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

Incorporated in Bermuda with limited liability

Stock Code : 493

2025
Annual Report

* For identification purpose only

CONTENT

GOME at a Glance

GOME Retail Holdings Limited has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since July 2004 (stock code: 493). Founded in China in 1987 with the brand proposition of "Better homes and lifestyles through GOME", GOME is dedicated to building a respected and sustainable leading retail enterprise. GOME has always focused on the retail industry, deepening its presence in the "Home • Living" sector. It has taken the retail of home appliances and consumer electronics products as its core business, and has continued to grow and develop into a "Home • Living" overall solution provider, service solution provider and supply chain exporter, using home appliances, home decoration, home furnishings, and home services as touchpoints to achieve all-round and in-depth interaction with users.

By leveraging self-operated and asset-light retail models such as franchising and quasi-franchising, we provide strong empowerment for all channels and offer consumers good products at low prices. In 2025, the Company focused on debt resolution, asset-light transformation and new business cultivation, steadily restoring its operational foundation. GOME will continue to adhere to the deep integration of user-centric thinking, technology-driven thinking, and platform-oriented thinking. It empowers retail through technology, reshapes value with ecosystems, and steadfastly supports the high-quality development of the real economy, creating a new vision of smart living for Chinese families.

Five Year Financial Summary

	Year ended 31 December 2025 RMB' 000	Year ended 31 December 2024 RMB' 000	Year ended 31 December 2023 RMB' 000	Year ended 31 December 2022 RMB' 000	Year ended 31 December 2021 RMB' 000
Revenue	**538,055**	473,816	646,904	17,444,480	46,483,804
Loss attributable to owners of the parent	**(5,943,736)**	(11,629,391)	(10,057,243)	(19,955,982)	(4,402,037)
Total assets	**15,717,581**	21,129,353	29,977,652	42,584,449	80,922,859
Total liabilities	**42,585,880**	41,750,053	39,237,174	42,091,143	63,337,977
Non-controlling interests	**(4,401,922)**	(4,377,308)	(4,303,703)	(4,269,922)	(4,019,601)
Net (liabilities) assets	**(26,868,299)**	(20,620,700)	(9,259,522)	493,306	17,584,882

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

2024

Focusing on its core business, GOME actively promotes an asset-light operation model centered on franchising and quasi-franchising, building an open, empowering franchising platform. It expands into full-category franchising, creates a comprehensive business environment, and drives supply chain innovation, structural optimisation, and brand value enhancement. Additionally, GOME is strategically expanding into the automotive distribution sector.

2025

Amid a changing landscape, GOME remains steadfast in its core "Home · Living" sector, focusing on three strategic pillars: Debt Resolution, Asset-Light Transformation, and New Business Cultivation. With resilience and determination, it reshapes its operational foundation; with openness and collaboration, it expands the boundaries of retail, steadily advancing toward a new stage of high-quality, sustainable development.

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.

2022

Based on the strategy of the "Home • Living", strengthened technology empowerment, focused on the retail of home appliances and consumer electronics products as the main business, and formed a business model with exhibition (offline display experience), sales (online and offline omni-channel self-operated stores + sharing supply chain), integrated solutions for home electronics products, home appliance extended products and value-added services (delivery and installation, after-sales services, extended warranty, paid membership management, etc.) as main profit drivers.

2023

GOME has focused on a closed-loop comprehensive ecology of "Home • Living", with the retail of home appliances and consumer electronics products as its main business. In addition, it operates various vertical businesses of consumer products. Riding on various retail models, including self-operated and franchise, GOME provides strong empowerment for all channels, and offers consumers with low-priced products, becoming the best buyer for consumers, and consolidating its leading position in various vertical businesses with its low pricing strategy.

Executive Director's Statement

Dear Shareholders,

2025 was a year in which GOME held its course against the wind and fought through adversity. With extraordinary resilience, we anchored our efforts on three strategic pillars – debt resolution, asset-light transformation, and new business cultivation – amid a complex and severe macroeconomic environment. We not only drove a bottoming-out recovery in our operational fundamentals but also took a critical step forward in restoring market confidence and reshaping our development trajectory. Hereby, the entire Board of Directors extends its sincerest gratitude and respect to all shareholders, employees, partners, and stakeholders who have stood with us through these challenges.

I. ACHIEVING RECOVERY IN A COMPLEX ENVIRONMENT IN 2025

Looking back at 2025, the global economic landscape remained highly volatile. While the domestic consumer market showed signs of recovery under the strong support of national policies such as the "trade-in" program, the road to recovery was not smooth. Intensified industry competition and profound adjustments in consumption patterns were all challenges we had to confront head-on. However, just as every challenge breeds new opportunities, GOME has demonstrated remarkable resilience under immense pressure to transform.

Continued national efforts to expand domestic demand and boost consumption – particularly the trade-in program, which drove home appliance sales above one trillion yuan for two consecutive years – provided valuable macroeconomic support for our core business. More importantly, through the tireless efforts of all GOME employees, the Company achieved a bottoming-out recovery in 2025. During the 12 months ended 31 December 2025 (the "Reporting Period"), the Group recorded year-on-year revenue growth and narrowed losses. This hard-won performance reflects the reduced burden from key progress in debt resolution, the revenue impact of our asset-light rollout, and stands as a testament to our strategic resolve and execution efficiency.

II. THREE MAJOR STRATEGIC PILLARS DRIVE TRANSFORMATION RESULTS

Over the past year, we have stayed true to our vision, worked diligently, focused on three core tasks, and achieved significant progress.

1. Substantial Progress in Debt Resolution, Creating Leeway for the Group

Resolving debt has always been a prerequisite for GOME's return to healthy development. In 2025, we made significant strides in this area. We not only completed the convertible bond repayment plan with JD.com, but also reached an innovative debt-to-equity swap arrangement with two major creditors. This move is of profound significance: it optimised the balance sheet without increasing cash flow pressure, mitigated key legal risks at the subsidiary level, and – most importantly – restored services from core technology providers and stabilised relationships with major business partners. This marks a shift in our debt resolution strategy from passive response to proactive, win-win capital arrangements, setting a viable template for comprehensively addressing future debt issues.

2. **Comprehensive Deepening of Asset-Light Transformation, Gradual Recovery of Operations in Core Regions**

We are committed to implementing the strategic policy of "light assets, heavy operations, strong management, and replicability". During the year, we advanced the franchising and quasi-franchising system of "brand authorisation + supply chain empowerment + digital platform". Online, we built a digital ecosystem centred on "professional, low-priced, entertaining, sharing, and service-oriented" experiences, rapidly forming an APP cluster and business alliance under a "sales-driven online" strategy. Offline, we accelerated network expansion through flexible models such as city agents and external promoters, exploring new collaborations across different formats. Over the past year, our asset-light model successfully resumed operations in key regions including Shenyang, Harbin, Xiamen, Jilin, Tianjin, Beijing, Shanghai, and Shanxi. The franchising model has become a core engine for restoring market coverage and generating positive cash flow.

3. **Active Exploration of New Businesses, Cultivating Future Growth Drivers**

While focusing on our core business, we must also plant seeds for the future. During the Reporting Period, recognising the immense potential of the trillion-yuan instant retail market and clear policy support, we began exploring the co-construction of "GOME Instant Warehouses" with partners under an asset-light model, laying out a community instant retail network. At the same time, we actively embraced the AI wave – introducing AI engines to empower the full operational chain, improving product selection and marketing efficiency – while planning to introduce more AI-powered smart home appliances and exploring unique formats such as intelligent robot experience stores, aiming to build a differentiated edge in AI retail.

III. WITH FIRM CONFIDENCE, EMBARKING ON A NEW JOURNEY OF HIGH-QUALITY DEVELOPMENT WITH OUR PARTNERS

Adversity brings out resilience, and perseverance turns trials into success. GOME's 38-year journey has never been smooth. Yet, every cycle we have navigated has deepened our understanding of retail's essence and our own strength. We firmly believe in the nation's clear commitment to placing "expanding domestic demand and boosting consumption" at the heart of its policies, just as we believe in the enduring trend of a rising consumer market. Each solid step we took last year – in debt reduction, transformation, and new exploration – has carved out a valuable window of opportunity for our future.

Looking ahead to 2026, the starting year of the nation's 15th Five-Year Plan, we face both opportunities and challenges. We will move forward with a more open, pragmatic, and enterprising spirit – resolutely resolving historical debts to remove obstacles; steadfastly deepening our asset-light transformation to enrich our online ecosystem and strengthen our offline presence; and persistently exploring retail innovation, prudently testing new paths in areas like instant retail and AI applications to cultivate new growth drivers.

We will always uphold our original aspiration, "Better homes and lifestyles through GOME", and work hand in hand with all who trust and support us, empowering one another as we move forward. Our goal remains unchanged: to continuously create smarter, better lives for hundreds of millions of Chinese families and, in doing so, deliver sustainable value to our shareholders and society.

The road ahead may be difficult, but perseverance will lead to success. Once again, we sincerely thank all shareholders, employees, partners, and stakeholders for your long-standing trust and commitment.

Zou Xiao Chun
Executive Director

Management Discussion and Analysis

OVERVIEW

For the Reporting Period, GOME Retail Holdings Limited (the "Company") and its subsidiaries (the "Group" or "GOME") operated in an extremely complex environment. Staying true to our mission of "Better homes and lifestyles through GOME," we focused on our core retail and home services businesses, advancing three strategic pillars: Debt Resolution, Asset-Light Transformation, and New Business Cultivation. Despite the difficulties, we persevered and achieved tangible progress.

During the Reporting Period, the external environment remained challenging, with uncertain external demand and uneven domestic recovery. However, the Group's industry gradually emerged from its downturn, showing signs of recovery supported by sustained national consumption policies. The Group seized this policy window – continuing to work on debt resolution to restore credit and supply chain relationships, while advancing our asset-light transformation centred on franchising, quasi-franchising, and online platforms. We also pursued new initiatives like instant warehouses. These efforts drove year-on-year improvements in revenue and profit, restoring confidence in our recovery.

In 2025, the Group recorded sales revenue of RMB538 million, increased by 13.50% from RMB474 million for the corresponding period last year. Gross profit was RMB25 million, decreased by 66.22% from RMB74 million for the corresponding period last year. The operating expenses (including selling and distribution expenses and administrative expenses) amounted to RMB969 million, as compared with RMB1,472 million for the corresponding period last year. The Group's other expenses and losses were RMB1,549 million, as compared with RMB4,190 million for the corresponding period last year. Net finance costs were RMB1,809 million, as compared with RMB1,983 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 RMB5,944 million, decreased by 48.89% from RMB11,629 million for the corresponding period last year. By excluding non-operating items, the loss would become RMB939 million, decreased by 24.15% as compared with RMB1,238 million for the corresponding period last year.

In 2025, domestic economic growth met expectations. External pressures eased temporarily, and policy support moderated in the second half. Nonetheless, stimulus measures – such as trade-in programmes for consumer goods and equipment upgrades – continued and expanded throughout the year. Consumption of durables like home appliances showed clear signs of bottoming out. Benefiting from a supportive policy environment, resolute strategic execution by management, and the dedication of our employees, the Group achieved a bottoming-out recovery in operating performance. Significant progress in debt resolution laid a critical foundation for returning to a path of sustainable growth.

OPERATING ENVIRONMENT

At the macro level, external demand improved but remained uncertain during the Reporting Period. In the first half, front-loading of exports under US tariff policies supported foreign trade. In the second half, as Sino-US relations stabilised into a stalemate, external pressures eased. Domestically, China maintained proactive macro policies to support consumption and investment. GDP grew 5.3% year-on-year in the first half of 2025, exceeding targets. Policy pace slowed in the second half as external pressure softened, with full-year growth reaching 5%, broadly in line with expectations. Looking ahead, Sino-US rivalry and its impact on global dynamics – particularly China's relationships with major economies – will remain key uncertainties.

At the industry level, in 2025, the consumer market showed a stronger first half followed by moderation, but overall performance improved. Total retail sales of consumer goods grew 3.8% year-on-year. Trade-in programmes drove sales of related categories to RMB2.61 trillion, benefiting 366 million consumers. Retail sales of home appliances by enterprises above designated size reached RMB1.17 trillion, up 11% year-on-year – exceeding one trillion yuan for the second consecutive year. However, as subsidy policies gradually phase out, the consumer market will enter a new stage of competition for existing market share and structural upgrades, presenting further challenges. The real estate market remains under pressure, with research institutions expecting a bottoming-out between late 2026 and 2027; recovery will take time.

At the policy level, amid complex internal and external conditions in 2025, expanding domestic demand became a central focus for addressing both domestic issues and external challenges. The Chinese government placed "expanding domestic demand and boosting consumption" at the core of its economic policy. From the two Central Economic Work Conferences at the end of 2024 and 2025, as well as the "Two Sessions" in March and the Politburo meetings in April and July, all focusing on the economy, expanding domestic demand and promoting consumption were top priorities of economic policy. The "Special Action Plan to Boost Consumption," issued in mid-March, allocated 300 billion yuan of ultra-long-term special treasury bonds to support the trade-in of old consumer goods, doubling the funding amount from last year, and significantly expanding the policy's coverage, increasing the categories of home appliances eligible for trade-in from 8 to 12. In late 2025, the Central Economic Work Conference confirmed the national subsidy policy would continue into 2026.

