang Da Zhong served as the chairman of the Company, primarily responsible for providing leadership to the Board. During the year and up to 27 August 2021, 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. The president of the Company has since been left vacant after Mr. Wang Jun Zhou retired on 27 August 2021.

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 during the Reporting Period. 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 2021. 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 Reporting Period, 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 in effect in 2021. During the year ended 31 December 2021, 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 Reporting Period:

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 2021, 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 Reporting Period, 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 in effect in 2021. During the year ended 31 December 2021, 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 Reporting Period:

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 Reporting Period, 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 Reporting Period, 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 in effect in 2021, 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 2021, 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 Reporting Period:

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 Reporting Period, the Independent Committee, among other matters, approved and recommended to the Board several connected transactions.

During the Reporting Period, 5 meetings 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	5/5
Mr. Lee Kong Wai, Conway	5/5
Ms. Liu Hong Yu	5/5
Mr. Wang Gao	5/5

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 2021, 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 in effect in 2021.

The Audit Committee is primarily responsible for, among others, the following duties during the Reporting Period:

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 2021, 3 Audit Committee meetings were held for, among other matters, considering the annual results of the Group for the financial year ended 31 December 2020 and the interim results of the Group for the six-month period ended 30 June 2021, 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 Reporting Period, attendance records of the members of Audit Committee are as follows:

Committee members	Attendance
Mr. Lee Kong Wai, Conway	3/3
Ms. Liu Hong Yu	3/3
Mr. Yu Sing Wong	3/3

SHINEWING (HK) CPA Limited has been appointed as the new auditor of the Company with effect from 26 November 2021 to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company.

The amount of audit fees payable to SHINEWING (HK) CPA Limited, the auditor of the Company, for the year ended 31 December 2021 was RMB4,380,000, while the non-audit services remuneration payable to Ernst & Young was RMB2,695,000. The amount of audit fees and non-audit services remuneration payable to Ernst & Young for the year ended 31 December 2020 was RMB5,000,000 and RMB559,000, respectively. The Audit Committee is of the view that the auditor's independence were 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 2021 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 Reporting Period, 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 for the period from 1 January 2021 to 31 August 2021 and Mr. Cheung Yu Lung Philip, the Assistant Financial Controller of the Company for the period from 1 September 2021 to 31 December 2021. The Company Secretary had complied with Rule 3.29 of the Listing Rules in respect of professional training during the Reporting Period.

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 2021, 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 Reporting Period, the Directors and/or senior management of the Company participated in numerous road shows and investment conferences from time to time. 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

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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 79 to 199, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2021, 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 (the "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 (the "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.

Impairment testing of goodwill

Refer to accounting policy on page 111 and note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
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 2021. 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.	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 focused on the adequacy of the disclosures about the key assumptions in the consolidated financial statements.

Impairment testing of non-current assets related to retail stores

Refer to accounting policy on page 111 and notes 13, 17 and 21 to the consolidated financial statements.

The key audit matter	How our audit addressed the key audit matter
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 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 2021. 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.	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

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 OF THE COMPANY AND AUDIT COMMITTEE 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 of the Company 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.

Audit Committee are responsible 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, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, 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 skepticism 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 of the Company.

- Conclude on the appropriateness of the Company's 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 independences 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2021.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
31 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**46,483,804**	44,119,113
Cost of sales	6	**(40,976,894)**	(39,568,729)
Gross profit		**5,506,910**	4,550,384
Other income and gains	5	**1,187,780**	816,192
Selling and distribution expenses		**(7,337,256)**	(6,419,426)
Administrative expenses		**(2,568,352)**	(1,837,356)
Impairment losses on financial assets		**(23,045)**	(34,461)
Other expenses		**(150,713)**	(2,772,513)
Share of results of associates	18	**(17,048)**	(6,338)
Loss before finance income (costs) and tax		**(3,401,724)**	(5,703,518)
Finance costs	7	**(1,945,890)**	(1,966,040)
Finance income	7	**619,119**	500,701
Loss before tax	6	**(4,728,495)**	(7,168,857)
Income tax expenses	10	**(44,440)**	(34,790)
Loss for the year		**(4,772,935)**	(7,203,647)
Attributable to:			
Owners of the parent		**(4,402,037)**	(6,993,816)
Non-controlling interests		**(370,898)**	(209,831)
		(4,772,935)	(7,203,647)
Loss per share attributable to ordinary equity holders of the parent	12		
Basic		**(RMB17.8 fen)**	(RMB34.8 fen)
Diluted		**(RMB17.8 fen)**	(RMB34.8 fen)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Loss for the year	**(4,772,935)**	(7,203,647)
Other comprehensive (expense) income		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(167,405)**	(14,260)
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods	**(167,405)**	(14,260)
Other comprehensive (expense) 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	**(47,394)**	72,446
Gains on asset revaluation for change in use from owner-occupied properties to investment properties, net of tax	**–**	188,288
Other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods	**(47,394)**	260,734
Other comprehensive (expense) income for the year, net of tax	**(214,799)**	246,474
Total comprehensive expense for the year	**(4,987,734)**	(6,957,173)
Attributable to:		
Owners of the parent	**(4,616,836)**	(6,747,342)
Non-controlling interests	**(370,898)**	(209,831)
	(4,987,734)	(6,957,173)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property and equipment	13	**6,715,459**	6,296,141
Properties under development	14	**–**	1,142,440
Investment properties	15	**4,081,961**	3,906,717
Right-of-use assets	21	**24,880,236**	8,526,315
Goodwill	16	**10,117,885**	10,189,488
Other intangible assets	17	**205,219**	265,158
Investments in associates	18	**629,892**	171,770
Investment in a joint venture		**3,781**	3,781
Financial assets at fair value through other comprehensive income	19	**393,628**	733,193
Financial assets at fair value through profit or loss	20	**2,447,831**	1,596,917
Deferred tax assets	22	**13,098**	13,391
Prepayments, other receivables and other assets	25	**633,150**	689,776
Total non-current assets		**50,122,140**	33,535,087
Current assets			
Inventories	23	**6,351,971**	8,368,454
Properties under development	14	**640,609**	–
Trade receivables	24	**1,437,103**	427,682
Prepayments, other receivables and other assets	25	**3,228,681**	3,234,680
Due from related companies	26	**153,630**	369,045
Financial assets at fair value through profit or loss	20	**941,976**	417,441
Pledged bank deposits and restricted cash	27	**13,668,326**	14,544,592
Cash and cash equivalents	27	**4,378,423**	9,597,200
Total current assets		**30,800,719**	36,959,094

	Notes	2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and bills payables	28	18,891,459	20,416,229
Other payables and accruals	29	5,952,574	4,991,622
Due to related companies	26	312,045	121,628
Lease liabilities	21	3,897,862	3,077,035
Interest-bearing bank and other borrowings	30	22,060,980	23,310,157
Tax payable		1,034,878	1,026,742
Total current liabilities		52,149,798	52,943,413
Net current liabilities		(21,349,079)	(15,984,319)
Total assets less current liabilities		28,773,061	17,550,768
Non-current liabilities			
Lease liabilities	21	4,322,886	5,747,808
Interest-bearing bank and other borrowings	30	6,139,252	9,617,396
Derivative financial liabilities	31	130,685	351,332
Deferred tax liabilities	22	595,356	566,586
Total non-current liabilities		11,188,179	16,283,122
Net assets		17,584,882	1,267,646
Equity			
Equity attributable to owners of the parent			
Issued capital	32	772,338	518,210
Treasury shares	34	(935,431)	(1,033,410)
Reserves	35	21,767,576	5,431,549
		21,604,483	4,916,349
Non-controlling interests	36	(4,019,601)	(3,648,703)
Total equity		17,584,882	1,267,646

The financial statements on pages 79 to 199 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on behalf by:

Zhang Da Zhong
Director

Zou Xiao Chun
Director

	Attributable to owners of the parent														
	Issued capital RMB'000 *(note 32)*	Treasury shares RMB'000 *(note 34)*	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share based payment reserve RMB'000	Asset revaluation reserve# RMB'000	Other reserve## RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income# RMB'000	Reserve funds RMB'000 *(note 35)*	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	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
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(4,402,037)	(4,402,037)	(370,898)	(4,772,935)
Other comprehensive expense for the year:															
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	(47,394)	–	–	–	(47,394)	–	(47,394)
Exchange differences arising on translation of financial statements	–	–	–	–	–	–	–	–	–	–	(167,405)	–	(167,405)	–	(167,405)
Total comprehensive expense for the year	–	–	–	–	–	–	–	–	(47,394)	–	(167,405)	(4,402,037)	(4,616,836)	(370,898)	(4,987,734)
Transfer of fair value reserve upon transfer of financial assets at fair value through other comprehensive income to investments in associates	–	–	–	–	–	–	–	–	426,041	–	–	(426,041)	–	–	–
Deemed contribution from a controlling shareholder	–	–	–	–	–	–	–	85,744	–	–	–	–	85,744	–	85,744
Issue of shares	254,128	–	20,889,828	–	–	–	–	–	–	–	–	–	21,143,956	–	21,143,956
Equity settled share based arrangement	–	–	–	–	–	75,270	–	–	–	–	–	–	75,270	–	75,270
Shares awarded under share award scheme	–	97,979	(22,151)	–	–	(75,828)	–	–	–	–	–	–	–	–	–
At 31 December 2021	772,338	(935,431)	34,667,465*	657*	(1,845,490)*	39,421*	305,756*	85,744*	349,151*	1,738,024*	(322,170)*	(13,250,982)*	21,604,483	(4,019,601)	17,584,882

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

\## The other reserve represented gain on disposal of a subsidiary to the controlling shareholder which is recognised as deemed contribution from the controlling shareholder.

* These reserve accounts comprise the consolidated reserves of RMB21,767,576,000 (2020: RMB5,431,549,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the parent													
	Issued capital RMB'000 *(note 32)*	Treasury shares RMB'000 *(note 34)*	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 35)*	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 (expense) 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 arising on translation of financial statements	–	–	–	–	–	–	–	–	–	(14,260)	–	(14,260)	–	(14,260)
Total comprehensive income (expense) 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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Loss before tax	**(4,728,495)**	(7,168,857)
Adjustments for:		
Finance income	**(619,119)**	(500,701)
Finance costs	**1,945,890**	1,966,040
Share of results of associates	**17,048**	6,338
Fair value (gains) losses on financial instruments, net:		
Financial assets at fair value through profit or loss	**(71,659)**	55,740
Derivative financial instruments embedded in the convertible bonds	**(211,869)**	(116,494)
Income on the net investment in finance leases	**(14,587)**	(14,041)
Gains on lease modifications	**(21,421)**	(40,550)
Gains on subleasing of right-of-use assets	**(9,479)**	(44,255)
Losses on disposal/written off of property and equipment	**22,622**	10,051
Impairment losses on financial assets, net	**23,045**	34,461
(Reversal of provision) provision against inventories	**(122,074)**	19,219
Impairment losses on property and equipment	**3,307**	327,207
Covid-19-related rent concessions from lessors	**(24,721)**	(248,466)
Fair value (gains) losses of investment properties, net	**(53,147)**	200,482
Impairment losses on goodwill	**71,603**	1,797,640
Depreciation of property and equipment	**641,581**	680,465
Depreciation of right-of-use assets	**2,526,553**	2,545,942
Amortisation of other intangible assets	**59,939**	69,255
Share award expense	**75,270**	81,834
	(489,713)	(338,690)
Decrease (increase) in inventories	**2,138,557**	(699,559)
Decrease in prepayments, other receivables and other assets	**216,768**	48,964
Increase in trade receivables	**(1,036,196)**	(202,403)
Decrease (increase) in amounts due from related companies	**215,415**	(124,469)
(Increase) decrease in pledged deposits for bills payable	**(89,713)**	1,417,674
Decrease (increase) in pledged deposits for litigation	**9,469**	(15,087)
Increase in properties under development	**(138,229)**	(311,528)
(Decrease) increase in trade and bills payables	**(1,524,770)**	296,821
Increase in contract liabilities	**114,414**	1,127,450
Decrease in refund liabilities	**(424)**	(52,799)
Increase in other payables and accruals	**868,373**	456,395
Increase (decrease) in amounts due to related companies	**190,417**	(52,640)
Effect of foreign exchange rate changes, net	**(89,359)**	(44,523)
Cash generated from operations	**385,009**	1,505,606
Interest received	**261,836**	325,521
Income tax refunded	**1,856**	19,845
Net cash flows from operating activities	**648,701**	1,850,972

	2021 RMB'000	2020 RMB'000
Cash flows from investing activities		
Purchases of property and equipment	**(376,683)**	(1,403,331)
Purchases of investment properties	**(228,010)**	(105,121)
Purchases of land use rights	**–**	(9,663)
Purchases of financial assets at fair value through profit or loss	**(1,509,597)**	(522,283)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**894**	212,147
Proceeds from disposal of property and equipment	**7,760**	76,404
Proceeds from disposal of financial assets at fair value through profit or loss	**204,554**	528,280
Loans repayment from investees	**–**	560,000
Finance lease rental receipts	**118,856**	80,569
Interest received from loans to investees	**–**	1,558
Increase in investments in associates	**(192,990)**	(1,470)
Prepayment for acquisition of properties	**–**	(395,000)
Net cash flows used in investing activities	**(1,975,216)**	(977,910)
Cash flows from financing activities		
Interest paid	**(2,258,556)**	(2,081,721)
Issue of shares, net of expenses	**3,742,381**	–
Repurchase of shares	**–**	(16,469)
Proceeds from the issuance of corporate bonds	**–**	285,210
Proceeds from bonds payable	**–**	166,545
Cash outflow from disposal of a subsidiary	**(737)**	–
New bank and other borrowings	**3,894,893**	15,116,441
Principal portion of lease payments	**(2,097,390)**	(1,107,831)
Repayment of corporate bonds	**(2,546,390)**	(3,870,945)
Repayment of bank and other borrowings	**(5,852,725)**	(7,100,501)
Decrease (increase) in pledged deposits for bank loans	**956,510**	(3,084,319)
Proceeds from the issuance of convertible bonds	**–**	2,122,150
Issuance cost of convertible bonds	**–**	(28,018)
Interest received from deposits pledged for bank and other borrowings	**252,798**	178,515
Decrease in rental deposits	**38,469**	13,769
Net cash flows (used in) from financing activities	**(3,870,747)**	592,826

	Notes	2021 RMB'000	2020 RMB'000
Net (decrease) increase in cash and cash equivalents		**(5,197,262)**	1,465,888
Cash and cash equivalents at 1 January		**9,597,200**	8,186,507
Effect of foreign exchange rate changes, net		**(21,515)**	(55,195)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,378,423**	9,597,200
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,878,707**	6,668,250
Non-pledged time deposits with original maturity less than three months when acquired		**2,499,716**	2,928,950
	27	**4,378,423**	9,597,200

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 the registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and principal place of office is Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

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

Information about subsidiaries

As at 31 December 2021 and 2020, the 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 ("China Paradise")	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)
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		Principal activities
			Direct	Indirect	
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)
Beijing Pengze Real Estate Company Limited* 北京鵬澤物業有限公司	PRC/Mainland China	RMB10 million	–	100	Note (vii)

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
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)
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)

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
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 Fun E-Commerce Co.,Ltd.*# 國美真快樂電子商務有限公司	PRC/Mainland China	RMB83 million	–	–	Note (viii)
Beijing Dazhong Home Appliances Retail Co., Ltd. ("Beijing Dazhong")* 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 ("Artway")	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 Direct	Indirect	Principal activities
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)

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
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)
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)

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
Dalian GOME Electrical Appliances Co., Ltd. * 大連國美電器有限公司	PRC/Mainland China	RMB70 million	–	100	Note (iii)
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)

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
Shandong Dazhong Electrical Appliances Co., Ltd. * 山東大中電器有限公司	PRC/Mainland China	RMB10 million	–	100	Note (iii)
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 Holdings Co., Ltd. * 南方國美電器集團有限公司	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)

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
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)
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)

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
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)
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)

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	
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)
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. * 重慶鵬聖嘉悅商貿有限公司	PRC/Mainland China	RMB50 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
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)
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 of the Company (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 and the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, debt securities and equity investments which have been measured at fair value.

Other than those operating subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the remaining subsidiaries is Hong Kong dollars ("HK$") and United States dollar.

These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern consideration

The Group had net current liabilities of RMB21,349,079,000 as at 31 December 2021 and incurred loss for the year of RMB4,772,935,000. In view of such circumstance, the board of directors (the "Board") has given careful consideration to the future liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Board considers that the Group will have adequate funds available to enable it to operate as a going concern, taking into account the Group's cash flow projection and the following:

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

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

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

In the current year, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

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

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

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

2.2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") *(Continued)*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, interest rate benchmark reform-phase 2

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

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

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.

IFRS 17	Insurance Contracts and related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle[1]

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

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

3 Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

Amendments to IFRS 3 Reference to the Conceptual Framework

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 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

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 Group is assessing the potential impact of adopting the amendments. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future financial statements.

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

Amendments to IAS 8 Definition of Accounting Estimates

The amendments to IAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

Asset acquisition

For the transfer of assets with shareholder by issuing shares, the Group account for such a transaction at the fair value of the consideration given (being fair value of equity instruments issued) or the assets received, if that is more easily measured, together with directly attributable transaction costs. When the purchase consideration does not correspond to the fair value of the investment acquired, the difference is considered as equity contribution or dividend distribution and in effect account for the assets received at their fair value.

Fair value measurement

The Group measures its investment properties, certain debt investments, derivative financial liabilities 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 or 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.

If an item of property and equipment or “Right-of-use assets” for property held as a right-of-use asset becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. The asset revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

The lease liability is presented as a separate line in the consolidated statement of financial position.

(c) Lease modification

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) *Lease modification (Continued)*

COVID-19-Related Rent Concessions

For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether a COVID-19-Related Rent Concession for lease contracts is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

(d) *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 “Other income and gains” 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

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.

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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 33.

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.

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 ESTIMATES

The preparation of the Group's financial statements requires management to make, 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.

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.

Inventories

The Group has operational procedures in place to monitor this risk as the majority of the Group's working capital is devoted to inventories. The Group reviews its inventory ageing on a periodical basis and compares the carrying values of the aged inventories with their respective net realisable values. The management estimates the net realisable values for such inventories based on primarily on the latest sales price and current market condition. 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.

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 2021 was RMB10,117,885,000 (2020: RMB10,189,488,000). Further details are given in note 16.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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 is disclosed in note 24.

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 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 2021 was RMB4,081,961,000 (2020: RMB3,906,717,000). Further details, including the key assumptions used for fair value measurement, are given in note 15.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

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.