Store Network as at 31 December 2025

	Total	GOME	China Paradise	Dazhong
City display stores	3	3	–	–
Flagship stores	1	1	–	–
Total	**4**	**4**	**–**	**–**
Net (decrease) in store number	(159)	(150)	(8)	(1)
Number of cities accessed	3*			
Among them:				
Primary market	1*			
Secondary market	2*			

* based on the generally accepted city classification in 2025.

BUSINESS REVIEW

During the Reporting Period, the Group advanced three strategic priorities: debt resolution, expansion of asset-light businesses, and cultivation of new growth drivers, achieving notable progress.

1. **Debt Resolution and Supply Chain Restoration**

   Management continued to drive debt resolution, achieving critical milestones. The Group reached agreements with JD.com during mid-2025 to settle convertible bonds through asset transfers and share issuances. Subsequently, debt-to-equity swap agreements were signed with two creditors, resolving obligations without straining cash flow. These arrangements optimised the Group's balance sheet, mitigated subsidiary-level legal risks, and stabilised relationships with key creditors and partners. One creditor, a former technical service provider, has resumed system services following the swap. Management views these swaps as a replicable model for future debt negotiations, offering new pathways for resolution.

2. **Promotion of Asset-Light Franchising Model**

   Under the strategic policy of "light assets, heavy operations, strong management, and replicability", the Group concentrated on sales, revenue, and positive cash flow across "online, offline, and supply chain+marketing channels". We adhered to the principle of "online sales as the core, offline exhibitions as a supplement", strengthening full-chain management, developing new store formats, and building a marketing alliance system to elevate GOME's market presence and achieve simultaneous growth in "brand awareness, user traffic, and product sales". Online, we prioritised "professionalism, low prices, entertainment, sharing, and service". We built online scenarios to drive transactions and operations, rapidly developing an AP cluster and business alliance while advancing professional service capabilities and franchise recruitment. Offline, we focused on non-self-built models such as city agents and external promoters with commission-based incentives, fostering cross-format collaboration and identifying new partnership opportunities through franchisee reviews and integration. During the Reporting Period, this asset-light approach successfully resumed operations in key regions including Shenyang, Harbin, Xiamen, Jilin, Tianjin, Beijing, Shanghai, and Shanxi. The franchising model has become a core engine for restoring market coverage and generating positive cash flow.

3. **Exploration of New Businesses**

   The Group continued to explore new businesses through trial and error, seeking innovation opportunities without disrupting core operations and cultivating future growth drivers. Current initiatives include instant retail and AI retail.

   For instant retail, leveraging its retail experience and long-term industry research, the Group identified rapid growth ahead for the instant retail market. In late-2024, the Ministry of Commerce and other departments jointly issued the "Implementation Plan for the Retail Innovation and Enhancement Project", explicitly supporting instant retail infrastructure and encouraging "store-warehouse integration". Driven by industry trends and policy support, the market is projected to exceed one trillion yuan in 2025, with a 56% CAGR. Responding to this opportunity, the Group explored co-building "GOME Instant Warehouses" with partners under an asset-light model in prime locations across first – and second-tier cities. This initiative aims to create an integrated online-offline instant retail network, synergising "in-store + home delivery" to expand our business reach.

   For AI retail, amid rapid AI advancement, the Group is proactively embracing retail digitalisation, exploring AI applications within traditional retail. Building on our core strategy of "online first, asset-light, and driven by blockbuster products," we introduced AI smart engines to enable omni-empowerment. AI algorithms help us identify consumer trends, match hero product supply, and integrate the full chain of online traffic generation, offline immersive experience, online instant conversion, and data feedback iteration – creating a seamless online-merge-offline (OMO) model. Additionally, we plan to introduce more AI-powered home appliances and develop distinctive formats such as smart robot experience stores and robot repair shops, establishing AI-enabled operations and product differentiation.

CORPORATE GOVERNANCE

The Group strives to continuously improve its corporate governance. Currently, the board of directors of the Company (the "Board") consists of three executive directors and three independent non-executive directors. This Board structure complies with the Rules Governing the Listing of Securities on the Stock Exchange (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 reviewed 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 in the Listing Rules. 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, guided by the "Home • Living" strategy, the Group upheld the "Trust" culture and continued to promote the "GOME Leadership Principles." By leveraging technology to enhance efficiency and wisdom to create a better life, the Group found its greatest joy in serving customers. In line with this cultural philosophy, the Group consistently aligned its activities with strategic and business development directions, organising various initiatives to strengthen employees' sense of participation and belonging in the Group's growth.

HUMAN RESOURCES

During the Reporting Period, the Group's human resources efforts were fundamentally aimed at supporting strategic focus. The Group optimised recruitment strategies and channels, conducted multi-dimensional training programs, and enhanced operational efficiency by leveraging talent, thereby solidifying the implementation of its strategy. New employees were paired with "dual-mentor" guides ("雙領帶"導師) and participated in "strategic briefing sessions" (戰略宣講) to help them integrate into the group culture. Online learning platforms enabled new hires to quickly familiarise themselves with the Group's strategic developments, essential system operations, and corporate management policies.

To meet the needs of strategic and new business implementation, the Group launched foundational training programs such as "Full-Service Shopping Guide Standards Training Program" (全程導購服務標準培訓項目), "General and Electrical Products Knowledge Training Program" (百貨與電器商品知識培訓項目), "Training for Community Management, Livestreaming and One Store One Webpage" (社群、直播和一店一頁運營技能培養項目) and "Quick Learning – Case Study of Store Marketing" (快學快用 — 門店自主營銷案例學習活動) to enhance the overall working efficiency of frontline staff. For mid and junior level talent development, the Group organised the "Challenge Head Coach" (挑戰主教練) leadership online competition for director-level managers and conducted the "Leadership Triangle – Team Leadership Skills for On-Field Captains" (領導力三角色 — 場上隊長的團隊領導能力) training program to further enhance the management capabilities and talent reserves of store managers and mid-level managers.

FINANCIAL REVIEW

Revenue

During the Reporting Period, as a result of the suspension of supply of goods from certain major suppliers as a result of the debt issues of the Group, the change in the Group's strategies by focusing on its core business and the streamlining of its business operations, sales revenue increased by 13.50% to RMB538 million during the Reporting Period, as compared with RMB474 million for the corresponding period last year.

Cost of sales and gross profit

During the Reporting Period, cost of sales for the Group was RMB513 million, accounting for 95.35% of the total sales revenue, as compared with 84.39% for the corresponding period last year. The Group's gross profit was RMB25 million, decreased by 66.22% as compared with RMB74 million for the corresponding period last year. Gross profit margin was 4.65%, decreased by 10.96 percentage points as compared with 15.61% for the corresponding period last year. The decrease in gross profit margin was mainly due to different product mix during the Reporting Period.

* Gross profit margin = gross profit/revenue

Other income and gains

During the Reporting Period, the Group recorded other income and gains of RMB499 million, decreased by 52.70% as compared with RMB1,055 million for the corresponding period last year, mainly due to, the decrease in gains from lease modifications and closing stores, debt restructuring and the disposal of subsidiaries (under liquidation and deregistration process) during the Reporting Period.

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to RMB209 million, decreased by 26.15% as compared with RMB283 million for the corresponding period last year. The decrease in selling and distribution expenses was mainly due to rental expenses decreased from RMB6 million for the corresponding period last year to RMB3 million; staff related expenses decreased from RMB78 million for the corresponding period last year to RMB30 million; depreciation decreased from RMB163 million for the corresponding period last year to RMB140 million.

Administrative expenses

During the Reporting Period, administrative expenses of the Group were RMB760 million, decreased by 36.08% as compared with RMB1,189 million for the corresponding period last year. Among which, staff related expenses decreased from RMB100 million for the corresponding period last year to RMB83 million, mainly as a result of the decrease in head count; depreciation decreased from RMB789 million for the corresponding period last year to RMB515 million; consulting service fees decreased from RMB111 million for the corresponding period last year to RMB55 million; accrued litigation expenses decreased from RMB80 million for the corresponding period last year to RMB15 million.

Impairment loss on goodwill

During the Reporting Period, the Group did not record impairment loss on goodwill, as compared with RMB62 million recorded for the corresponding period last year. The significant decrease is due to goodwill was fully impaired last year.

Impairment losses on financial assets

During the Reporting Period, the Group recorded impairment losses on financial assets of RMB965 million, decreased by 28.15% as compared with RMB1,343 million for the corresponding period last year.

Among which, the Group recognised an impairment loss of RMB1 million, RMB881 million and RMB200 million, and impairment losses reversal of RMB6 million and RMB110 million for trade receivables, other receivables, amounts due from related companies, insignificant individual receivable from suppliers, and receivables from liquidated subsidiaries, respectively, based on historical credit loss rates derived from past settlement records, overdue status and current economic conditions.

Impairment loss on right-of-use assets

During the Reporting Period, the Group recorded impairment loss on right-of-use assets of RMB1,095 million, decreased by 70.28% as compared with RMB3,685 million for the corresponding period last year.

As affected by the overall domestic economic situation, the downward pressure on the leasehold property market has exacerbated. Taking into consideration of above factors and cashflow position of the Group, the management revisited the future assumptions for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building (collectively, the "Properties"). The Group has engaged independent external valuers to prepare the valuation reports for the Properties. The key parameters used in valuation are as follows: the pre-tax discount rate applied to the cash flow projections was 7% (2024: 7%). The growth rate used to extrapolate the cash flows of the cash generating unit is 1.5% (2024: 1.6%). There was no change in valuation method during the Reporting Period. In this connection, the Group made impairment of RMB1,095 million for these Properties.

Impairment loss on interests in associates

During the Reporting Period, the Group made an impairment loss on interests in associates of RMB73 million with reference to latest underlying performance and its quoted market price, as compared with RMB202 million for the corresponding period last year.

Other expenses and losses

During the Reporting Period, the Group recorded other expenses and losses of RMB1,549 million, decreased by 63.03% as compared with RMB4,190 million for the corresponding period last year.

Among which, based on the valuation reports prepared by an independent external valuer, impairment loss of RMB157 million was recognised for certain property and equipment, and a fair value loss of RMB599 million was recognised for investment properties. The recoverable amounts were determined as the higher of fair value less costs of disposal and value in use, calculated based on cash flow projections derived from management-approved financial budgets. Additionally, during the Reporting Period, the provision for financial guarantee for bankrupted subsidiaries of RMB466 million, loss on financial assets at fair value through profit or loss of RMB223 million, loss from disposal of subsidiaries (under liquidation and deregistration process) of RMB40 million and litigation expenses of RMB36 million were recognised.

Net finance (costs) income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were RMB1,809 million, as compared with net finance costs of RMB1,983 million for the corresponding period last year.

Income tax (charge) credit

During the Reporting Period, the Group's income tax charge amounted to RMB16 million, as compared with an income tax credit of RMB126 million for the corresponding period last year.

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

During the Reporting Period, the Group's loss attributable to owners of the parent was RMB5,944 million, decreased by 48.89% as compared with RMB11,629 million for the corresponding period last year. During the Reporting Period, the Group's basic loss per share was RMB12.6 fen, as compared with RMB24.6 fen for the corresponding period last year.

Cash and cash equivalents

As at the end of the Reporting Period, cash and cash equivalents held by the Group were RMB56 million, which were mainly denominated in Renminbi and the rest in HK dollars and other currencies, as compared with RMB49 million as at the end of 2024. The increase in the cash and cash equivalents position was mainly due to proceeds from disposal of investment properties, financial assets and property and equipment, and offset by repayments of bank and other borrowings during the Reporting Period.

Inventories

As at the end of the Reporting Period, the Group's inventories amounted to RMB62 million, decreased by 48.33% as compared with RMB120 million as at the end of 2024. As a result of the decrease in inventories, inventory turnover days decreased by 82 days from 147 days for the corresponding period last year to 65 days.

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 RMB1,315 million, decreased by 45.66% from RMB2,420 million as at the end of 2024. The decrease was mainly due to the increase in impairment provisions and the decrease in other receivables during the Reporting Period.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to RMB4,536 million, decreased by 11.18% as compared with RMB5,107 million as at the end of 2024. As a result of the decrease in trade and bills payable amount and increase in cost of sales during the Reporting Period, turnover days of trade and bills payables decreased by 1,129 days from 4,559 days for the corresponding period last year to 3,430 days.

Capital expenditure

During the Reporting Period, capital expenditure (relating to property and equipment) incurred by the Group amounted to RMB1 million, representing a 66.67% decrease as compared with RMB3 million for the corresponding period last year.

Cash flows

During the Reporting Period, mainly due to, among others, the changes in inventories, trade receivables, prepayments, other receivables and other assets, trade and bills payables and other payables and accruals, the Group's net cash flows used in operating activities was RMB25 million, as compared with net cash flows used of RMB12 million for the corresponding period last year.

As a result of the disposal of property and equipment, financial assets and investment properties, net cash flows from investing activities were RMB56 million, as compared with RMB253 million generated for the corresponding period last year.