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 2021 was RMB56,847,000 (2020: RMB56,992,000). The amount of unrecognised tax losses at 31 December 2021 was RMB13,408,649,000 (2020: RMB14,364,057,000). Further details are contained in note 22.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

All (2020: all) revenue of the Group was derived from customers in Mainland China and over 99% (2020: 95%) of the Group's non-current assets, other than financial instruments and deferred tax assets, were situated in Mainland China.

Information about major customers

During the year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2020: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**46,483,804**	44,119,113
Other income		
Income from installation	**39,617**	55,028
Income on extended warranty service	**85,723**	158,388
Income on the net investment in finance leases	**14,587**	14,041
Gross rental income from investment property operating leases	**168,786**	114,820
Government grants*	**109,654**	182,211
Commission income from telecommunications service providers	**24,147**	19,853
Commission income from providing online platforms	**7,718**	14,076
Income from compensation	**9,340**	7,761
Realised income from wealth management financial products	**20,925**	17,355
Others	**101,465**	31,360
	581,962	614,893
Gains		
Gains on subleasing of right-of-use assets	**9,479**	44,255
Gains on lease modification	**21,421**	40,550
Foreign exchange gain	**238,243**	–
Fair value gains on investment properties	**53,147**	–
Fair value gains on financial instruments, net:		
Financial assets at fair value through profit or loss	**71,659**	–
Derivative financial instruments embedded in the convertible bonds	**211,869**	116,494
	605,818	201,299
	1,187,780	816,192

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

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods or services		
Sale of electrical appliances, consumer electronic products and general merchandise	**46,483,804**	44,119,113
Geographical market		
Mainland China	**46,483,804**	44,119,113
Timing of revenue recognition		
Goods transferred at a point in time	**46,483,804**	44,119,113

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:

	2021 RMB'000	2020 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	**1,613,848**	337,471
Loyalty points programme	**68,651**	217,578
	1,682,499	555,049

As the transaction price allocated to the performance obligation that is unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of one year or less.

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, as other income.

Installation services

The payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

6. LOSS BEFORE TAX

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

	2021 **RMB'000**	2020 RMB'000
Cost of inventories sold	**41,098,968**	39,549,510
(Reversal of provision) provision against inventories	**(122,074)**	19,219
Cost of sales	**40,976,894**	39,568,729
Depreciation of property and equipment	**641,581**	680,465
Depreciation of right-of-use assets	**2,526,553**	2,545,942
Amortisation of other intangible assets*	**59,939**	69,255
Research and development costs	**114,300**	59,662
Impairment losses on property and equipment***	**3,307**	327,207
Losses on closing stores***	**–**	116,825
Losses on disposal/written off of property and equipment***	**22,622**	10,051
Gains on lease modifications***	**(21,421)**	(40,550)
Lease payments not included in the measurement of lease liabilities	**522,577**	527,456
Fair value (gains) losses on investment properties, net***	**(53,147)**	200,482
Fair value (gains) losses on financial instruments, net:		
Financial assets at fair value through profit or loss***	**(71,659)**	55,740
Derivative financial instruments embedded in the convertible bonds***	**(211,869)**	(116,494)
Foreign exchange differences, net***	**(238,243)**	222,070
Impairment losses on goodwill***	**71,603**	1,797,640
Impairment losses on trade receivables, net	**26,775**	15,593
(Reversal of impairment losses) impairment losses on financial assets included in prepayments, other receivables and other assets, net	**(3,730)**	18,868
Auditor's remuneration	**4,380**	5,000
Staff costs excluding Directors' and chief executive's remuneration (note 8):		
Wages, salaries and bonuses	**2,420,707**	2,051,233
Pension scheme contributions**	**259,149**	245,464
Social welfare and other costs	**81,891**	50,655
Share award expense	**74,557**	79,018
	2,836,304	2,426,370

6. LOSS BEFORE TAX *(Continued)*

Notes:

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

** At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil).

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

7. FINANCE (COSTS) INCOME

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

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

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

8. 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:

	2021 RMB'000	2020 RMB'000
Fees	**1,992**	2,136
Other emoluments:		
Salaries, allowances and other expenses	**413**	3,955
Share award expense	**713**	2,816
Pension scheme contributions	**11**	8
	3,129	8,915

During the year ended 31 December 2020, 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 33. The fair value of such restricted share units, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount recognised 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 report period were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Lee Kong Wai, Conway	**332**	356
Ms. Liu Hong Yu	**332**	356
Mr. Wang Gao	**332**	356
	996	1,068

There was no other emolument payable to the independent non-executive directors during the report period (2020: Nil).

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

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

2021	Fees RMB'000	Salaries, allowances and other expenses RMB'000	Share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive director:					
Mr. Zou Xiao Chun	–	332	–	–	332
Non-executive directors:					
Mr. Zhang Da Zhong	332	–	–	–	332
Ms. Huang Xiu Hong	332	–	–	–	332
Mr. Yu Sing Wong	332	–	–	–	332
	996	–	–	–	996
Chief executive:					
Mr. Wang Jun Zhou (Note i)	–	81	713	11	805
	996	413	713	11	2,133

2020	Fees RMB'000	Salaries, allowances and other expenses RMB'000	Share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive director:					
Mr. Zou Xiao Chun	–	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

Note:

(i) Mr. Wang Jun Zhou was resigned as chief executive in August 2021.

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

(c) Five highest paid individuals

During the year ended 31 December 2021, of the five individuals with the highest emoluments in the Group, none was directors or the chief executive of the Company. During the year ended 31 December 2020, of the five individuals with the highest emoluments in the Group, one was the chief executive of the Company whose remuneration was set out above. The emoluments of the five (2020: four) individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and other expenses	13,236	13,918
Pension scheme contributions	224	123
Share award expense	2,643	6,650
	16,103	20,691

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

	2021	2020
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
HK$4,500,001 to HK$5,000,000	3	–
HK$5,500,001 to HK$6,000,000	–	2
HK$8,500,001 to HK$9,000,000	–	1
	5	4

During the year ended 31 December 2020, 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 33. The fair value of such restricted share units, which has been recognised in the consolidated 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 2021 (2020: 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 2021 and 2020.

The Group's contributions to pension schemes for the year ended 31 December 2021 amounted to approximately RMB259,160,000 (2020: RMB245,472,000).

10. INCOME TAX EXPENSES

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except for certain preferential treatments available to the Group, the tax rate of the PRC subsidiaries is 25% (2020: 25%) on their respective taxable income. During the year, certain subsidiaries of the Group obtained approval from the relevant PRC tax authorities and were entitled to preferential corporate income tax rates or corporate income tax exemptions.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 **RMB'000**	2020 RMB'000
Current – charge for the year	**6,280**	15,578
Deferred (note 22)	**38,160**	19,212
Total tax charge for the year	**44,440**	34,790

10. INCOME TAX EXPENSES *(Continued)*

The income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follow:

	2021 **RMB'000**	2020 RMB'000
Loss before tax	**(4,728,495)**	(7,168,857)
Income tax at the statutory tax rate	**(1,140,405)**	(1,748,403)
Tax effect of preferential tax rates and tax exemption	**(14,972)**	(9,637)
Expense not deductible for tax	**125,669**	557,196
Tax losses utilised from previous years	**(179,104)**	(148,087)
Tax losses not recognised	**1,253,252**	1,383,721
Income tax expenses	**44,440**	34,790

The share of tax credit attributable to associates amounting to RMB426,000 (2020: tax expense RMB2,000) is included in "Share of results of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

Pursuant to the board of directors' resolution dated 31 March 2022, the board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil) so as to preserve capital for funding needs of the Group.

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 24,694,090,000 (2020: 20,085,142,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of convertible bonds outstanding and awarded shares granted had an anti-dilutive effect on the basic loss per share amounts presented.

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

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

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

13. PROPERTY AND EQUIPMENT

	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 2021							
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
At 1 January 2021	5,551,781	250,913	308,216	10,986	70,869	103,376	6,296,141
Additions	–	87,239	160,634	1,332	205,353	–	454,558
Disposals/written off	–	(20,574)	(9,278)	(530)	–	–	(30,382)
Disposal of a subsidiary (note 37)	–	–	(30)	–	–	–	(30)
Impairment	–	(3,307)	–	–	–	–	(3,307)
Depreciation provided during the year	(178,930)	(272,949)	(151,190)	(4,025)	–	(34,487)	(641,581)
Transfers from properties under development upon completion	640,060	–	–	–	–	–	640,060
Transfers from construction in progress	77,003	–	–	–	(77,003)	–	–
At 31 December 2021, net of accumulated depreciation and impairment	6,089,914	41,322	308,352	7,763	199,219	68,889	6,715,459
At 31 December 2021							
Cost	8,297,237	3,133,982	2,427,100	79,154	199,219	340,138	14,476,830
Accumulated depreciation and impairment	(2,207,323)	(3,092,660)	(2,118,748)	(71,391)	–	(271,249)	(7,761,371)
Net carrying amount	6,089,914	41,322	308,352	7,763	199,219	68,889	6,715,459

13. PROPERTY AND EQUIPMENT *(Continued)*

	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/written off	–	(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

Certain of the buildings in Mainland China with the aggregate net carrying amounts of RMB1,442,304,000 (2020: RMB1,295,525,000) and RMB1,551,905,000 (2020: RMB1,459,713,000), respectively, were pledged as security for bills payable (note 28) and interest-bearing bank and other borrowings (note 30) of the Group as at 31 December 2021.