During the Reporting Period, net cash flows used in financing activities amounted to RMB24 million, as compared with RMB258 million used for the corresponding period last year. The net cash outflows from financing activities were mainly due to the new borrowings raised offset by the repayment of interest-bearing bank and other borrowings during the Reporting Period.

Dividend and dividend policy

The Board did not recommend the payment of a final dividend for the year ended 31 December 2025 so as to preserve capital for funding needs of the Group.

The actual payout ratio in a financial year will be determined at the Board's full discretion, after taking into account, among other considerations, the working capital requirement of the Group, business environment, availability of investment and acquisition opportunities.

Legal proceedings, contingent liabilities and capital commitments

As at the end of the Reporting Period, the Group had capital commitments of RMB478 million and the Group did not make any material third party guarantee except for the provision for financial guarantee for bankrupted subsidiaries.

During the Reporting Period, 12 subsidiaries of the Group received court orders to be liquidated. Related total assets and net assets of these 12 subsidiaries were RMB1,101 million and RMB250 million, respectively, in aggregate. In February 2026, 3 subsidiaries of the Group received court orders to proceed with winding-up proceedings. Related total assets and net assets of these 3 subsidiaries were RMB1,182 million and RMB80 million, respectively.

As at 31 December 2025, the principal amounts and carrying amounts of the Group's overdue interest-bearing bank and other borrowings amounted to RMB17.2 billion and RMB23.2 billion, respectively. The Group has been in active negotiations with relevant banks and interested parties on, amongst others, change of contractual terms or extension of the loan tenor, with an aim to reach mutually agreed settlement terms. Besides, the Group was involved in a total of 605 pending litigation cases, with an aggregate amount in dispute of RMB4.6 billion, of which RMB3.6 billion related to pending litigation cases involving banks and financial institutions. There were also 1,672 court-adjudicated cases involving an aggregate amount of RMB17.1 billion.

Foreign Currencies and Treasury Policy

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

Financial resources and gearing ratio

During the Reporting Period, the Group was mainly funded by cash on hand, proceeds from disposals of property and equipment, financial assets and investment properties.

As at 31 December 2025, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds, which are repayable within 1 year except for certain corporate bonds as detailed below.

The interest-bearing bank loans and other loans comprised:

	Fixed rate *RMB'000*	Floating rate *RMB'000*	Total *RMB'000*
Denominated in RMB	18,701,833	2,236,204	20,938,037

The corporate bonds comprised:

(1) corporate bonds issued in 2018, renewed in 2020 with an aggregate nominal value of RMB101 million issued at a fixed coupon rate of 7.8% per annum with renewal 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 due in 2022;

(2) corporate bonds issued in 2019, renewed in 2021, 2023 and 2025 with an aggregate nominal value of RMB7 million issued at a fixed coupon rate of 5% per annum with renewal term of 9 years; and

(3) corporate bonds issued in 2020, renewed in 2023 with an aggregate nominal value of RMB100 million issued at a fixed coupon rate of 7% per annum with a term of 3 years.

Outstanding convertible bonds comprised:

(1) 5% convertible bonds due 2023 in the aggregate principal amount of US$200 million issued in April 2020. As at 31 December 2025, 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 in the aggregate principal amount of US$100 million issued in June 2020. As at 31 December 2025, the outstanding principal amount of the bonds was US$73.74 million and the net proceeds of US$99.11 million have been fully used to repay the debts and related interests of the Group.

As at 31 December 2025, the debt to total deficit ratio was 87.72% as compared with 112.45% last year, which was expressed as a percentage of interest-bearing bank and other borrowings amounted to RMB23,569 million over total deficit amounted to RMB26,868 million, the debt ratio was 149.95% as compared with 109.74% last year, which was expressed as a percentage of interest-bearing bank and other borrowings over total assets amounted to RMB15,718 million.

Charge on group assets

As at 31 December 2025, the Group's secured trade and bills payable and interest-bearing bank loans and other borrowings amounted to RMB345 million and RMB20,839 million, respectively. Among which, trade and bills payables were secured by the Group's property and equipment, investment properties and pledged time deposits with carrying amounts of RMB33 million, RMB85 million and RMB7 million, respectively. Interest-bearing bank loans and other borrowings were secured by the Group's property and equipment, investment properties and right-of-use assets with carrying amounts of RMB1,887 million, RMB3,625 million and RMB129 million, respectively. Apart from the charged assets, the Group's property and equipment, investment properties, right-of-use assets and financial assets at fair value through profit or loss with carrying amounts of RMB137 million, RMB53 million, RMB77 million and RMB244 million, respectively, have been seized/frozen by the courts.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2025, the Group employed a total of 364 (2024: 606) employees. The Group recruits and promotes individuals based on merit and their development potentials. Remuneration package offered to all employees, including directors of the Company (the "Directors"), is determined with reference to their performance and the prevailing salary levels in the market.

OUTLOOK AND PROSPECTS

Despite the hard-won progress achieved in 2025, the Company still faces challenges in fully emerging from difficulties and returning to steady growth. Looking ahead to 2026, management maintains a cautiously optimistic outlook and will continue to:

1. Prioritise risk resolution: Debt resolution remains a top priority for management. We will maintain open communication with creditors, pursue diversified solutions, and strive to fundamentally reduce financial burdens and restore a healthy balance sheet.

2. Drive strategy execution with focus: We will steadfastly implement our asset-light development strategy. Online, we will build a closed-loop omni-channel matrix integrating internal and external platforms, driven by blockbuster products and comprehensive traffic aggregation. Offline, we will continue to optimise and rapidly replicate our franchise network, with an emphasis on expanding community stores and city experience centres.

3. Actively capture policy and market opportunities: 2026 marks the first year of the nation's 15th Five-Year Plan. We will closely align with and leverage national policies aimed at expanding domestic demand and boosting consumption, deepening the recovery of our core retail business. At the same time, we will strategically invest resources to explore and scale new businesses, cultivating medium – to long-term growth momentum.

4. Strengthen lean management and synergy across the Group: We will deepen lean management practices, optimise our cost structure, and enhance synergies between online and offline operations and across business segments to improve overall operational efficiency and risk resilience.

Management is confident that, with a clear strategy, disciplined execution, and the dedication of all employees, GOME can seize the historic opportunities presented by the recovery and upgrading of the consumer market, overcome current challenges, and steadily fulfill its commitment to creating long-term value for shareholders and society.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. ZOU Xiao Chun

Mr. ZOU Xiao Chun, aged 56, has been an executive Director of the Company since 17 December 2010 and is also a director of various subsidiaries of the Company. He has been appointed as a visiting professor at the Law School of Nanchang University since October 2025.

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). Since May 2012, Mr. Zou has served as a director (previously serving as vice chairman and acting 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 substantial shareholder of the Company. Since March 2015 and from November 2018 to February 2024, 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 the chairman of the company.

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

Mr. DING Jiang Ning

Mr. DING Jiang Ning, aged 47, has been an executive Director of the Company and the Vice President of Finance of the Group since 2024 and 2021, respectively. Mr. Ding joined the Group in 2008 and served as the finance supervisor and manager of GOME Appliance Company Limited successively. He then became the assistant to the chief financial officer of the Group in 2015. He was promoted to be the vice financial director of the Group and the financial director of GOME Capital in 2017. He served as the financial controller of the Group and GOME Capital since 2018. He graduated from Hebei University of Technology with a bachelor's degree in accounting.

Ms. WEI Ting

Ms. WEI Ting, aged 45, has been an executive Director of the Company since 2024 and has been the Vice President of Human Resources of the Group in charge of the Group's human resources management. Since joining the Group in June 2003, she has successively served as the director of the organisation planning and development department of the Human Resources Center of the Group, the vice president of human resources, and the vice president of human resources administration of the customer business group. Ms. Wei has more than 20 years of experience in human resource management, focusing on group organisation development, talent development, salary incentives and corporate culture, and has rich experience in human resource management in the retail industry. Ms. Wei was appointed as a non-executive director of Tong Tong AI Social Group Limited (a company listed on the Hong Kong Stock Exchange) since December 2023. Ms. Wei graduated from business administration faculty of Nankai University in June 2003. She obtained a Master of Business Administration degree from Renmin University of China in 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Gao

Mr. WANG Gao, aged 60, 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), Shanghai Phoenix Enterprise (Group) Co., Ltd. and Kuaijishan Shaoxing Rice Wine Company Limited (all being listed on Shanghai Stock Exchange) and an independent non-executive director of Yunji Inc. (a company listed on the NASDAQ), Smoore International Holdings Limited (a company listed on Hong Kong Stock Exchange) from June 2014 to June 2020, from November 2015 to November 2021, since February 2018, since January 2022, since February 2023, since May 2019 and June 2023, respectively.

Mr. LUI Wai Ming

Mr. LUI Wai Ming, aged 55, has extensive experience in accounting, financial management and corporate management for more than 30 years, also has extensive experience in compliance and risk management. Mr. Lui was an independent non-executive director of Shanghai XNG Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange), Ernest Borel Holding Ltd (a company listed on the Main Board of the Hong Kong Stock Exchange), hmvod Limited (a company listed on GEM of the Hong Kong Stock Exchange), Golden Shield Holdings (Industrial) Limited (a company previously listed on the Main Board of the Hong Kong Stock Exchange and now delisted) from August 2015 to October 2023, from October 2017 to September 2019, from May 2014 to January 2016 and from January 2015 to May 2015, respectively. Moreover, Mr. Lui served as an executive director of Hosa International Limited (a company previously listed on the Main Board of the Hong Kong Stock Exchange and now delisted) and the Chief Financial Officer of Ta Yang Group Holdings Limited (a company listed on the Main Board of the Hong Kong Stock Exchange) from April 2016 to July 2018 and from August 2018 to March 2019, respectively. Mr. Lui founded Chainmerge Company Limited (a private company provides consulting CFO services) in January 2025.

Mr. Lui holds an Executive Master Degree in Business Administration from the Cheung Kong Graduate School of Business in the People's Republic of China, a Master Degree in E-commerce and Internet Computing from the University of Hong Kong and a Master Degree in Information Management from University College Dublin in Ireland. Mr. Lui is a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Directors. Mr. Lui is also Certified ESG Analyst of the European Federation of Financial Analyst Societies.

Mr. LIU Yin Hong

Mr. LIU Yin Hong, aged 48, obtained a bachelor's degree in Economic Law from Zhejiang University and a master's degree in International Economic Law and European Union Law from The University of Sheffield in the United Kingdom. He joined Jincheng Tongda & Neal ("JT&N") in 2004. Mr. Liu is proficient in regular legal advisory covering laws and regulations and related regulatory practice of government bodies concerning domestic and overseas listing, merger, acquisition and reorganisation, state-owned and privately owned enterprises. Mr. Liu can provide customers with all-round legal services, including the design of the overall structure, due diligence, legal opinions and business negotiation, in respect of listing, merger, acquisition, reorganisation projects. Mr. Liu is a managing partner, the head of the capital market business, the director of the Shenzhen branch and the Guangzhou branch of JT&N. For the past twenty years, he has devoted himself to the corporate and securities laws business, and has led and participated in many classic capital market cases, involving projects of capital markets at all levels, including the Main Board, the SME Board, the ChiNext Board and the STAR Market of the PRC and main boards of exchanges of various countries overseas. Mr. Liu was named to the A-List Legal Elite for 2020 and 2021 by China Business Law Journal, recognised as a "Leading Lawyer" in the IFLR1000 Capital Markets 2021 and 2022 guide, inaugural "China Top 15 Capital Markets Lawyers" by ALB and inaugural "Elite Lawyers in the Guangdong-Hong Kong-Macao Greater Bay Area" by CLECSS.

Mr. Liu has been an independent director of Shenzhen Zesum Technology Co., Ltd., (a company listed on ChiNext of Shenzhen Stock Exchange) and Zhejiang Natural Outdoor Goods Inc. (a company listed on the Main Board of Shanghai Stock Exchange) since August 2021, and June 2024, respectively.

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

SENIOR MANAGEMENT

Mr. ZHANG Dong, aged 50, has been serving as the Head of the Retail Ecosystem Division of GOME since June 2024. He graduated with a degree in Marketing from the University of South Wales in July 1998 and was awarded the title of researcher by the Chinese Academy of Management Sciences in 2003. Subsequently, Mr. Zhang pursued further studies at South China University of Technology from 2018 to 2021, where he obtained an EMBA degree. Prior to joining GOME, Mr. Zhang has served as general manager and partner of Wenzhou Yameixin Group, president of Beijing Zhongtian Haikang Group and chairman of Hecai Holding Group. He has extensive experience in group management and entrepreneurship.

Mr. LI Jun Tao, aged 60, has been the Senior Vice President of the Group since March 2012. He is currently the Senior Vice President of GOME retail sector and is responsible for the operating system of the retail segment. Mr. Li has also been the CEO of GOME-on-line and the president of the R&D Smart Manufacturing segment. Mr. Li has assumed senior management roles in areas such as municipal, provincial, business and operation sectors of the Group and has extensive experience in the establishment, development and extension of the supply chain of the Group's online and offline businesses. He was awarded Top Ten Marketing Persons (十大營銷人物) organised by Southern Metropolis Daily in 2015. Mr. Li graduated from China Europe International Business School (中歐國際工商學院) with Executive MBA (EMBA).

Mr. LI Yi Bing, aged 46, has been the Vice President of Information Technology (IT) of the Group. Since joining GOME in 2010, he has been engaged in IT system research and development and management for more than 10 years, and has a deep understanding of Internet technology. He has successively served as the Chief Technology Officer of the technology center and the Chief Technology Officer of the intelligent manufacturing sector. He is mainly responsible for the establishment of GOME's core IT infrastructure, big data platform (which won the outstanding project in the Expo), and the construction and planning of the IOT technology platform, support for the business development of the Group's various industrial companies and the digital transformation and upgrading of the Group's various sectors. Mr. Li graduated from Beijing Institute of Technology with a master degree.

Report of the Directors

The board of directors (the "Directors") of the Company (the "Board") presents 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 2025 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The principal activities of the Group are the operation and management of retail stores and online sales network for electrical appliances, consumer electronic products, liquor products and general merchandise, as well as the provision of franchise and management services and commission-based services to franchised stores in the People's Republic of China (the "PRC"). The Group's revenue is mainly derived from business activities in the Mainland China. An analysis of the Group's revenue for the Reporting Period is set out in note 5 to the financial statements on pages 109 to 111.

BUSINESS REVIEW

As required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the following section is a fair review of the business of the Group with analysis using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2025, as well as an indication of likely future development in the business of the Group.

"Executive Director's Statement" and "Management Discussion and Analysis" on pages 4 to 13.

"Risk Factors" on pages 29 to 31.

"Corporate Governance Report" on pages 32 to 53.

"Financial Risk Management" in note 41 to the consolidated financial statements on pages 159 to 165.

Discussions on the environmental policies and performance of the Group, its compliance with the relevant laws and regulations that have a significant impact on the Group as well as an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are provided in the "Corporate Governance Report".

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period are set out in the Consolidated Statement of Profit or Loss on page 57 and Consolidated Statement of Comprehensive Income on page 58.

The state of affairs of the Group as at 31 December 2025 is set out in the Consolidated Statement of Financial Position on pages 59 to 60.

The cash flows of the Group for the Reporting Period are set out in the Consolidated Statement of Cash Flows on pages 63 to 64.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 31 to the financial statements on pages 145 to 146.

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 during the Reporting Period are set out in note 42 to the financial statements on page 167, while those of the Group are set out in the Consolidated Statement of Changes in Equity on pages 61 to 62 and note 34 to the financial statements.

As at 31 December 2025, 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 AND EQUIPMENT

The movements in property and equipment during the Reporting Period are set out in note 13 to the financial statements on pages 119 to 121.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the percentage of revenue attributable to the five largest customers of the Group combined was less than 30% of the total revenue of the Group.

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

– the largest supplier	60.81%
– five largest suppliers combined	76.66%

None of the Directors, their close 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.

DONATIONS

During the Reporting Period, the Group did not make any direct charitable and other donations.

DIRECTORS

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

Executive Directors

Mr. ZOU Xiao Chun
Mr. DING Jiang Ning
Ms. WEI Ting

Non-Executive Director

Mr. ZHANG Da Zhong (retired on 25 June 2025)

Independent Non-Executive Directors

Mr. WANG Gao
Mr. LUI Wai Ming
Mr. LIU Yin Hong

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 25 and 38 to the financial statements on page 139 and page 152, 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 2025 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.

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

As at 31 December 2025, 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
Wei Ting	544,000	–	–	–	544,000	0.00
Wang Gao	1,000,000	–	–	–	1,000,000	0.00

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

Save as disclosed above, as at 31 December 2025, 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 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.

SHARE OPTION SCHEME

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.

Note: The number of options available for grant under the scheme mandate at the beginning and the end of the Reporting Period was 2,155,762,742. As at 31 March 2026, the maximum number of Shares available for issue under the Share Option Scheme was 2,155,762,742 Shares, representing 10% of the Shares in issue as at the date of adoption of Share Option Scheme and approximately 2.95% of the Shares in issue as at the date of this annual report.

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.

Consideration of HK$1 is payable upon acceptance of the grant of the Option by each grantee.

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. The remaining life of the Share Option Scheme is approximately 2 years and four months.

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 2025, a sum of HK$1,289,065,000 (excluding transaction costs) has been used to acquire 1,506,543,000 Shares, representing 3.15% of the issued share capital of the Company, from the market by the independent trustee. No awards were made under the Share Award Scheme during the year ended 31 December 2025.

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 32 and note 33 to the financial statements on pages 146 to 147.

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 2025, 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	4,923,506,602	10.28
Ms. Du Juan *(note 2)*	Interest in controlled corporation	4,923,506,602	10.28
Shinning Crown Holdings Inc. *(note 3)*	Beneficial owner	3,315,899,938	6.92

Notes:

1. Among these 4,923,506,602 Shares, 3,315,899,938 Shares are held by Shinning Crown Holdings Inc., and 1,200,000,000 Shares are held by Element Assets Management Limited, 160,000,000 Shares are held by Hillwood Assets Management Limited, and 246,706,664 Shares are 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; and 900,000 Shares are held by Ms. Du Juan.

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.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2025 are set out in note 1 to the financial statements on pages 65 to 70.

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 23 December 2024, 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 國美真快樂電子商務有限公司 ("GOME Fun E-commerce co., Ltd." or "GOME Fun"), 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 2025 Master Merchandise Purchase Agreement to renew the 2022 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 the period from 10 April 2025 (the date of the special general meeting that approved the 2025 Master Merchandise Purchase Agreement by the independent shareholders of the Company) to 31 December 2027, unless otherwise terminated in accordance with the terms of the 2025 Master Merchandise Purchase Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB1 billion for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the 2025 Master Merchandise Purchase Agreement was nil.

(2) The Master Merchandise Supply Agreement

On 23 December 2024, GOME Appliance and GOME Fun entered into the 2025 Master Merchandise Supply Agreement to renew the 2022 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 the period from 10 April 2025 (the date of the special general meeting that approved the 2025 Master Merchandise Supply Agreement by the independent shareholders of the Company) to 31 December 2027, unless otherwise terminated in accordance with the terms of the 2025 Master Merchandise Supply Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB1 billion for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the 2025 Master Merchandise Supply Agreement was RMB0.002 million.

(3) The Logistics Services Agreement

On 23 December 2024, GOME Appliance, GOME Fun and 國美控股集團有限公司 ("GOME Holding Group Company Limited" or "GOME Holding") entered into the 2025 Logistics Services Agreement to renew the 2022 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 2025 to 31 December 2027, unless otherwise terminated in accordance with the terms of the 2025 Logistics Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB30 million for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the 2025 Logistics Services Agreement was nil.

(4) The First Warehouse Services Agreement

On 23 December 2024, GOME Appliance, GOME Fun and GOME Holding entered into the First 2025 Warehouse Services Agreement to renew the Second 2022 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 2025 to 31 December 2027, unless otherwise terminated in accordance with the terms of the First 2025 Warehouse Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB30 million for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the First 2025 Warehouse Services Agreement was nil.

(5) The Second Warehouse Services Agreement

On 23 December 2024, GOME Appliance and GOME Fun entered into the Second 2025 Warehouse Services Agreement to renew the First 2022 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 2025 to 31 December 2027, unless otherwise terminated in accordance with the terms of the Second 2025 Warehouse Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB30 million for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the Second 2025 Warehouse Services Agreement was RMB1 million.

(6) The First Services Agreement

On 23 December 2024, GOME Appliance, GOME Fun and GOME Holding entered into the First 2025 Services Agreement to renew 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 2025 to 31 December 2027, unless otherwise terminated in accordance with the terms of the First 2025 Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB30 million for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the First 2025 Services Agreement was RMB1 million.

(7) The Second Services Agreement

On 23 December 2024, GOME Appliance, GOME Fun and GOME Holding entered into the Second 2025 Services Agreement to renew 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 2025 to 31 December 2027, unless otherwise terminated in accordance with the terms of the Second 2025 Services Agreement. The annual caps of the transaction amounts (excluding value added tax) shall not exceed RMB30 million for each of the three years ending 31 December 2025, 2026 and 2027. During the Reporting Period, the total transaction amount under the Second 2025 Services Agreement was RMB5 million.

All independent non-executive Directors have reviewed the continuing connected transactions as set out in the paragraphs 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 exceeded the respective caps stated in the relevant announcements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2025, the Group employed a total of 364 (2024: 606) 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 117.

COMMITMENTS

Details of commitments are set out in note 37 to the financial statements on page 151.

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 C1 to the Listing Rules. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 32 to 53.

EXCHANGE RATES EXPOSURE

Details of the exchange rates exposure are set out in note 41 to the financial statements on page 160.

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

(1) In May and June 2025, corporate bonds issued by the Group in 2018, an aggregate principal amount of RMB300,000 was cancelled; and

(2) In February 2025, principal amounts of RMB349,000 and RMB6,621,000 for corporate bonds issued by the Group in 2019 with a fixed coupon rate of 5% per annum and a renewal term of 9 years, were redeemed and renewed, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2025.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save for the outstanding convertible bonds as set out in note 30 to the financial statement on page 143 to 145, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2025.

DISCLOSURE PURSUANT TO RULE 13.20 TO RULE 13.22 OF THE LISTING RULES

There were no information required for disclosure by the Company under Rule 13.20 to Rule 13.22 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 43 to the financial statements on page 167.

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 29 to 31.

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 2025, 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.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

MANAGEMENT CONTRACTS

During the Reporting Period, 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

Zou Xiao Chun
Executive Director

Hong Kong, 31 March 2026

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

Going concern

The Group incurred a loss of RMB5,969,350,000 for the year ended 31 December 2025 and the Group's current liabilities exceeded its current assets by RMB40,379,656,000 as at 31 December 2025. The Group's current liabilities amounted to RMB42,249,098,000, of which RMB23,562,894,000 represented interest-bearing bank and other borrowings as at 31 December 2025, while its cash and cash equivalents amounted to RMB56,145,000 as at 31 December 2025. As at 31 December 2025, the Group's interest-bearing bank and other borrowings, including bonds, bank loans, and other borrowings, amounted to RMB23,569,167,000 in total, with the majority of them were in default or cross-default. Certain banks and other financial institutions have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received property preservation orders restricting the disposition of certain assets as at 31 December 2025 and the withdrawal of the restricted bank deposits during the year. In addition, a number of civil claims or lawsuits have been filed by civil litigants against the Group as at 31 December 2025. Furthermore, the suspension of supply of goods from certain major suppliers has significantly impacted the Group's operations. These conditions indicate the existence of a material uncertainty which cast significant doubt on the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Economic conditions

We are a 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). 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.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices, which is crucial to the Company's development and the protection of shareholders' rights, and will enhance corporate value and accountability. For the year ended 31 December 2025 (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 C1 to the Listing Rules ("Listing Rules") of The Stock Exchange of Hong Kong Limited. The Company has reviewed and enhanced relevant corporate governance practices and disclosures in light of the amendments to the CG Code and the Listing Rules which took effect on 1 July 2025.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 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 Reporting Period in accordance with the new requirements of the CG Code.

BOARD OF DIRECTORS

Board composition

During the year ended 31 December 2025 and up to the date of issue of this annual report, the Board comprises the following executive Directors, non-executive Directors and independent non-executive Directors:

Mr. Zou Xiao Chun	*(Executive Director)*
Mr. Ding Jiang Ning	*(Executive Director)*
Ms. Wei Ting	*(Executive Director)*
Mr. Liu Yin Hong	*(Independent Non-executive Director) (Lead Independent Non-executive Director)*
Mr. Wang Gao	*(Independent Non-executive Director)*
Mr. Lui Wai Ming	*(Independent Non-executive Director)*
Mr. Zhang Da Zhong	*(Non-executive Director) (retired as Director and the Chairman of the Board on 25 June 2025)*

The biographical details of the current Board members are set out on pages 14 to 16 of this annual report .

Mr. Zou Xiao Chun, Mr. Ding Jiang Ning and Ms. Wei Ting, all being executive Directors, were re-elected at the 2025 Annual General Meeting of the Company with a specific term of 3 years from 25 June 2025. Mr. Wang Gao and Mr. Liu Yin Hong, both being independent non-executive Directors, were re-elected at the 2024 Annual General Meeting of the Company with a specific term of 3 years from 25 June 2024. Mr. Lui Wai Ming, being an independent non-executive Director, was re-elected at the 2023 Annual General Meeting of the Company with a specific term of 3 years from 21 September 2023.

Mr. Zou Xiao Chun, Mr. Ding Jiang Ning, Ms. Wei Ting, Mr. Wang Gao, Mr. Lui Wai Ming and Mr. Liu Yin Hong have served as Directors of the Company for 15 years, 1 year, 1 year, 11 years, 2 years and 2 years, respectively. The Board has confirmed with each of the independent non-executive Directors as to his 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. In compliance with the recommended best practice C.1.8 of the CG Code, the Board appointed Mr. Liu Yin Hong as the Lead Independent Non-executive Director on 25 June 2025, responsible for acting as a liaison channel when communication channels between other directors, shareholders and the Chairman and management are insufficient.

Board skills matrix

The Board maintains and regularly reviews its skills matrix to ensure it possesses a diverse range of skills and experience necessary to guide the Company's strategy. The current Board has a skills portfolio covering the following key areas: retail industry management, financial management and auditing, legal and compliance, corporate strategy, risk management, information technology, marketing, and environmental, social and governance (ESG) matters.