An aircraft of the Group with the aggregate net carrying amount of RMB68,889,000 (2020: RMB103,376,000) was pledged as security for interest-bearing bank and other borrowings (note 30) of the Group as at 31 December 2021.

During the year ended 31 December 2021, an impairment of RMB3,307,000 was recognsied for certain leasehold improvements related to retail stores based on the recoverable amount of the retail stores cash generating unit. The recoverable amounts are determined based on higher of value in use calculation which uses cash flow projections based on financial budgets as approved by management.

13. PROPERTY AND EQUIPMENT *(Continued)*

During the year ended 31 December 2020, an impairment of RMB327,207,000 was recognised for a building and certain leasehold improvements related to retail stores with an aggregate carrying amount of RMB735,714,000 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.

The recoverable amounts of these leasehold improvements 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 was 12.99%. 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.

As at 31 December 2020, the recoverable amount of the building 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 categorised as Level 3.

Set out below was 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
Building located in Mainland China	Direct comparison approach	Market value (RMB per square metre)	32,478
		Discount rate	12.99%

Under the direct comparison approach, fair value was 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. 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 RMB640,609,000 (2020: RMB875,963,000) were pledged as security for interest-bearing bank loans (note 30) of the Group as at 31 December 2021.

15. INVESTMENT PROPERTIES

	2021 Completed investment properties RMB'000	2021 Investment properties under construction RMB'000	2021 Total RMB'000	2020 Completed investment properties RMB'000	2020 Investment properties under construction RMB'000	2020 Total RMB'000
Carrying amount at 1 January	**1,173,529**	**2,733,188**	**3,906,717**	917,658	1,220,271	2,137,929
Additions	**–**	**322,534**	**322,534**	–	138,589	138,589
Transfer from investment properties under construction	**1,642,705**	**(1,642,705)**	**–**	–	–	–
Transfer from owner-occupied properties	**–**	**–**	**–**	331,598	771,008	1,102,606
Transfer from owner-occupied right-of-use assets (note 21(a))	**–**	**–**	**–**	55,116	685,056	740,172
Disposal of a subsidiary (note 37)	**(199,346)**	**–**	**(199,346)**	–	–	–
Net gain (loss) from fair value adjustment	**65,661**	**(12,514)**	**53,147**	(118,746)	(81,736)	(200,482)
Exchange realignment	**(1,091)**	**–**	**(1,091)**	(12,097)	–	(12,097)
Carrying amount at 31 December	**2,681,458**	**1,400,503**	**4,081,961**	1,173,529	2,733,188	3,906,717

The Group's investment properties comprise commercial properties in Mainland China (2020: Mainland China and New York), 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 RMB4,081,961,000 (2020: RMB3,906,717,000) as at 31 December 2021. The Group's management has discussed with the valuers on the valuation assumptions and valuation results.

As at 31 December 2021, the Group's investment properties of approximately RMB37,037,000 (2020: RMB36,191,000), nil (2020: RMB181,601,000) and RMB4,044,924,000 (2020: RMB3,688,925,000) were located in Hong Kong, New York and Mainland China, respectively. The investment properties located in New York were disposed during the year ended 31 December 2021. The investment properties are leased to third parties under operating lease of which details are disclosed in note 21.

Certain of the investment properties of the Group in Mainland China with the aggregate carrying amounts of RMB99,307,000 (2020: RMB368,586,000) and RMB3,497,616,000 (2020: RMB2,290,079,000), respectively, were pledged as security for bills payable (note 28) and interest-bearing bank loans (note 30) of the Group as at 31 December 2021.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

2021	Fair value measurement 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	–	–	4,044,924	4,044,924
Industrial property and car parks	–	–	37,037	37,037
	–	–	4,081,961	4,081,961

2020	Fair value measurement 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

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 (2020: Nil).

15. 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 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 fair value adjustment recognised in other expenses	(197,257)	(3,225)
Carrying amount at 31 December 2020 and 1 January 2021	3,870,526	36,191
Additions	**322,534**	**–**
Disposal of a subsidiary	**(199,346)**	**–**
Exchange realignment	**–**	**(1,091)**
Net gain from fair value adjustment recognised in other income and gains	**51,210**	**1,937**
Carrying amount at 31 December 2021	**4,044,924**	**37,037**

15. INVESTMENT PROPERTIES *(Continued)*

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 2021	2020
Investment properties under construction	Hypothetical development method	Estimated rental value (RMB per square metre and per month)	**105 – 300**	132 – 300
		Rental growth (per annum)	**3% – 5%**	3%
		Discount rate	**6%**	6%
Commercial properties located in Mainland China	Income approach	Estimated rental value (RMB per square metre and per month)	**34.5 – 210**	33 – 300
		Rental growth (per annum)	**1.5% – 2.5%**	1.5% – 3%
		Long term vacancy rate	**5%**	5% – 6%
		Discount rate	**6%**	6%
Industrial property and car parks located in Hong Kong	Direct comparison approach	Market value (RMB per square metre)	**28,517**	27,340
Commercial properties located in New York	Direct comparison approach	Market value (RMB per square metre)	**N/A***	139,628

* The commercial properties located in New York was disposed during the year ended 31 December 2021.

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.

15. INVESTMENT PROPERTIES *(Continued)*

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.

16. GOODWILL

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

16. GOODWILL *(Continued)*

Impairment testing of goodwill

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

	2021 **RMB'000**	2020 RMB'000
Artway	**6,987,869**	6,987,869
China Paradise	**3,920,393**	3,920,393
Dazhong Appliances	**3,130,136**	3,130,136
Others	**397,553**	397,553
	14,435,951	14,435,951
Accumulated impairment	**(4,318,066)**	(4,246,463)
	10,117,885	10,189,488

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections prepared based on financial budgets as approved by management which cover a period of five years. The pre-tax discount rates applied to the cash flow projections is 11.71% (2020: 12.99% to 13.30%). The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2020: 3%).

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

During the year ended 31 December 2020, in view of the underperformance of Artway and China Paradise cash-generating units, impairment losses of RMB1,360,312,000 and RMB437,328,000, respectively, were recognised for the goodwill in relation to these cash-generating units.

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

16. GOODWILL *(Continued)*

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.

17. OTHER INTANGIBLE ASSETS

2021	Trademarks RMB'000	Broadcasting licenses RMB'000	Total RMB'000
At 1 January 2021			
Cost	**692,607**	**60,000**	**752,607**
Accumulated amortisation	**(441,678)**	**(45,771)**	**(487,449)**
Net carrying amount	**250,929**	**14,229**	**265,158**
Cost at 1 January 2021, net of accumulated amortisation	**250,929**	**14,229**	**265,158**
Amortisation provided during the year	**(45,710)**	**(14,229)**	**(59,939)**
At 31 December 2021	**205,219**	**–**	**205,219**
At 31 December 2021			
Cost	**692,607**	**60,000**	**752,607**
Accumulated amortisation	**(487,388)**	**(60,000)**	**(547,388)**
Net carrying amount	**205,219**	**–**	**205,219**

2020	Trademarks RMB'000	Broadcasting licenses RMB'000	Total RMB'000
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

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, Artway Group of RMB229,740,000 and the 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.

For the purpose of impairment testing, intangible assets was allocated to individual cash-generating units. Details of the impairment test were disclosed in note 16.

18. INVESTMENTS IN ASSOCIATES

	Note	2021 RMB'000	2020 RMB'000
Share of net assets		**143,773**	73,994
Goodwill on acquisition	*(i)*	**486,119**	97,776
Net carrying amount		**629,892**	171,770

	2021 RMB'000	2020 RMB'000
Fair value of listed investment		
Gome Telecom	**430,850**	–

The fair value of the Gome Telecom disclosed above is based on the quoted market price available on the Shanghai Stock Exchange, which is Level 1 input in term of IFRS13.

The associates are accounted for using the equity method in these consolidated financial statements.

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

Note:

(i) Goodwill on acquisition mainly represented goodwill airing from the investment in 深圳十分到家服務科技有限公司("Shenzhen Shifen Daojia Service Technology Co., Ltd." or "Shifen Daojia") and 通訊設備股份有限公司("Gome Telecom Equipment Co., Ltd." or "Gome Telecom").

During the year ended 31 December 2017, the Group acquired 21.65% of equity interest of Shifen Daojia, 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.

During the year ended 31 December 2021, the Group has increased its investment in Gome Telecom from 19.99% to 29.20%. Gome Telecom is a company established in the PRC and listed on the Shanghai Stock Exchange. The investment is reclassified from financial assets at fair value through other comprehensive income to investments in associates during the year. The initial investment exceeding the Group's share of net assets was recognised as goodwill on acquisition.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Share of the associates' results for the year and total comprehensive loss	**(17,048)**	(6,338)
Aggregate carrying amount of the Group's investments in associates	**629,892**	171,770

Certain of the investment in associates of the Group amounting to RMB207,728,000 (2020: nil) were pledged as security for interest-bearing bank and other borrowings (note 30) of the Group.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Listed equity shares		
Gome Telecom (note)	**–**	303,886
Others	**182,729**	234,003
	182,729	537,889
Unlisted equity investment	**210,899**	195,304
	393,628	733,193

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.

As at 31 December 2020, certain of the financial assets at fair value through other comprehensive income of the Group with an aggregate fair value of RMB537,889,000 were pledged as security for interest-bearing bank and other borrowings (note 30) of the Group. The pledge was released during the year ended 31 December 2021.