The combination of the above skills, experience and diversity effectively supports the Company in achieving its corporate purpose, values and strategic objectives. The Board will continue to assess the skills required in the future to respond to the evolving market environment and business needs.

Roles and Functions

The Board is responsible for formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funding and investment proposals, as well as preparing and approving the 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 2025, 4 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	Attendance at SGM held on 10 April 2025	Attendance at AGM held on 25 June 2025	Attendance at SGM held on 17 July 2025	Board Meeting Attendance
Mr. Zou Xiao Chun	1/1	1/1	1/1	4/4
Mr. Ding Jiang Ning	1/1	1/1	1/1	4/4
Ms. Wei Ting	1/1	1/1	1/1	4/4
Mr. Wang Gao	1/1	1/1	1/1	4/4
Mr. Lui Wai Ming	1/1	1/1	1/1	4/4
Mr. Liu Yin Hong	1/1	1/1	1/1	4/4
Mr. Zhang Da Zhong*	1/1	N/A	N/A	2/4

* Mr. Zhang Da Zhong retired as a Non-executive Director on 25 June 2025. Therefore, he did not attend any general meetings held subsequently.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Code provision C.5.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. Notices of all regular Board meetings during the Reporting Period were sent to all Directors in compliance with the said requirement. Code provision C.5.8 of the CG Code requires that agenda and 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 code provision A.2.1 of the CG Code. The duties of the Board include:

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

(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 disclosures in the Corporate Governance Report.

During the Reporting Period, the Board performed the above duties set out in the CG Code. The Board is also responsible for establishing and maintaining the Company's culture to support its objectives, strategy, and values.

Board Independence

The Company recognises that Board independence is crucial to good corporate governance. The Company has established effective mechanisms to support Board independence and ensure that the Board receives independent advice and recommendations. The current composition of the Board (including more than one-third of the Independent Non-executive Directors) and the members of the audit committee are all Independent Non-executive Directors, exceeding the independence requirements of the Listing Rules. The Remuneration Committee, Audit Committee, and Nomination Committee are all chaired by Independent Non-executive Directors. The remuneration of Independent Non-executive Directors is reviewed regularly to maintain competitiveness and to be commensurate with their duties and workload. The independence of each Independent Non-executive Director is assessed annually at the time of their appointment.

Directors are required to declare any direct or indirect interest (if any) in proposals or transactions considered at Board meetings and to abstain from voting as appropriate. All Directors (including Independent Non-executive Directors) have access to independent professional advice when they deem it necessary. Independent Non-executive Directors have consistently demonstrated a strong commitment and the ability to dedicate sufficient time to fulfilling their duties as Directors.

The Company has also established formal and informal channels through which Independent Non-executive Directors can express their opinions in a public and confidential manner when necessary.

Directors' Training

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 June 2025 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 staff 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, conducted by external counsel upon their appointment, and the various updated internal guidelines of the Company for compliance purposes.

To comply with the mandatory continuous professional development requirements under the newly amended Listing Rules, Directors completed the following training during the Reporting Period. Details of trainings received by each Director during the Reporting Period are set out below:

Names of Directors	Total Training Hours in Reporting Period	Training Mode (External/ Internal/Self-study) & Provider	Topics Covered (e.g., Directors' responsibilities, Listing rule updates, ESG, Risk management, Industry trends)
Mr. Zou Xiao Chun	1 hour	Internal training (by external counsel)	Major amendments to Listing Rules, Directors' duties, and latest developments in corporate governance
Mr. Ding Jiang Ning	1 hour	Internal training (by external counsel)	Major amendments to Listing Rules, Directors' duties, and latest developments in corporate governance
Ms. Wei Ting	1 hour	Internal training (by external counsel)	Major amendments to Listing Rules, Directors' duties, and latest developments in corporate governance
Mr. Wang Gao	1 hour	Internal training (by external counsel)	Major amendments to Listing Rules, Directors' duties, and latest developments in corporate governance

Names of Directors	Total Training Hours in Reporting Period	Training Mode (External/ Internal/Self-study) & Provider	Topics Covered (e.g., Directors' responsibilities, Listing rule updates, ESG, Risk management, Industry trends)
Mr. Lui Wai Ming	99 hours	Internal and external training (by external counsel, HKICPA, ACCA, HKCC, HKIOD, etc.)	Major amendments to Listing Rules, Directors' duties, and latest developments in corporate governance, accounting, corporate governance
Mr. Liu Yin Hong	1 hour	Internal training (by external counsel)	Major amendments to Listing Rules, Directors' duties, and latest developments in corporate governance

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the CG Code, the roles of the chairman and chief executive officer of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with the CG Code during the Reporting Period. Mr. Zhang Da Zhong served as the chairman of the Company until his retirement, primarily responsible for providing leadership to the Board, while the Executive Directors of the Company undertook the duties of the chief executive officer of the Company to oversee the business of the Group and execute decisions of the Board.

DIRECTORS' TIME AND DIRECTORSHIP COMMITMENTS

With the growing complexity of the business of the Group, the Directors are well aware that they are expected to have, and have devoted, 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.

The Nomination Committee has conducted an annual assessment of the time commitment and contribution of each Director during the Reporting Period and confirmed that all Directors have devoted sufficient time to their duties. As at 31 December 2025, none of the Directors held directorships in more than six listed companies (including the Company) in Hong Kong stipulated by the new regulations.

As at 31 December 2025, the number of directorships held in other Hong Kong listed companies by each Director of the Company is as follows: Mr. Zou Xiao Chun - 1 company, Mr. Ding Jiang Ning - nil, Ms. Wei Ting - 1 company, Mr. Wang Gao - 1 company, Mr. Lui Wai Ming - nil and Mr. Liu Yin Hong - nil.

No Board performance evaluation was conducted during the Reporting Period. In accordance with Rule B.1.4 of the CG Code, the next Board performance evaluation is expected to be conducted in the next financial year.

COMMITTEES UNDER THE BOARD

The Board has 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 E.1.2 of the CG Code. A majority of the members of the Remuneration Committee are independent non-executive Directors and the Remuneration Committee comprised the following members:

Mr. Lui Wai Ming	*(Independent Non-executive Director and Chairman of the Remuneration Committee)*
Mr. Zou Xiao Chun	*(Executive Director)*
Ms. Wei Ting	*(Executive Director)*
Mr. Wang Gao	*(Independent Non-executive Director)*
Mr. Liu Yin Hong	*(Independent 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 Directors 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;

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

7. to review and/or approve matters related to share schemes under Chapter 17 of the Listing Rules.

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

During the Reporting Period, 1 meeting of the Remuneration Committee was held. Attendance records of the members of the Remuneration Committee for such meeting are as follows:

Committee Members	Attendance
Mr. Lui Wai Ming	1/1
Mr. Zou Xiao Chun	1/1
Ms. Wei Ting	1/1
Mr. Wang Gao	1/1
Mr. Liu Yin Hong	1/1

Compensation Policy

The Group recruits and promotes employees based on their individual performance and development potential. The remuneration of all employees (including Directors) is determined by their performance and prevailing market salary levels. For details regarding the disclosure of senior management remuneration by salary grade, please refer to note 8 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 10 November 2005 with terms of reference substantially the same as those contained in paragraph B.3.1 of the CG Code. A majority of the members of the Nomination Committee are independent non-executive Directors. The Nomination Committee comprised the following members:

Mr. Wang Gao	*(Independent Non-executive Director and Chairman of the Nomination Committee)*
Ms. Wei Ting	*(Executive Director) (appointed on 25 June 2025)*
Mr. Lui Wai Ming	*(Independent Non-executive Director)*
Mr. Liu Yin Hong	*(Independent Non-executive Director)*
Mr. Zhang Da Zhong	*(Non-executive Director) (retired on 25 June 2025)*

To strictly comply with the newly revised CG Code B.3.5 and ensure gender diversity among the members of the Nomination Committee, the Board appointed Ms. Wei Ting as a member of the Nomination Committee on 25 June 2025.

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 at least annually, and assist the Board in developing a skills matrix 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;

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

5. Assist the Company in periodically assessing the performance of the Board; and

6. Assess each Director's time commitment, contribution and ability to perform their duties to the Board, taking into account their professional qualifications, work experience, existing directorships of issuers listed on the Hong Kong Stock Exchange, and other significant external time commitments, as well as other factors or circumstances related to the Director's character, integrity, independence and experience.

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 the Nomination Committee were held. Attendance records of the members of the Nomination Committee for such meetings are as follows:

Committee Members	Attendance
Mr. Wang Gao	2/2
Ms. Wei Ting	N/A
Mr. Lui Wai Ming	2/2
Mr. Liu Yin Hong	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 4(2) of Appendix A1 to the Listing Rules, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after appointment. In accordance with paragraph B.2.2 of the CG Code, 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 are 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.

As of 31 December 2025, the Board comprises 6 Directors, 1 of which is female. The Company considers that it has met the Policy of having a diversified Board.

The Company has adopted a director nomination policy, which sets out the objective selection criteria and procedures for the nomination and appointment of directors. The director nomination policy aims to ensure that the Board possesses the skills, experience, and diverse perspectives required for the Company's business.

The Nomination Committee shall identify, consider, and recommend suitable candidates to the Board for the position of Director, and make recommendations to shareholders. The Board as a whole bears the final responsibility for the selection and appointment of directors.

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.

With regard to the re-election of Directors at the shareholders' meeting, the Nomination Committee shall review the retiring Directors' overall contributions and services to the Company, including their attendance at Board meetings, Board committee meetings, and shareholders' meetings (if applicable), as well as their level of participation and performance on the Board. The Nomination Committee will review the latest resumes provided by each eligible and willing re-election retiring director; and will review and determine whether such retiring directors still meet the principles of director selection. The Nomination Committee shall then make recommendations to the Board regarding the re-election of Directors.

The Nomination Committee shall also monitor and review the implementation of the nomination policy from time to time and report to the Board annually.

Disclosure on Board and Staff Diversity

The Company is committed to promoting diversity and inclusion on its Board of Directors (including senior management), with a particular emphasis on gender diversity. As at 31 December 2025:

Board gender ratio: 5 Males (83.3%), 1 Female (16.7%).

Senior Management gender ratio: Male 100%, Female 0%.

Overall staff excluding senior management gender ratio: Male 49.3%, Female 50.7%.

The Board has conducted an annual review of the implementation of the diversity policy and will continue to promote related efforts.

Independent Committee

The Independent Committee was established by the Board on 21 August 2009. The Independent Committee comprised the following members:

Mr. Liu Yin Hong	*(Independent Non-executive Director) (appointed as Chairman of the Independent Committee on 25 June 2025)*
Mr. Wang Gao	*(Independent Non-executive Director)*
Mr. Lui Wai Ming	*(Independent Non-executive Director)*
Mr. Zhang Da Zhong	*(Non-executive Director) (retired as Chairman and a Member of the Independent Committee on 25 June 2025)*

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 laws 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 did not hold any meetings.

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 for preparing the financial statements of the Group.

Audit Committee

The Audit Committee was established in 2004. The Audit Committee comprised the following members:

Mr. Lui Wai Ming *(Independent Non-executive Director and Chairman of the Audit Committee)*
Mr. Wang Gao *(Independent Non-executive Director)*
Mr. Liu Yin Hong *(Independent Non-executive Director)*

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

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

1. to be primarily responsible for making 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 standards;

3. to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and where more than one audit firm is involved, to ensure co-ordination among them;

4. to develop and implement policy on engaging an external auditor to supply non-audit services and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

5. to monitor the integrity of the Company's financial statements, Annual Report, Interim Report and to review significant financial reporting judgments contained in them before submission to the Board, having regard particularly to:

    (a) any changes in accounting policies and practices;

    (b) major judgmental areas;

    (c) significant adjustments resulting from the audit;

    (d) the going concern assumptions and any qualifications;

    (e) compliance with accounting standards; and

    (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.

6. In regard to 5 above, (i) to liaise with the Company's Board, senior management as the Committee deems appropriate and to meet the Company's auditor at least twice a year; and (ii) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and to give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer (if any) or auditor;

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

8. to discuss the risk management and internal control systems with management of the Company to ensure the management has performed its duty to have effective risk management and internal control systems, including discussion on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

9. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on the own initiative of the Committee and the response of the management of the Company to these findings;

10. where an internal audit function exists, to ensure co-ordination between the internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

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

12. to review the external auditor's management letter, any material queries raised by the auditor to the management of the Company about 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 in the external auditor's management letter;

13. to report to the Board on the matters set out in the Code Provisions in the Section headed "Audit Committee" on the CG Code set out in Appendix C1 of the Listing Rules;

14. to consider other topics, as defined by the Board;

15. 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

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

The Audit Committee shall meet at least twice each year. In 2025, 3 Audit Committee meetings were held for, among other matters, considering change of auditor, the annual results of the Group for the financial year ended 31 December 2024 and the interim results of the Group for the six months ended 30 June 2025, 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 the Audit Committee are as follows:

Committee Members	Attendance
Mr. Lui Wai Ming	3/3
Mr. Wang Gao	3/3
Mr. Liu Yin Hong	3/3

KTC Partners CPA Limited ("KTC Partners") has been appointed as the new auditor of the Company with effect from 28 October 2024 to fill the temporary vacancy following the resignation of Elite Partners CPA Limited ("Elite Partners"), and to hold office until the conclusion of the next annual general meeting of the Company.

During the year ended 31 December 2025, the amount of audit fees payable to KTC Partners was RMB2,480,000, and nil for non-audit services. During the year ended 31 December 2024, the amount of audit fees payable to KTC Partners, the auditor of the Company, was RMB2,480,000, while the amount of non-audit services remuneration payable to Elite Partners was RMB800,000. The Audit Committee is of the view that the auditor's independence was not affected by the provision of such non-audit related services to the Group.

RISK MANAGEMENT AND INTERNAL CONTROLS

Board Statement: The Board acknowledges its ultimate responsibility for establishing and maintaining a sound and effective risk management and internal control system for the Company. The Board has reviewed the effectiveness of such systems for the year ended 31 December 2025 and is of the opinion that they are adequate and effective in all material respects, serving the purpose set out in Principle D.2 of the CG Code.

Key Features of the Systems: The Company's risk management and internal control systems cover financial, operational, and compliance controls. Their key processes include: identifying, assessing, and managing significant risks that may affect the Group's achievement of its objectives; and ensuring timely, accurate, and complete disclosure of inside information and other necessary information, including having established policies for handling and disseminating inside information, as detailed in the "DISSEMINATION OF INSIDE INFORMATION" section below.

Significant Changes: There were no significant changes in the Group's risk assessment (including ESG risks) and risk management and internal control systems during the Reporting Period.

Internal Audit Function: The Company has set up a separate internal audit department and report to the Audit Committee regularly.

Review Responsibilities and Process: The Board exercises ongoing oversight of system effectiveness through the Audit Committee. Management is responsible for day-to-day operations and conducts a comprehensive review periodically (at least annually), reporting to the Audit Committee and the Board. The review scope covers all significant control areas.

Supporting Information: The Board's conclusion is based on management's reports, the Audit Committee's review, and communications with the external auditor.

Review Outcome: The review during the Reporting Period did not identify any material control failures or weaknesses.

MODIFICATION IN AUDIT OPINION

The consolidated financial statements have been audited by the Group's auditor, KTC Partners CPA Limited. The independent auditor has issued a disclaimer of opinion with a basis of multiple uncertainties relating to going concern in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2025. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2025 which has included a disclaimer of opinion:

"Disclaimer of Opinion

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

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to the assessment on the appropriateness of the going concern basis of preparing the Consolidated Financial Statements

As described in note 2.1 to the consolidated financial statements, the Group incurred a loss of RMB5,969,350,000 for the year ended 31 December 2025 and the Group's current liabilities exceeded its current assets by RMB40,379,656,000 as at 31 December 2025. The Group's current liabilities amounted to RMB42,249,098,000, of which RMB23,562,894,000 represented interest-bearing bank and other borrowings as at 31 December 2025, while its cash and cash equivalents amounted to RMB56,145,000 as at 31 December 2025. As at 31 December 2025, the Group's interest-bearing bank and other borrowings, including bonds, bank loans, and other borrowings, amounted to RMB23,569,167,000 in total, with the majority of them being in default or cross-default. Certain banks and other financial institutions have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received property preservation orders restricting the disposition of certain assets as at 31 December 2025 and the withdrawal of the restricted bank deposits during the year. In addition, a number of civil claims or lawsuits have been filed by civil litigants against the Group as at 31 December 2025. Furthermore, the suspension of supply of goods from certain major suppliers has significantly impacted the Group's operations. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which casts significant doubt on the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in note 2.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures will be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures, which are subject to significant uncertainties, including whether:

(i) successfully converting the debts from certain suppliers, service providers, landlords, banks and convertible bond holders or other creditors into shares of the Company;

(ii) successfully negotiating with convertible bond holders for restructuring the convertible bonds;

(iii) successfully renewing and extending the repayment due date of existing secured bank borrowings upon maturity;

(iv) successfully negotiating with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants;

(v) successfully selling the Group's properties at intended prices; and

(vi) successfully achieving other fund-raising.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management to us in relation to its plans and measures, which involve future actions, in its going concern assessment which takes into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, 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 effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments were necessary.

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

The fundamental reason for the disclaimer of audit opinion (the "Disclaimer") made by the independent auditor for the current year is the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements. Even though the Group has taken steps and measures to mitigate its liquidity pressure and improve its financial position, which are set out in note 2.1 to the consolidated financial statements, whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the following: (i) successfully converting the debts from certain suppliers, service providers, landlords, banks and convertible bond holders or other creditors into shares of the Company; (ii) successfully negotiating with convertible bond holders for restructuring the convertible bonds; (iii) successfully renewing and extending the repayment due date of existing secured bank borrowings upon maturity; (iv) successfully negotiating with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants; (v) successfully selling the Group's properties at intended prices; and (vi) successfully achieving other fund-raising. Given the execution of the plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issue of the consolidated financial statements, in view of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, Messrs. KTC Partners CPA Limited is unable to form an opinion as to whether the going concern basis of preparation of the consolidated financial statements of the Group is appropriate and Messrs. KTC Partners CPA Limited disclaims its opinion on the consolidated financial statements of the Group in respect of year ended 31 December 2025.

The Board understands that the fundamental reason for the Disclaimer made by the independent auditor for the current year is the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements. That said, the Group has been actively pursuing plans and measures to mitigate its liquidity issue and improve its financial position, which are set out in note 2.1 to the consolidated financial statements of the Group. The Board considers the Action Plan would be able to address the Disclaimer.

The Audit Committee understands that the fundamental reason for the Disclaimer made by the independent auditor for the current year is the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements. Based on the work performed by the management in relation to debt restructuring and other plans and measures during the Reporting Period and up to the date of this annual report, the Audit Committee concurs with the management's position and basis that the Group has been actively pursuing plans and measures to mitigate its liquidity issue and improve its financial position. The Audit Committee considers the Action Plan would be able to address the Disclaimer.

The Audit Committee has reviewed the Disclaimer for the current year and has agreed with the basis thereof. The management has reviewed the impact of the Disclaimer on the Group and considers that it does not have significant impact on the Group's daily operation subject to successful outcome of the measures as set out in note 2.1. There was no disagreement between the views of the Audit Committee and the management in respect of (i) the Disclaimer and (ii) the Company's plan to address the Disclaimer.

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. Albert Szeto King Pui ("Mr. Szeto"), who is a partner of an external law firm. The contact person at the Company is Mr. Ding Jiang Ning, Executive Director of the Company and the Vice President of Finance of the Group. The Company Secretary had complied with Rule 3.29 of the Listing Rules in respect of professional training during the Reporting Period.

With effect from 1 January 2026, Mr. Szeto ceased to be the Company Secretary, authorised representative, and process agent and Mr. Cheung Yu Lung Philip ("Mr. Cheung") was appointed as the Company Secretary, authorised representative, and process agent. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in audit, accounting, and corporate governance.

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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Against the global backdrop of actively addressing climate change, GOME always adheres to the concept of sustainable development. It has taken initiatives in green operation, green packaging, green logistics and green supply to reduce carbon emissions. As a leading retail enterprise in China, GOME always sticks to the value of sustainable consumption, complies with national laws and regulations and promotes the realisation of the national carbon neutrality goal. Please refer to our ESG report for details of initiatives taken.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements. Established in 2003, GOME surveillance system is aimed to safeguard the interests of the Group and take full responsibilities of supervision including integrity construction, anti-fraud, improvement on internal controls, sales and cost cycle monitoring and anti-corruption. Save as disclosed in the Annual Report, the Group has complied in all material respects with the relevant laws and regulations that have significant impact on the operations of the Group for the year ended 31 December 2025.

RELATIONSHIP WITH EMPLOYEES

GOME adheres to the employee management philosophy of “integrity prevailing over competence” and “talent localisation” to develop its talent management mechanism which covers talent recruitment, talent training and employees’ health and safety. With continuous optimisation and improvement, this mechanism will offer better career paths and attractive welfare to the employees.

RELATIONSHIP WITH CUSTOMERS

GOME sets speedy delivery, full coverage and installation with delivery as its service standard and promptly responds to users by monitoring the logistic delivery time and effectiveness. GOME also solves customer inquiries on its products, services and after-sales issues via real person audio or video shopping guides and interaction through video, which truly satisfies full-process service experience of its users.

RELATIONSHIP WITH SUPPLIERS

To ensure suppliers recognise our development targets, strategies and implementation, we require our suppliers to enter into integrity cooperation agreements. GOME also attaches great importance to the communication with suppliers and its effectiveness and has developed a supplier management system. In addition, the Group has enhanced relevant trainings and exchange activities with its suppliers and arranged product trainings for its suppliers in respect of launch of any new product and intensive promotion. In addition to contract negotiation, the Group also negotiates with its manufacturers on daily promotion, product inventory, resources allocation, slow-moving/defective/outstanding clearance.

DIVIDEND POLICY AND DECISION DISCLOSURE

The Company’s dividend policy aims to balance business reinvestment and shareholder returns to achieve long-term sustainable growth. Any dividend payable by the Company will be determined by the Board at its sole discretion, taking into account various factors, including actual and expected operating results, cash flow and financial position, general business conditions and business strategy, expected working capital needs and future expansion plans, legal, regulatory and other contractual restrictions, and other factors the Board deems appropriate. The Company confirms that all decisions made by the Directors regarding dividends are in accordance with the Company’s dividend policy. During the Reporting Period, the Board decided not to declare any dividend. Taking into account the Group’s current liquidity position, capital expenditure requirements, and future business development, the Board decided not to declare a dividend for this year in order to maintain financial flexibility. The Company will continue to be committed to creating long-term value for shareholders by improving operational performance and optimising the asset structure.

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. After considering the various communication channels and the level of shareholder participation at the general meetings held during the reporting period, the Board is satisfied that the shareholder communication policy was properly implemented and effective during the Reporting Period.

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.

To comply with the requirements of the Paperless Listing Regime, the Company has commenced preparation to amend its constitutional documents to allow for the holding of hybrid general meetings and to provide electronic voting options. The relevant amendments will be submitted to shareholders for approval in due course.

SHAREHOLDER ENGAGEMENT

During the Reporting Period, to foster constructive engagement, the Board (in particular the independent non-executive directors) maintained communication with shareholders through the following means: hosting 3 shareholders general meetings, and the investor relations team. Shareholder feedback has been incorporated into management's daily operations and the Board's strategic considerations.

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 21 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 3 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 7 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 2025, 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 an important means to enhance the transparency of the Company and collect views and feedback from institutional investors. During the Reporting Period, the Directors and/or senior management of the Company participated in numerous roadshows 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

Independent Auditor's Report

KTC Partners CPA Limited
Certified Public Accountants (Practising)
中瑞和信會計師事務所有限公司

Independent Auditor's Report to the Shareholders of GOME Retail Holdings Limited
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of GOME Retail Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 167, which comprise the consolidated statement of financial position as at 31 December 2025, 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 material accounting policy information.

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

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to the assessment on the appropriateness of the going concern basis of preparing the Consolidated Financial Statements

As described in note 2.1 to the consolidated financial statements, the Group incurred a loss of RMB5,969,350,000 for the year ended 31 December 2025 and the Group's current liabilities exceeded its current assets by RMB40,379,656,000 as at 31 December 2025. The Group's current liabilities amounted to RMB42,249,098,000, of which RMB23,562,894,000 represented interest-bearing bank and other borrowings as at 31 December 2025, while its cash and cash equivalents amounted to RMB56,145,000 as at 31 December 2025. As at 31 December 2025, the Group's interest-bearing bank and other borrowings, including bonds, bank loans, and other borrowings, amounted to RMB23,569,167,000 in total, with the majority of them being in default or cross-default. Certain banks and other financial institutions have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received property preservation orders restricting the disposition of certain assets as at 31 December 2025 and the withdrawal of the restricted bank deposits during the year. In addition, a number of civil claims or lawsuits have been filed by civil litigants against the Group as at 31 December 2025. Furthermore, the suspension of supply of goods from certain major suppliers has significantly impacted the Group's operations. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which casts significant doubt on the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 12 months from the date of approval of the consolidated financial statements which takes into account the plans and measures being taken by the Group to improve the Group's liquidity and financial position as set out in note 2.1 to the consolidated financial statements. Based on the assessment made by the directors of the Company, assuming that the plans and measures will be successfully implemented or executed as scheduled, the directors are of the view that the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the successful eventual outcome of the abovementioned plans and measures, which are subject to significant uncertainties, including whether:

(i) successfully converting the debts from certain suppliers, service providers, landlords, banks and convertible bond holders or other creditors into shares of the Company;

(ii) successfully negotiating with convertible bond holders for restructuring the convertible bonds;

(iii) successfully renewing and extending the repayment due date of existing secured bank borrowings upon maturity;

(iv) successfully negotiating with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants;

(v) successfully selling the Group's properties at intended prices; and

(vi) successfully achieving other fund-raising.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management to us in relation to its plans and measures, which involve future actions, in its going concern assessment which takes into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, 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 effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments were necessary.