Note: As at 31 December 2020, the balance represented the fair value of the Group's investment in 19.99% of the issued shares of Gome Telecom. During the year ended 31 December 2021, the Group's investment in Gome Telecom has increased from 19.99% to 29.20% and was transferred to investments to associates.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Current		
Listed equity investments	**941,976**	417,441
Non-current		
Listed equity investments	**–**	53,137
Unlisted equity investments	**1,513,671**	1,543,780
Unlisted debt security	**934,160**	–
	2,447,831	1,596,917

The above equity investments at 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 security at 31 December 2021 is classified as financial assets at fair value through profit or loss as it is a convertible bonds which included conversion option. The convertible bonds were issued by 北京鵬潤時代物業管理有限公司 (Beijing Pengrun Times Property Management Company Limited) which is indirectly owned by Mr. Wong Kwong Yu ("Mr. Wong"), the controlling shareholder of the Company of which details are disclosed in announcement dated 26 November 2021.

As at 31 December 2020, certain of the financial assets at fair value through profit or loss of the Group with an aggregate fair value of RMB413,487,000 were pledged as security for interest-bearing bank and other borrowings (note 30) of the Group. The pledge was released during the year ended 31 December 2021.

21. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, retail stores and land 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. There are several lease contracts that include variable lease payments, which are further discussed below.

During the year ended 31 December 2021, the addition of RMB17,688,284,000 was mainly arising from the Company entered into an agreement with GOME Management Limited ("GOME Management"), a company wholly-owned by the controlling shareholder of the Company, under which GOME Management agreed to lease certain properties to the Company for the lease terms between 16 to 19 years. The aggregate consideration for the properties under the agreement were settled by the Company by way of the issue of the consideration shares and by the transfer of the entire equity interest in Hudson Assets Management Limited ("Hudson Assets"), a wholly-owned subsidiary of the Company, to GOME Management.

(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	Total RMB' 000
As at 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 and subleasing	–	(165,364)	(165,364)
Transferred to investment properties (note 15)	(740,172)	–	(740,172)
Transferred to properties under development	(293,595)	–	(293,595)
As at 31 December 2020 and 1 January 2021	**483,200**	**8,043,115**	**8,526,315**
Additions	**–**	**19,373,795**	**19,373,795**
Depreciation charge	**(10,891)**	**(2,515,662)**	**(2,526,553)**
Disposals	**–**	**(315,492)**	**(315,492)**
Modifications and subleasing	**–**	**108,235**	**108,235**
Exchange realignment	**–**	**(286,064)**	**(286,064)**
As at 31 December 2021	**472,309**	**24,407,927**	**24,880,236**

Certain of the leasehold land of the Group with a net carrying amount of RMB206,647,000 (2020: RMB95,227,000) were pledged as security for interest-bearing bank and other borrowings (note 30) of the Group as at 31 December 2021.

21. 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:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**8,824,843**	11,537,611
New leases	**1,685,511**	1,436,274
Accretion of interest recognised during the year	**554,787**	623,269
Modifications and terminations	**(167,495)**	(2,792,745)
Covid-19-related rent concessions from lessors	**(24,721)**	(248,466)
Payments	**(2,652,177)**	(1,731,100)
Carrying amount at 31 December	**8,220,748**	8,824,843
Analysed into:		
Current portion	**3,897,862**	3,077,035
Non-current portion	**4,322,886**	5,747,808

The maturity analysis of lease liabilities is disclosed in note 43.

These rent concessions occurred as a direct consequence of COVID-19 pandemic, which met of all of the conditions in IFRS16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. Accordingly, during the current year, rent concessions totaling RMB24,721,000 (2020: RMB248,466,000) have been accounted as negative variable lease payments and recognised in the profit or loss, with a corresponding adjustment to the lease liabilities.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**554,787**	623,269
Depreciation charge of right-of-use assets	**2,526,553**	2,545,942
Gains on lease modifications	**(21,421)**	(40,550)
Gains on subleasing of right-of use assets	**(9,479)**	(44,255)
Expense relating to short term lease	**437,070**	460,216
Variable lease payments not included in the measurement of lease liabilities	**85,507**	67,240
Covid-19-related rent concessions from lessor	**(24,721)**	(248,466)
The amount recognised in profit or loss	**3,548,296**	3,363,396

21. 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:

2021

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	**2,623,570**	**–**	**2,623,570**
Variable rent with minimum payment	**28,607**	**7,203**	**35,810**
Variable rent only	**–**	**78,304**	**78,304**
	2,652,177	**85,507**	**2,737,684**

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

(e) The total cash outflow for leases is disclosed in note 38(c).

21. LEASES *(Continued)*

The Group as a lessor

The Group leases its investment properties (note 15) 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 RMB168,786,000 (2020: RMB114,820,000), details of which are included in note 5.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**129,915**	118,842
After one year but within two years	**114,566**	96,235
After two years but within three year	**102,376**	67,474
After three years but within four year	**74,258**	57,167
After four years but within five year	**54,410**	95,357
After five years	**166,769**	243,098
	642,294	678,173

22. DEFERRED TAX

The following is the analysis of the deferred tax assets (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**13,098**	13,391
Deferred tax liabilities	**(595,356)**	(566,586)
	(582,258)	(553,195)

22. DEFERRED TAX *(Continued)*

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Loss available for offsetting against future taxable profits 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	Lease liabilities RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2020	(405,063)	54,933	(72,262)	(25,048)	(16,330)	–	2,457,855	(2,464,207)	(470,122)
Charged to other comprehensive income	–	–	–	–	(51,708)	(12,153)	–	–	(63,861)
Credited (charged) to profit or loss	16,644	2,059	(8,917)	10,115	-	-	(821,680)	782,567	(19,212)
At 31 December 2020 and 1 January 2021	(388,419)	56,992	(81,179)	(14,933)	(68,038)	(12,153)	1,636,175	(1,681,640)	(553,195)
Charge to other comprehensive income	–	–	–	–	–	9,097	–	–	9,097
Credited (charged) to profit or loss	14,244	(145)	(11,798)	(11,495)	–	-	(261,902)	232,936	(38,160)
At 31 December 2021	(374,175)	56,847	(92,977)	(26,428)	(68,038)	(3,056)	1,374,273	(1,448,704)	(582,258)

The Group has not recognised deferred tax assets in respect of tax losses arising in Hong Kong of RMB686 million (2020: RMB686 million), that are available indefinitely, and in the PRC of RMB12,723 million (2020: RMB13,678 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.

23. INVENTORIES

	2021 RMB'000	2020 RMB'000
Electrical appliances and customer electronic products	**5,960,177**	8,035,758
General merchandise and others	**391,794**	332,696
	6,351,971	8,368,454

24. TRADE RECEIVABLES

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

All of the Group's sales are on a cash basis except for certain bulk sales of merchandise which are credit sales. The credit period is generally one to three months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Management considers that there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

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

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

24. TRADE RECEIVABLES *(Continued)*

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**19,758**	21,203
Impairment losses	**26,775**	15,593
Amount written off as uncollectible	**–**	(17,038)
At end of year	**46,533**	19,758

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast and conditions at the report date. 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:

2021

		Past due			
	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	**1.06%**	**2.17%**	**43.25%**	**100.00%**	**3.14%**
Gross carrying amount (RMB' 000)	**1,331,063**	**89,656**	**57,169**	**5,748**	**1,483,636**
Expected credit losses (RMB' 000)	**14,111**	**1,950**	**24,724**	**5,748**	**46,533**

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

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2021 RMB'000	2020 RMB'000
Current			
Advances to suppliers		**1,626,831**	1,074,821
Deposits and other receivables	*(i)*	**511,331**	848,747
Other receivable from Zhejiang Dejing		**165,794**	159,269
Prepaid tax value added tax		**512,669**	740,376
Other prepaid expenses		**14,621**	15,719
Interest receivables	*(ii)*	**390,345**	285,860
Receivable from payment operators		**37,022**	143,193
Others		**13,602**	13,959
		3,272,215	3,281,944
Impairment allowance		**(43,534)**	(47,264)
		3,228,681	3,234,680
Non-current			
Rental deposits		**124,659**	163,128
Prepayment for property acquisition		**395,000**	395,000
Finance lease receivables		**113,491**	131,648
		633,150	689,776

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

2021	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	**17,921**	**29,343**	**47,264**
Impairment losses (reversal of impairment losses)	**1,036**	**(4,766)**	**(3,730)**
	18,957	**24,577**	**43,534**

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

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

Notes:

(i) Deposits and other receivables mainly represent deposits with suppliers.

(ii) Certain of the Group's interest receivables with the aggregate carrying amounts of RMB50,215,000 (2020: RMB34,189,000) and RMB340,130,000 (2020: RMB251,671,000), respectively, were pledged as security for bills payable (note 28) and interest-bearing bank and other borrowings (note 30) of the Group as at 31 December 2021.

26. DUE FROM (TO) RELATED COMPANIES

Due from related companies

	Note	2021 RMB'000	2020 RMB'000
Advances to associates	*(i)*	**32,390**	133,501
Due from other related companies	*(i)*	**121,240**	235,544
		153,630	369,045

Due to related companies

	Notes	2021 RMB'000	2020 RMB'000
Due to GOME Ruidong*	*(i)*	**66,667**	66,667
Due to Anxun Logistics**	*(ii)*	**30,065**	19,762
Due to other related companies	*(i)*	**215,313**	35,199
		312,045	121,628

* 北京國美鋭動電子商務有限公司("Beijing GOME Ruidong e-Commerce Co., Ltd." Or "GOME Ruidong") is owned by Mr. Wong Kwong Yu, the controlling shareholder of the Company.

** 安迅物流有限公司 ("Anxun Logistics Co., Ltd." Or "Anxun Logistics"), which is owned by Mr. Wong, the controlling shareholder of the Company.

Notes:

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

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

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**1,878,707**	6,668,250
Time deposits	**16,168,042**	17,473,542
	18,046,749	24,141,792
Less: Pledged time deposits for bills payable	**(4,142,580)**	(4,052,867)
Pledged time deposits for interest bearing bank and other borrowings	**(9,520,128)**	(10,476,638)
Restricted cash	**(5,618)**	(15,087)
	(13,668,326)	(14,544,592)
Cash and cash equivalents	**4,378,423**	9,597,200

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB18,013,478,000 (2020: RMB24,037,444,000). 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.

28. TRADE AND BILLS PAYABLES

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

28. 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:

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

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

(i) the pledge of certain of the Group's time deposits (note 27) amounting to RMB4,142,580,000 (2020: RMB4,052,867,000) and related interest receivables (note 25) amounting to RMB50,215,000 (2020: RMB34,189,000);

(ii) the Group's buildings (note 13) which had an aggregate net carrying value at the end of the reporting period of approximately RMB1,442,304,000 (2020: RMB1,295,525,000); and

(iii) the Group's investment properties (note 15) situated in Mainland China which had an aggregate fair value of approximately RMB99,307,000 (2020: RMB368,586,000).

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

29. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Deferred revenue		**35,834**	37,072
Contract liabilities	*(i)*	**1,796,913**	1,682,499
Refund liabilities		**15,194**	15,618
Other payables	*(ii)*	**2,853,159**	2,404,315
Accruals		**1,251,474**	852,118
		5,952,574	4,991,622

Notes:

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

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

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

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

(a) certain of the Group's buildings (note 13) situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB1,551,905,000 (2020: RMB1,459,713,000);

(b) the Group's aircraft (note 13) with a net carrying amount at the end of the reporting period of approximately RMB68,889,000 (2020: RMB103,376,000);

(c) certain of the Group's investment properties (note 15) situated in Mainland China which had an aggregate fair value at the end of the reporting period of approximately RMB3,497,616,000 (2020: RMB2,290,079,000);

(d) certain of the Group's properties under development (note 14) situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of approximately RMB640,609,000 (2020: RMB875,963,000);

(e) certain of the Group's right-of-use assets (note 21) situated in Mainland China which had an aggregate net carrying amount of approximately RMB206,647,000 (2020: RMB95,227,000) at the end of the reporting period;

(f) certain of the Group's time deposits (note 27) amounting to approximately RMB9,520,128,000 (2020: RMB10,476,638,000) and related interest receivables (note 25) amounting to RMB340,130,000 (2020: RMB251,671,000), respectively, at the end of the reporting period;

(g) certain of the Group's financial assets at fair value through other comprehensive income (note 19) with an aggregate fair value as at 31 December 2020 of RMB537,889,000. The pledge was released during the year ended 31 December 2021;

(h) certain of the Group's investments in associates (note 18) amounting to approximately RMB207,728,000 (2020: nil) at the end of the reporting period; and

(i) certain of the Group's financial assets at fair value through profit or loss (note 20) with an aggregate fair value as at 31 December 2020 of RMB413,487,000. The pledge was released during the year ended 31 December 2021.

(ii) Except for the bank loans and bonds payable denominated in EUR and USD with carrying amounts of RMB2,546,946,000 (2020: RMB2,826,898,000) and RMB1,691,845,000 (2020: RMB1,638,098,000) respectively, all the Group's bank and other borrowings are denominated in RMB at the end of the reporting period.

(iii) During the year ended 31 December 2021, the Group has redeemed certain corporate bonds of RMB2,546,390,000 upon its maturity and renewed RMB953,610,000.

31. CONVERTIBLE BONDS

On 17 April 2020, the Company, as issuer, and Hongkong Walnut Street Limited ("Pinduoduo"), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo Inc., as subscriber, entered into a subscription agreement (the "Pinduoduo Subscription Agreement") in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US$200 million. The initial conversion price is HK$1.215 per share. Assuming that the conversion rights have been exercised in full, 1,283,950,617 new shares of the Company will be allotted and issued. The issuance was completed on 28 April 2020. On 9 March 2021, a result of the placing of existing and the subscription of new shares of the Company disclosed in note 32(i) and pursuant to the terms of Pinduoduo Subscription Agreement, the conversion price changed to HK$1.20 per share and the maximum number of shares that will be issued upon conversion of the convertible bonds is 1,300,000,000 shares.

On 28 May 2020, the Company, as issuer, and JD.com International Limited ("JD"), a limited liability company established in Hong Kong and a wholly-owned subsidiary of JD.com, Inc., as subscriber, entered into a subscription agreement (the "JD Subscription Agreement') in relation to the subscription of the convertible bonds at the subscription price equal to 100% of the principal amount of the convertible bonds, being US$100 million. The initial conversion price is HK$1.255 per share. Assuming that the conversion rights have been exercised in full, 621,513,944 new shares of the Company will be allotted and issued. The issuance was completed on 30 June 2020. On 9 March 2021, a result of the placing of existing and the subscription of new shares of the Company disclosed in note 32(i) and pursuant to the terms of JD Subscription Agreement, the conversion price changed to HK$1.24 per share and the maximum number of shares that will be issued upon conversion of the convertible bonds is 629,032,258 shares.

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

At the issuance date, the liability components, and the above-mentioned conversion options, extension option and redemption options (collectively the "embedded derivatives") of the CBs were measured at fair value. The liability components are presented as interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from the liability components, and presented as derivative financial liabilities at fair value. As at 31 December 2021, the fair value of the derivative embedded was RMB130,685,000 (2020: RMB351,332,000).

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

32. ISSUED CAPITAL

2021

	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	**33,756,544**	**843,914**	**772,338**

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:

	Notes	Number of shares in issue '000	share capital HK$' 000	Equivalent to RMB' 000
At 1 January 2020		21,557,627	538,941	518,322
Shares repurchased and cancelled		(5,000)	(125)	(112)
At 31 December 2020 and 1 January 2021		21,552,627	538,816	518,210
Placing of shares	*(i)*	2,279,976	56,999	47,948
Issue of shares	*(ii)*	9,923,941	248,099	206,180
At 31 December 2021		**33,756,544**	**843,914**	**772,338**

32. ISSUED CAPITAL *(Continued)*

Notes:

(i) On 2 March 2021, the Company entered into an agreement with a placing agent and a vendor in respect of a placing and subscription for 2,279,976,000 existing shares at placing price of HK$1.97 per share. The net proceeds to be received by the Company from the subscription, after deducting relating fees and expenses, are approximately HK$4,448,860,000 (equivalent to RMB3,742,381,000). The placing and the subscription were completed on 4 March 2021 and 9 March 2021, respectively. Details of the placing and the subscription are set out in the Company's announcements dated 2 March 2021 and 9 March 2021.

(ii) On 7 April 2021, the Company entered into an agreement with GOME Management, a company wholly-owned by the controlling shareholder of the Company, under which GOME Management agreed to lease the properties to the Company. The aggregate consideration of HK$21,284,515,000 (equivalent to RMB17,688,284,000) for the properties under the agreement were settled by the Company by way of the issue of the consideration shares of HK$20,939,515,000 (equivalent to RMB17,401,575,000) and by the transfer of the entire equity interest in Hudson Assets, a wholly-owned subsidiary of the Company, of HK$345,000,000 (equivalent to approximately RMB286,709,000 to GOME Management and the difference between the agreed consideration and the net assets of Hudson Assets disposed of amounting to RMB85,744,000 was recognised as deemed contribution from a controlling shareholder under other reserves. On 27 September 2021, 9,923,940,777 shares were issue to GOME Management at HK$2.11 per share to settle the consideration of HK$20,939,515,000 (equivalent to RMB17,401,575,000). Details of the transaction are set out in the Company's announcements dated 7 April 2021 and 27 September 2021 and circular dated 13 August 2021.

(iii) All the new shares issued during the year rank pari passu with the existing shares in all aspects.

33. 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 2021, an accumulated sum of approximately HK$1,289,065,000 (2020: HK$1,289,065,000) (excluding transaction costs) has been used by the Company to acquire 1,506,543,000 (2020: 1,506,543,000) ordinary shares of the Company by the Trustee, and 1,054,103,000 (2020: 1,040,739,000) forfeited or unawarded shares were held by the share award scheme trust and would be granted in future.

33. SHARE-BASED PAYMENTS *(Continued)*

Restricted Share Award Scheme *(Continued)*

Old RSU Program

During the year ended 31 December 2020, no 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").

The following RSUs were outstanding under the Old RSU Program during the year ended 31 December 2020:

	2020	
	Weighted average exercise price HK$ per share	Number of RSUs '000
At 1 January	0.38	473,300
Lapsed during the year	0.38	(473,300)
Total		–

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 both years:

	Number of RSUs	
	2021 **'000**	2020 '000
At 1 January	**379,335**	–
Granted during the year	**–**	487,028
Forfeited during the year	**(67,614)**	(25,938)
Vested during the year	**(83,315)**	(81,755)
Total	**228,406**	379,335

33. SHARE-BASED PAYMENTS *(Continued)*

Restricted Share Award Scheme *(Continued)*

New RSU Program *(Continued)*

The fair value of RSUs granted during the year ended 31 December 2020 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 2021, 83,315,000 (2020: 81,755,000) RSUs have been vested with the fulfilment of certain market, non-market and service conditions and accordingly 83,315,000 (2020: 81,755,000) awarded shares have been granted to employees of the Group under the New RSU Program. As at 31 December 2021, the weighted average remaining life of the RSUs under the New RSU Program is 1.30 (2020: 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 2021 amounted to RMB29,870,000 (2020: RMB78,852,000).