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 IFRS Accounting Standards issued by the International Accounting Standards Board 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Chow Yiu Wah, Joseph
Audit Engagement Director
Practicing Certificate Number: P04686

Hong Kong, 31 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	5	538,055	473,816
Cost of sales	6	(513,027)	(400,137)
Gross profit		25,028	73,679
Other income and gains	5	499,364	1,055,262
Selling and distribution expenses		(209,481)	(283,402)
Administrative expenses		(759,526)	(1,188,737)
Impairment loss on goodwill	15	–	(62,208)
Impairment losses on financial assets	6	(965,311)	(1,342,510)
Impairment loss on right-of-use assets	20	(1,094,649)	(3,685,484)
Impairment loss on interests in associates	17	(73,345)	(201,847)
Other expenses and losses		(1,549,237)	(4,189,948)
Share of results of associates	17	(17,842)	(21,874)
Loss before finance income (costs) and tax		(4,144,999)	(9,847,069)
Finance costs	7	(1,813,115)	(1,993,264)
Finance income	7	4,525	10,278
Loss before tax	6	(5,953,589)	(11,830,055)
Income tax (charge) credit	10	(15,761)	126,459
Loss for the year		(5,969,350)	(11,703,596)
Attributable to:			
Owners of the parent		(5,943,736)	(11,629,391)
Non-controlling interests		(25,614)	(74,205)
		(5,969,350)	(11,703,596)
Loss per share attributable to ordinary equity holders of the parent	12		
Basic		(RMB12.6 fen)	(RMB24.6 fen)
Diluted		(RMB12.6 fen)	(RMB24.6 fen)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Loss for the year	**(5,969,350)**	(11,703,596)
Other comprehensive (expense) income		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax that will not be reclassified to profit or loss in subsequent periods	**(26,010)**	13,532
Losses on asset revaluation for change in use from owner-occupied properties to investment properties, net of tax that will not be reclassified to profit or loss in subsequent periods	**(48,839)**	(31,584)
	(74,849)	(18,052)
Other comprehensive income from long-term equity investments accounted for using the equity method may be reclassified to profit or loss in subsequent periods	**667**	483
Exchange differences on translation of financial statements that may be reclassified to profit or loss in subsequent periods	**(205,067)**	350,403
Other comprehensive (expense) income for the year, net of tax	**(279,249)**	332,834
Total comprehensive expense for the year	**(6,248,599)**	(11,370,762)
Attributable to:		
Owners of the parent	**(6,222,985)**	(11,296,557)
Non-controlling interests	**(25,614)**	(74,205)
	(6,248,599)	(11,370,762)

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property and equipment	*13*	**2,488,591**	3,861,701
Investment properties	*14*	**3,763,175**	4,183,268
Right-of-use assets	*20*	**5,864,704**	7,673,367
Goodwill	*15*	**–**	–
Other intangible assets	*16*	**–**	–
Interests in associates	*17*	**43,610**	134,130
Financial assets at fair value through other comprehensive income	*18*	**510**	26,520
Financial assets at fair value through profit or loss	*19*	**1,550,487**	1,789,688
Prepayments, other receivables and other assets	*24*	**137,062**	148,186
Total non-current assets		**13,848,139**	17,816,860
Current assets			
Inventories	*22*	**62,345**	119,771
Trade receivables	*23*	**10,805**	91,375
Prepayments, other receivables and other assets	*24*	**1,315,348**	2,419,601
Due from related companies	*25*	**140,651**	329,100
Financial assets at fair value through profit or loss	*19*	**244,819**	243,945
Pledged bank deposits and restricted cash	*26*	**39,329**	59,538
Cash and cash equivalents	*26*	**56,145**	49,163
Total current assets		**1,869,442**	3,312,493

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Current liabilities			
Trade and bills payables	*27*	**4,535,581**	5,107,155
Other payables and accruals	*28*	**12,754,805**	11,737,423
Due to related companies	*25*	**313,018**	307,821
Lease liabilities	*20*	**7,690**	21,009
Interest-bearing bank and other borrowings	*29*	**23,562,894**	23,087,992
Tax payable		**1,075,110**	1,009,981
Total current liabilities		**42,249,098**	41,271,381
Net current liabilities		**(40,379,656)**	(37,958,888)
Total assets less current liabilities		**(26,531,517)**	(20,142,028)
Non-current liabilities			
Lease liabilities	*20*	**3,370**	11,060
Interest-bearing bank and other borrowings	*29*	**6,273**	99,909
Deferred tax liabilities	*21*	**327,139**	367,703
Total non-current liabilities		**336,782**	478,672
Net liabilities		**(26,868,299)**	(20,620,700)
Deficit			
Deficit attributable to owners of the parent			
Issued capital	*31*	**1,082,460**	1,082,460
Treasury shares	*33*	**(444,985)**	(444,985)
Reserves	*34*	**(23,103,852)**	(16,880,867)
		(22,466,377)	(16,243,392)
Non-controlling interests	*35*	**(4,401,922)**	(4,377,308)
Total deficit		**(26,868,299)**	(20,620,700)

The consolidated financial statements on pages 57 to 167 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on behalf by:

Zou Xiao Chun
Director

Ding Jiang Ning
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the parent													
	Issued capital RMB'000 *(note 31)*	Treasury shares RMB'000 *(note 33)*	Share premium RMB'000	Contributed surplus RMB'000	Capital 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 34)*	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2025	1,082,460	(444,985)	36,101,494	657	(1,862,496)	394,080	85,744	(165,692)	1,738,024	1,342,076	(54,514,754)	(16,243,392)	(4,377,308)	(20,620,700)
Loss for the year	-	-	-	-	-	-	-	-	-	-	(5,943,736)	(5,943,736)	(25,614)	(5,969,350)
Other comprehensive expense for the year:														
Other comprehensive income from long-term equity investments accounted for using the equity method	-	-	-	-	-	-	-	667	-	-	-	667	-	667
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(26,010)	-	-	-	(26,010)	-	(26,010)
Exchange differences arising on translation of financial statements	-	-	-	-	-	-	-	-	-	(205,067)	-	(205,067)	-	(205,067)
Change in use from owner-occupied properties to investment properties, net of tax	-	-	-	-	-	(48,839)	-	-	-	-	-	(48,839)	-	(48,839)
Total comprehensive expense for the year	-	-	-	-	-	(48,839)	-	(25,343)	-	(205,067)	(5,943,736)	(6,222,985)	(25,614)	(6,248,599)
Capital contributor from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000
At 31 December 2025	1,082,460	(444,985)	36,101,494*	657*	(1,862,496)*	345,241*	85,744*	(191,035)*	1,738,024*	1,137,009*	(60,458,490)*	(22,466,377)	(4,401,922)	(26,868,299)

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 substantial shareholder in which has been recognised as deemed contribution from the substantial shareholder.

* These reserve accounts comprise the consolidated deficit of RMB23,103,852,000 (2024: RMB16,880,867,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the parent													
	Issued capital RMB'000 *(note 31)*	Treasury shares RMB'000 *(note 33)*	Share premium RMB'000	Contributed surplus RMB'000	Capital 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 34)*	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	1,079,531	(444,985)	36,100,439	657	(1,867,496)	425,664	85,744	(179,707)	1,738,024	991,673	(42,885,363)	(4,955,819)	(4,303,703)	(9,259,522)
Loss for the year	–	–	–	–	–	–	–	–	–	–	(11,629,391)	(11,629,391)	(74,205)	(11,703,596)
Other comprehensive expense for the year:														
Other comprehensive income from long-term equity investments accounted for using the equity method	–	–	–	–	–	–	–	483	–	–	–	483	–	483
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	13,532	–	–	–	13,532	–	13,532
Exchange differences arising on translation of financial statements	–	–	–	–	–	–	–	–	–	350,403	–	350,403	–	350,403
Change in use from owner-occupied properties to investment properties, net of tax	–	–	–	–	–	(31,584)	–	–	–	–	–	(31,584)	–	(31,584)
Total comprehensive expense for the year	–	–	–	–	–	(31,584)	–	14,015	–	350,403	(11,629,391)	(11,296,557)	(74,205)	(11,370,762)
Adjustment arising from change in non-controlling interest	–	–	–	–	5,000	–	–	–	–	–	–	5,000	–	5,000
Capital contributor from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	600	600
Issue of shares	2,929	–	1,055	–	–	–	–	–	–	–	–	3,984	–	3,984
At 31 December 2024	1,082,460	(444,985)	36,101,494*	657*	(1,862,496)*	394,080*	85,744*	(165,692)*	1,738,024*	1,342,076*	(54,514,754)*	(16,243,392)	(4,377,308)	(20,620,700)

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Cash flows from operating activities		
Loss before tax	(5,953,589)	(11,830,055)
Adjustments for:		
Finance income	(4,525)	(10,278)
Finance costs	1,813,115	1,993,264
Share of results of associates	17,842	21,874
Gains from debt restructuring	–	(141,304)
Other gains	(14,580)	–
Losses on financial assets at fair value through profit or loss, net	222,513	446,571
Gains on disposal of interests in associates	–	(10,336)
Losses (gains) from disposal of subsidiaries (under liquidation and deregistration process)	39,931	(278,327)
Losses on disposal of financial assets at fair value through profit or loss	603	527
Impairment loss on interests in associates	73,345	201,847
Gains on disposal of property and equipment	(323,802)	(342,715)
Impairment losses on financial assets	965,311	1,342,510
Gains on lease modifications and closing stores	(383)	(110,165)
Provision (reversal of provision) against inventories	1,037	(45,816)
Impairment losses on property and equipment	157,118	447,539
Impairment losses on other intangible assets	–	33,774
Fair value losses on investment properties, net	599,071	1,158,698
Impairment loss on goodwill	–	62,208
Impairment losses on right-of-use assets	1,094,649	3,685,484
Depreciation of property and equipment	185,977	258,947
Depreciation of right-of-use assets	469,738	716,232
Amortisation of other intangible assets	–	18,528
Provision for financial guarantee for bankrupted subsidiaries	465,610	1,992,170
Provision for litigation expenses	35,672	68,481
Operating cash flow before changes in working capital	(155,347)	(320,342)
Decrease in inventories	56,389	128,122
Decrease in prepayments, other receivables and other assets	319,342	148,690
Decrease in trade receivables	80,021	41,351
Increase (decrease) in amounts due from related companies	(11,347)	148,426
Increase in pledged deposits for bills payable	(6,641)	–
Decrease in pledged deposits for litigation	26,850	54,157
Decrease in trade and bills payables	(571,574)	(332,736)
Decrease in contract liabilities	(74,400)	(53,077)
Decrease in refund liabilities	–	(33)
Increase in other payables and accruals	386,470	99,271
Increase in amounts due to related companies	5,197	13,428
Effect of foreign exchange rate changes, net	(81,206)	78,318

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Cash (used in) generated from operations	**(26,246)**	5,575
Interest received	**385**	680
Profit tax refunded (paid)	**606**	(17,862)
Net cash flows used in operating activities	**(25,255)**	(11,607)
Cash flows from investing activities		
Purchases of property and equipment	**(1,336)**	(2,936)
Proceeds from disposal of investment properties	**32,135**	–
Proceeds from disposal of property and equipment	**14,280**	113,862
Proceeds from disposal of financial assets at fair value through profit or loss	**10,840**	9,922
Proceed from disposal of subsidiaries	**–**	131,842
Net cash flows from investing activities	**55,919**	252,690
Cash flows from financing activities		
Interest paid	**(1,458)**	(6,548)
New bank and other borrowings raised	**252,559**	360,454
Principal portion of lease payments	**(7,665)**	(420)
Repayment of corporate bonds	**(349)**	–
Repayment of bank and other borrowings	**(266,739)**	(960,867)
Decrease in pledged deposits for bank loans	**–**	323,729
Interest received from deposits pledged for bank and other borrowings	**–**	25,180
Capital injection from non-controlling interests	**–**	600
Net cash flows used in financing activities	**(23,652)**	(257,872)
Net increase (decrease) in cash and cash equivalents	**7,012**	(16,789)
Cash and cash equivalents at 1 January	**49,163**	66,247
Effect of foreign exchange rate changes, net	**(30)**	(295)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**56,145**	49,163
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**45,758**	49,163
Unsecured fixed deposits with an original maturity date of less than 3 months at the time of acquisition	**10,387**	–

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, 1st Floor, 31 Victoria Street, Hamilton HM10, Bermuda and principal place of business is Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activities of the Group are the operation and management of retail stores and online sales network for electrical appliances, consumer electronic products, liquor products and general merchandise, as well as the provision of franchise and management services and commission-based services to franchised stores in the People's Republic of China (the "PRC").

The Group continued to adjust its business model and operating structure, with greater emphasis placed on asset-light operations, including franchising, store management and related service arrangements. The nature of these activities is further set out in note 5 to the consolidated financial statements.

In the opinion of the directors, the Company had no ultimate controlling shareholder as at 31 December 2025. Mr. Wong Kwong Yu ("Mr. Wong") and his associates were the single largest shareholder group of the Company, holding approximately 10.28% of the issued shares of the Company as at that date.