Awarded shares

During the year ended 31 December 2021, 54,250,000 (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 RMB45,400,000 (2020: RMB2,982,000). The fair value of the awarded shares granted was determined based on the market value of the Company's shares at the grant date.

33. SHARE-BASED PAYMENTS *(Continued)*

Restricted Share Award Scheme *(Continued)*

Awarded shares *(Continued)*

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 both years, no options have been granted, exercised, lapsed or cancelled, and the Company has no share options outstanding at 31 December 2021 and 2020 and at the date of the financial statements.

34. TREASURY SHARES

	Number of shares '000	HK$'000	Equivalent to RMB'000
At 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
Granted under RSA Scheme	(137,565)	(118,106)	(97,979)
At 31 December 2021	**1,282,509**	**1,101,096**	**935,431**

35. RESERVES

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

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.

35. RESERVES *(Continued)*

Reserves funds *(Continued)*

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.

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

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

	2021	2020
Percentage of equity interest held by non-controlling interests:		
GOME Fun E-Commerce Co., Ltd. ("GOME Fun")	**40%**	40%

	2021 RMB'000	2020 RMB'000
Loss for the year allocated to non-controlling interests:		
GOME Fun	**(372,080)**	(239,947)
Accumulated balances of non-controlling interests at the reporting date:		
GOME Fun	**(3,807,728)**	(3,435,648)

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

	2021 RMB'000	2020 RMB'000
Revenue	**1,354,810**	1,067,228
Total expense	**(866,319)**	(799,059)
Total comprehensive income for the year	**(930,201)**	(599,865)
Total assets	**5,294,925**	1,017,232
Total liabilities	**(15,444,642)**	(10,236,748)

37. DISPOSAL OF A SUBSIDIARY

On 7 April 2021, the Company entered into an agreement with GOME Management under which GOME Management agreed to lease certain properties to the Company. The aggregate consideration for the properties under the agreement of will be settled by the Company by way of the issue of the consideration shares (note 32) and by the transfer of the entire equity interest in Hudson Assets, a wholly-owned subsidiary of the Company, to GOME Management. On 27 September 2021, the transfer of the entire equity interest in Husdon Assets was completed in order to settle the consideration of HK$345,000,000 (equivalent to approximately RMB286,709,000). The net assets of Hudson Assets at the date of transfer were as follows:

Analysis of assets over which cost was lost:

	RMB'000
Property and equipment	30
Investment property	199,346
Prepayments and deposits	852
Cash and bank balances	737
Assets disposed of	200,965
Gain on disposal of a subsidiary	
Consideration settled	286,709
Assets disposed of	(200,965)
Gain on disposal recognised in other reserve	85,744
Cash outflow arising on disposal of Hudson Assets	
Cash and bank balances disposed of	737

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB19,373,795,000 (2020: RMB1,574,925,000) and RMB1,685,511,000 (2020: RMB1,436,274,000), respectively, in respect of lease arrangements for property and equipment of which RMB17,401,575,000 was settled by issue of shares (note 32) and RMB286,709,000 was settled by equity interest of Hudson Assets (note 37).

(ii) During the year, the Group had transferred the financial assets at fair value through other comprehensive income of RMB282,180,000 to investments in associates.

(iii) During the year, the Group entered into modification and subleasing agreements and derecognised right-of-use assets and lease liabilities of RMB207,257,000 (2020: RMB2,825,880,000) and RMB167,495,000 (2020: RMB2,792,745,000) respectively.

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

(b) Changes in liabilities arising from financing activities

2021	Liabilities Interest-bearing bank and other borrowings and related interest payable RMB'000	Lease liabilities RMB'000 *(note 21)*
At 1 January 2021	**33,299,039**	**8,824,843**
Changes from financing cash flows	**(6,297,350)**	**(2,652,177)**
New leases	**–**	**1,685,511**
Foreign exchange movement	**(133,740)**	**–**
Modifications and terminations	**–**	**(167,495)**
Covid-19-related rent concessions from lessors	**–**	**(24,721)**
Interest expense	**1,508,486**	**554,787**
At 31 December 2021	**28,376,435**	**8,220,748**

2020	Liabilities Interest-bearing bank and other borrowings and related interest payable RMB'000	Lease liabilities RMB'000 *(note 21)*	Loans from related companies and related interest payable RMB'000
At 1 January 2020	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	–

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

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating activities	**522,577**	527,456
Within financing activities	**2,652,177**	1,731,100
	3,174,754	2,258,556

39. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property and equipment	**701,250**	733,996

40. 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	2021 RMB'000	2020 RMB'000
Transactions with GOME Property:	*(i)*		
Rental*	*(iv)*	**146,660**	144,565
Construction expenses*		**20,863**	60,377
Purchase of property***		**–**	395,000
Transactions with Beijing Xinhengji:	*(i)*		
Rental***	*(v)*	**21,974**	18,052
Transactions with Anxun Logistics:	*(i)*		
Service fee*		**695,080**	594,897
Warehousing service income*		**119,152**	146,449
Warehousing service expense*		**10,700**	29,354
Transactions with GOME Holding:	*(i)*		
Other service income**		**–**	12,068
Interest expense**		**–**	2,530
Transactions with Meiyunbao:	*(i)*		
Supply of goods or service*		**15,148**	14,416
Purchase of goods or service*		**25,268**	27,502
Transactions with Lajin Network:	*(i)*		
Purchase of goods or service *		**2,074**	–
Content production service*		**635**	-
Transactions with associates:	*(ii)*		
Purchase of goods***		**194,031**	215,690
Transactions with investees:	*(iii)*		
Interest income***		**–**	22,870

40. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES *(Continued)*

(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, Anxun Logistics, 美雲保(北京)科技服務有限公司(“Meiyunbao Beijing Tech Service Co., Ltd.” or “Meiyunbao”) and Lajin Entertainment Network Group Limited (“Lajin Network”). 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) During the year ended 31 December 2020, 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 ended 31 December 2020, and the interest income from this related party represented interest income up to the disposal date.

(iv) The rent was charged at terms mutually agreed by the parties in respect of lease of certain office units.

On 20 December 2016, the Group entered into a lease agreement with GOME Property for a 6 years lease contract commencing from 1 January 2017 to 31 December 2022 of which details were set out in announcement 20 December 2016. The total rent payable under this lease contract was fully paid in cash in prior years. The prepaid rental is accounted for as right-of-use assets and the amount disclosed above represents the amortisation expense.

(v) The rent was charged at terms mutually agreed by the parties in respect of lease of a retail outlet.

On 27 October 2020, the Group entered into a lease agreement with Beijing Xinhengji for a 1 year lease contract commencing from 27 October 2020 to 24 October 2021 of which details were set out in announcement dated on 27 October 2020.

* 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:

	2021 RMB’000	2020 RMB’000
Fees	**1,992**	2,136
Other emoluments:		
Salaries, allowances and other expense	**14,556**	19,470
Pension scheme contributions	**258**	179
Share award expense	**3,355**	9,466
	20,161	31,251

Further details of Directors’ and the chief executive’s emoluments are included in note 8.

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

41. 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:

2021

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	–	393,628	–	393,628
Financial assets at fair value through profit or loss	–	–	3,389,807	3,389,807
Trade receivables	1,437,103	–	–	1,437,103
Financial assets included in prepayments, other receivables and other assets	1,299,108	–	–	1,299,108
Due from related companies	153,630	–	–	153,630
Pledged bank deposits and restricted cash	13,668,326	–	–	13,668,326
Cash and cash equivalents	4,378,423	–	–	4,378,423
	20,936,590	393,628	3,389,807	24,720,025

2021

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	28,200,232	–	28,200,232
Trade and bills payables	18,891,459	–	18,891,459
Lease liabilities	8,220,748	–	8,220,748
Financial liabilities included in other payables and accruals	2,853,159	–	2,853,159
Derivative financial instruments	–	130,685	130,685
Due to related companies	312,045	–	312,045
	58,477,643	130,685	58,608,328

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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
Pledged bank deposits and 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

2020

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. FAIR VALUE AND FAIR VALUE HIERARCHY

The management considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value.

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.

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 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 and other comprehensive income, 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 and debt security 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, discount rate and risk-free interest rate. The carrying amounts of derivative financial instruments are the same as their fair values.

42. 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 2021 and 2020:

	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of fair value to the input
Unlisted debt security	Market approach and Black-Scholes Model	P/E	32.95 (2020: N/A)	5% increase (decrease) in the P/E would result in increase (decrease) in fair value by RMB3 million.
		P/S	1.30 (2020: N/A)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value RMB6 million.
		Risk-free rate	3.74% (2020: N/A)	5% increase (decrease) in risk-free rate would result in decrease (increase) in fair value by RMB17 million.
Other unquoted investments	Market approach and enterprise value allocation model	LOMD*	7%-27% (2020: 12.00%-35.00%)	5% increase (decrease) in the LOMD would result in decrease (increase) in fair value by RMB10 million.
		P/E	32.95-58.37 (2020: 36.50-39.65)	5% increase (decrease) in the P/E would result in increase (decrease) in fair value by RMB10 million.
		P/S	1.30-2.01 (2020: 0.86-1.72)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value RMB18 million.
Derivative financial liabilities	Binomial tree model	Discount rate	10.813% (2020: 10.271%)	5% increase (decrease) in discount rate would result in increase (decrease) in the fair value by RMB14 million.
		Risk-free rate	0.700% (2020: 0.323%)	5% increase (decrease) in risk-free rate would result in increase (decrease) in fair value by RMB0.06 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.

42. 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:

2021

		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	**393,628**	**182,729**	**–**	**210,899**
Financial assets at fair value through profit or loss	**3,389,807**	**941,976**	**–**	**2,447,831**
Total	**3,783,435**	**1,124,705**	**–**	**2,658,730**

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

42. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

2021

		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	**130,685**	**–**	**–**	**130,685**

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

42. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value: *(Continued)*

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 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 and 1 January 2021	195,304	1,543,780	(351,332)
Additions	–	955,752	–
Disposal	–	(37,568)	–
Transfer to Level 1	–	(85,258)	–
Total gains recognised in the statement of profit or loss	–	71,125	211,869
Total gains recognised in other comprehensive income	15,595	–	–
Exchange realignments	–	–	8,778
At 31 December 2021	**210,899**	**2,447,831**	**(130,685)**

During the year, there were financial assets at fair value though profit or loss of RMB85,258,000 transferred from Level 3 to Level 1 due to the related unlisted equity investment was listed during the year (2020: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, comprise cash and cash equivalents, pledged bank deposits and restricted cash, interest-bearing bank and other borrowings and 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.

43. 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 Directors review 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 2021, the Group had bank borrowings of RMB3,023,005,000 with floating interest rates (2020: RMB3,486,804,000).

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**
2021		
If interest rate increase by	**5**	**1,512**
If interest rate decreases by	**(5)**	**(1,512)**

	Increase/ (decrease) in basis points	Increase/(decrease) in loss before tax RMB'000
2020		
If interest rate increase by	5	840
If interest rate decreases by	(5)	(840)

As at 31 December 2021, the Group also has certain bank borrowings linked to interbank offer rates subject to interest rate benchmark reform amounting to approximately RMB2,546,946,000 which are not designated in hedging relationship. The exposures arise on certain bank borrowings.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Risks arising from the interest rate benchmark reform

1) Interest rate basis risk

If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of the existing interbank offer rates subject to interest rate benchmark reform, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into and is not captured by our interest rate risk management strategy.

2) Liquidity risk

There are fundamental differences between the existing interbank offer rates and the various alternative benchmark rates which the Group will be adopting. LIBOR is forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Certain bank borrowings linked to interbank offer rates will be expired on or before 30 June 2022 amounting to RMB2,070,369,000. For the remaining to be matured after 30 June 2022, the Group has not yet agreed the changes for interest rates.

Foreign currency risk

As at 31 December 2021, the Group had cash and bank balance, and time deposits of RMB33,271,000 (2020: RMB104,348,000), interest-bearing bank loans of RMB2,546,946,000 (2020: RMB2,826,898,000), bonds payable of RMB1,691,845,000 (2020: RMB1,638,098,000), and derivative financial liabilities of RMB130,685,000 (2020: RMB351,332,000) which were denominated in foreign currencies, mainly in USD, EUR and HKD. At 31 December 2021, the Group had financial assets at fair value through profit or loss of RMB247,066,000 (2020: RMB65,320,000), which were denominated in HKD.

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
2021		
If RMB weakens against USD	5%	90,270
If RMB strengthens against USD	5%	(90,270)
If RMB weakens against EUR	5%	127,343
If RMB strengthens against EUR	5%	(127,343)
If RMB weakens against HKD	5%	(13,156)
If RMB strengthens against HKD	5%	13,156

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	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 EUR	5%	112,973
If RMB strengthens against EUR	5%	(112,973)
If RMB weakens against HKD	5%	(1,330)
If RMB strengthens against HKD	5%	1,330

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, pledged bank deposits and restricted cash, other receivables 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

The amounts presented are gross carrying amounts for financial assets.

2021

	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	–	–	–	1,483,636	1,483,636
Financial assets included in prepayments, other receivables and other assets	1,062,764	255,301	24,577	–	1,342,642
Pledged bank deposits and restricted cash	13,668,326	–	–	–	13,668,326
Cash and cash equivalents	4,378,423	–	–	–	4,378,423
Due from related companies	153,630	–	–	–	153,630
	19,263,143	255,301	24,577	1,483,636	21,026,657

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	1,598,296	104,206	29,343	–	1,731,845
Pledged bank deposits and restricted cash	14,544,592	–	–	–	14,544,592
Cash and cash equivalents	9,597,200	–	–	–	9,597,200
Due from related companies	369,045	–	–	–	369,045
	26,109,133	104,206	29,343	447,440	26,690,122

43. 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.

	2021			
	On demand or within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	3,913,452	5,759,922	1,963,249	11,636,623
Interest-bearing bank and other borrowings	22,410,818	5,292,720	1,401,395	29,104,933
Trade and bills payables	18,891,459	–	–	18,891,459
Financial liabilities included in other payables and accruals	2,853,159	–	–	2,853,159
Derivative financial liabilities	–	130,685	–	130,685
Due to related companies	312,045	–	–	312,045
	48,380,933	11,183,327	3,364,644	62,928,904

	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

43. 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 2021 and 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.

	Carrying amount RMB'000	**Increase in loss before tax RMB'000**	**Decrease in equity RMB'000**
2021			
Financial assets at fair value through comprehensive income	**393,628**	**–**	**39,363**
Financial assets at fair value through profit loss	**2,455,647**	**245,565**	**–**

	Carrying amount RMB'000	Increase in loss before tax RMB'000	Decrease in equity RMB'000
2020			
Financial assets at fair value through comprehensive income	733,193	–	73,319
Financial assets at fair value through profit loss	2,014,358	201,436	–

The Group is also exposed to equity price risk arising from the embedded derivative of the convertible bonds issued (note 31) and the related sensitivity analysis is disclosed in note 42.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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.

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, lease liabilities, amounts due to related companies, trade and bills payables and certain other payables and accruals, less cash and cash equivalents and pledged bank deposits 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:

	2021 **RMB'000**	2020 RMB'000
Trade and bills payable	**18,891,459**	20,416,229
Other payables and accruals	**5,952,574**	4,991,622
Due to related companies	**312,045**	121,628
Lease liabilities	**8,220,748**	8,824,843
Interest-bearing bank and other borrowings	**28,200,232**	32,927,553
Less: Cash and cash equivalents	**(4,378,423)**	(9,597,200)
Pledged bank deposits and restricted cash	**(13,668,326)**	(14,544,592)
Net debt	**43,530,309**	43,140,083
Equity attributable to owners of the parent	**21,604,483**	4,916,349
Total capital	**21,604,483**	4,916,349
Capital and net debt	**65,134,792**	48,056,432
Gearing ratio	**67%**	90%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Financial assets at fair value through profit or loss	**247,066**	65,320
Investment in subsidiaries	**4,585,084**	7,817,971
Right-of-use assets	**17,026,969**	–
Total non-current assets	**21,859,119**	7,883,291
CURRENT ASSETS		
Prepayments, other receivables and other assets	**9,010**	9,875
Cash and cash equivalents	**16,742**	64,915
Total current assets	**25,752**	74,790
CURRENT LIABILITIES		
Interest bearing bank and other borrowings	**3,737**	3,737
Other payables and accruals	**51,011**	21,098
Total current liabilities	**54,748**	24,835
Net current (liabilities) assets	**(28,996)**	49,955
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,830,123**	7,933,246
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,327,609**	4,465,035
Amounts due to subsidiaries	**76,931**	1,925,082
Derivative financial liabilities	**130,685**	351,332
Total non-current liabilities	**4,535,225**	6,741,449
Net assets	**17,294,898**	1,191,797
EQUITY		
Issued capital	**772,338**	518,210
Reserves (note)	**16,522,560**	673,587
Total equity	**17,294,898**	1,191,797

44. 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 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 expense 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 and 1 January 2021	**(1,033,410)**	**13,799,788**	**42,849**	**(830,425)**	**39,979**	**(1,074,368)**	**(10,270,826)**	**673,587**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(453,564)**	**(4,662,561)**	**(5,116,125)**
Issue of shares	**–**	**20,889,828**	**–**	**–**	**–**	**–**	**–**	**20,889,828**
Equity settled share-based payment	**–**	**–**	**–**	**–**	**75,270**	**–**	**–**	**75,270**
Shares awarded under share award scheme	**97,979**	**(22,151)**	**–**	**–**	**(75,828)**	**–**	**–**	**–**
At 31 December 2021	**(935,431)**	**34,667,465**	**42,849**	**(830,425)**	**39,421**	**(1,527,932)**	**(14,933,387)**	**16,522,560**

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.

45. EVENT AFTER THE REPORTING PERIOD

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

Corporate Information

DIRECTORS

Executive Director

ZOU Xiao Chun
HUANG Xiu Hong

Non-executive Directors

ZHANG Da Zhong *(Chairman)*
DONG Xiao Hong

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

SHINEWING (HK)
CPA Limited
Registered Public
Interest Entity Auditor

REGISTERED OFFICE

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Hamilton HM10
Bermuda

HEAD OFFICE

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PRINCIPAL SHARE REGISTRAR IN BERMUDA

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BRANCH SHARE REGISTRAR IN HONG KONG

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