Information about subsidiaries

As at 31 December 2025, 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 2025 Direct	2025 Indirect	2024 Direct	2024 Indirect	Principal activities
Capital Automation (BVI) Limited	British Virgin Islands/ Hong Kong	US$50,000	100	–	100	–	Note (vi)
Grand Hope Investment Limited	British Virgin Islands/ Hong Kong	US$1	100	–	100	–	Note (vi)
China Paradise Electronics Retail Limited ("China Paradise")	Cayman Islands	HK$235,662,979	100	–	100	–	Note (vi)
China Eagle Management Limited	Hong Kong	HK$10,000	100	–	100	–	Note (v)
Hong Kong Punching Centre Limited	Hong Kong	HK$100,000	–	100	–	100	Note (vii)
Ocean Town Int'l Inc.	British Virgin Islands/ Hong Kong	US$50,000	–	100	–	100	Note (vi)
GOME Appliance Company Limited*** 國美電器有限公司	PRC/Mainland China	RMB1 billion	–	100	–	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 2025 Direct	2025 Indirect	2024 Direct	2024 Indirect	Principal activities
Changzhou Jintaiyang Zhizun Home Appliances Company Limited* 常州金太陽至尊家電有限公司	PRC/Mainland China	RMB205 million	–	100	–	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	–	100	Note (vii)
Nanjing Pengze Investment Company Limited* 南京鵬澤投資有限公司	PRC/Mainland China	RMB156 million	–	100	–	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	–	100	Note (iii)
Shandong Longji Island Construction Company Limited* 山東龍脊島建設有限公司	PRC/Mainland China	RMB10 million	–	100	–	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	–	100	Note (iv)
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	–	100	Note (iii)
GOME International Trading Company Limited	Hong Kong	HK$1	100	–	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	–	100	Notes (iv)/(v)
GOME Big Data Holdings (H.K.) Limited	Hong Kong	HK$1	–	100	–	100	Note (vi)
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	–	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 2025 Direct	2025 Indirect	2024 Direct	2024 Indirect	Principal activities
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	–	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	–	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	–	100	Note (vi)
Beijing Dingrui Property Co., Ltd.* 北京鼎銳物業發展有限公司	PRC/Mainland China	RMB10 million	–	100	–	100	Note (vii)
Tianjin Shengyuan Pengda Logistics Co., Ltd.* 天津盛源鵬達物流有限公司	PRC/Mainland China	RMB50 million	–	100	–	100	Note (iv)
Tianjin GOME Zhansheng Logistics Co., Ltd.* 天津國美戰聖物流有限公司	PRC/Mainland China	RMB20 million	–	100	–	100	Note (iv)
GOME Australia PTY. Ltd.	Australia	AUD1 million	–	51	–	51	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	–	100	Note (i)
Beijing GOME International Wine Trading Co., Ltd.* 北京國美國際酒業貿易有限公司	PRC/Mainland China	RMB100 million	–	100	–	100	Note (ix)
GOME Capital Management Co., Ltd.* 國美資本管理有限公司	PRC/Mainland China	RMB100 million	–	100	–	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 2025 Direct	2025 Indirect	2024 Direct	2024 Indirect	Principal activities
Ningbo Meishan Bonded Port GOME Investment Partnership (limited partnership) 寧波梅山保稅港區國美投資合夥企業(有限合夥)	PRC/Mainland China	RMB5,000 million	–	100	–	100	Note (vi)
Ningbo Meishan Bonded Port GOME Xinshengda Investment Partnership (limited partnership) 寧波梅山保稅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	–	100	Note (vi)
Tianjin GOME Xinxing Equity Investment Management Co., Ltd.* 天津國美信興股權投資管理有限公司	PRC/Mainland China	RMB10 million	–	100	–	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	–	100	Note (vi)
Tianjin GOME Warehousing Co., Ltd.* 天津國美倉儲有限公司	PRC/Mainland China	RMB100 million	–	100	–	100	Note (i)
Tianjin Pengze Real Estate Company Limited* 天津鵬澤物業有限公司	PRC/Mainland China	RMB83 million	–	100	–	100	Note (vii)
Tianjin Zhansheng Ruida Logistics Co., Ltd.* 天津戰聖瑞達物流有限公司	PRC/Mainland China	RMB20 million	–	100	–	100	Note (iv)
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	–	100	Note (ii)
Guangzhou GOME Information Technology Co., Ltd.* 廣州國美信息科技有限公司	PRC/Mainland China	RMB50 million	–	100	–	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 2025 Direct	2025 Indirect	2024 Direct	2024 Indirect	Principal activities
GOME Holdings Group Guangzhou Co., Ltd.* 國美控股集團廣州有限公司	PRC/Mainland China	RMB50 million	–	100	–	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	–	100	Note (vii)
Beijing Ourunlang Consultancy Co., Ltd.* 北京歐潤朗諮詢服務有限公司	PRC/Mainland China	RMB132 million	–	100	–	100	Note (vii)
China Eagle Capital Co. Limited	Hong Kong	HK$10,000	–	100	–	100	Note (vi)
Capital Realty Development Company Limited	Hong Kong	HK$100,000	–	100	–	100	Note (vii)
Ever Castle International Limited	British Virgin Islands	US$1	–	100	–	100	Note (vi)
Guangzhou GOME Trading Company Limited* 廣州國美貿易有限公司	PRC/Mainland China	RMB1,550 million	–	100	–	100	Note (iv)
Liaoning GOME Jiamei Appliances Co., Ltd.* 遼寧國美佳美 電器有限公司	PRC/Mainland China	RMB30 million	–	60	–	60	Note (iii)
Dalian GOME Jiamei Appliances Co., Ltd.* 大連國美佳美電 器有限公司	PRC/Mainland China	RMB30 million	–	60	–	60	Note (iii)

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. The respective registered capital has been fully paid up.

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

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

(ix) Liquor trade

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.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Contractual arrangements

The Group conducts certain businesses in the People's Republic of China (the "PRC") through certain PRC operating entities that are controlled by the Group through a series of contractual arrangements, rather than through direct equity ownership (the "Contractual Arrangement Entities"). Such structure is adopted due to applicable PRC laws and regulations that restrict or impose conditions on foreign ownership in certain industries.

The contractual arrangements generally comprise, among others, exclusive business cooperation/service agreements, exclusive purchase/option agreements, equity pledge agreements, powers of attorney/voting rights proxy arrangements, loan agreements and spouse consent letters, where applicable. Pursuant to these arrangements, the relevant wholly-foreign-owned enterprise(s) of the Group are entitled to, among other things, (i) provide exclusive services to the Contractual Arrangement Entities and receive the related service fees and economic benefits; (ii) exercise substantial control over the management, operational and financial matters and other relevant activities of the Contractual Arrangement Entities; (iii) acquire all or part of the equity interests in, and/or assets of the Contractual Arrangement Entities when permitted by PRC laws and regulations; and (iv) obtain security interests over the equity interests in the Contractual Arrangement Entities through equity pledge arrangements.

Based on the above contractual arrangements, management considers that the Group has (i) the power to direct the relevant activities of the Contractual Arrangement Entities; (ii) exposure or rights to variable returns from its involvement with these entities; and (iii) the ability to use its power to affect those returns. Accordingly, the Group considers that it has control over the Contractual Arrangement Entities for accounting purposes and therefore consolidates their financial position and results of operations in the consolidated financial statements.

Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with control over the Contractual Arrangement Entities. In addition, the contractual arrangements are governed by PRC laws and are subject to uncertainties in the interpretation and enforcement of PRC laws and regulations. If the Group is unable to enforce the contractual arrangements, or if such arrangements are determined to be unenforceable, the Group may not be able to continue to consolidate the Contractual Arrangement Entities in the consolidated financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Going concern consideration

The Group incurred a loss of RMB5,969,350,000 for the year ended 31 December 2025 and the Group's current liabilities exceeded its current assets by RMB40,379,656,000 as at 31 December 2025. The Group's current liabilities amounted to RMB42,249,098,000, of which RMB23,562,894,000 represented interest-bearing bank and other borrowings as at 31 December 2025, while its cash and cash equivalents amounted to RMB56,145,000 as at 31 December 2025. As at 31 December 2025, the Group's interest-bearing bank and other borrowings, including bonds, bank loans, and other borrowings, amounted to RMB23,569,167,000 in total, with the majority of them being in default or cross-default. Certain banks and other financial institutions had initiated legal actions against the Group on the overdue balances. In connection with certain legal proceedings relating to such overdue balances, the Group had received property preservation orders restricting the disposal of certain assets as at 31 December 2025 and the withdrawal of the restricted bank deposits during the year. In addition, a number of civil claims or lawsuits have been filed by civil litigants against the Group as at 31 December 2025. Furthermore, the suspension of supply of goods from certain major suppliers has significantly affected the Group's operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group is taking steps and measures to mitigate its liquidity pressure and improve its financial position. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which are subject to multiple uncertainties, which are set out as follows:

1. Restructuring of bank and other borrowings

The Group has been actively negotiating with relevant banks and other creditors in respect of changes to borrowing terms, extension of repayment schedules and other restructuring arrangements, with a view to alleviating short-term liquidity pressure. With the coordination of relevant local authorities, the Group is seeking to obtain consents from certain banks for, among other things, (i) the renewal or extension of repayment due dates for existing secured bank borrowings; (ii) the implementation of debt-to-equity swap arrangements in respect of certain unsecured bank borrowings; and (iii) the provision of additional collateral over certain assets or properties of the Group in order to obtain additional funding or banking facilities to support working capital needs.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern consideration (Continued)

2. Restructuring of trade and other payables

The Group has been actively negotiating with suppliers, service providers and landlord for the settlement of overdue balances, including possible debt capitalisation and other restructuring arrangements.

3. Restructuring of convertible bonds

The Group has been actively negotiating with the convertible bond holders in respect of the repayment and restructuring of the overdue aggregate principal amount of US$273,742,000 (equivalent to approximately RMB1,924,076,000), together with accrued and penalty interest, through various options, including extension of repayment terms, conversion of part of the outstanding amounts into shares of the Company and settlement through transfer of certain assets.

On 31 March 2025, the Group entered into an agreement with JD.com ("JD") in relation to the settlement of the remaining outstanding bond principal and interest by way of (i) asset transfer and (ii) share issuance. As at the date of this report, the relevant transaction plan was approved at the special general meeting held on 17 July 2025, and the parties were progressing with the transfer of the relevant assets.

In addition, the Company has provided Pinduoduo, being the holder of US$200 million outstanding convertible bonds, with a list of assets available for possible settlement arrangements. Pinduoduo was evaluating such assets and conducting due diligence, and discussions on a possible debt resolution plan were ongoing as at the date of this report.

4. Sale of properties

The Group has been actively seeking to dispose of certain investment properties in order to improve its liquidity position.

5. Other fund-raising

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

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern consideration (Continued)

Based on the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the approval date of the consolidated financial statements, and accordingly are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, since the execution of the above plans and measures by the Group is in progress and related written contractual agreements are not yet finalised as at the date of approval for issuance of the consolidated financial statements, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as mentioned above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the following: (i) successfully converting the debts from certain suppliers, service providers, landlords, banks and convertible bond holders or other creditors into shares of the Company; (ii) successfully negotiating with convertible bond holders for restructuring the convertible bonds; (iii) successfully renewing and extending the repayment due date of existing secured bank borrowings upon maturity; (iv) successfully negotiating with lenders for revising the loan covenants and not demanding immediate repayment of existing loan payables as mentioned above due to the breach of loan covenants; (v) successfully selling the Group's properties at intended prices; and (vi) successfully achieving other fund-raising.

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

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2025. 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. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting rights 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 arrangements 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. BASIS OF PREPARATION (CONTINUED)

2.3 Application of new and amendments to IFRS accounting standards

Amendments to an IFRS Accounting Standard that are mandatory effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to IFRS Accounting Standards issued by the IASB which are effective for the Group's financial year beginning 1 January 2025:

Amendments to IAS 21	Lack of Exchangeability

The application of the above new and amendments to IFRS Accounting Standards 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 the consolidated financial statements.

2.4 Issued but not yet effective IFRS Accounting Standards

The Group has not applied the following new and amendments to IFRS Accounting Standards, that have been issued but are not yet effective.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[3]

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual periods beginning on or after 1 January 2027

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company anticipate that that application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Issued but not yet effective IFRS Accounting Standards (Continued)

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments clarify the classification of financial assets with particular characteristics and provide additional guidance on the derecognition of financial liabilities. Furthermore, the amendments introduce additional disclosure requirements for equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features.

Given the Group's ongoing comprehensive debt restructuring plans, including various debt-to-equity swaps, the extension of repayment terms with banks, suppliers, and convertible bondholders, as well as the assessment of expected credit losses (ECL) on highly distressed financial assets, management is currently evaluating the detailed impact of these amendments. The Group expects to adopt the amendments from 1 January 2026. The application of these amendments may result in additional disclosures and potential accounting impacts on the modification, derecognition, and carrying amounts of the Group's restructured financial liabilities and equity instruments.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence, but not control or joint control. 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. Significant influence is generally presumed when the Group holds, directly or indirectly, 20% or more of the voting power of the investee.

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 arrangement. 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.

Investment in associates and joint ventures are accounted for using the equity method. Under the equity method, investments are initially recognised at cost and subsequently adjusted for the Group's share of the post-acquisition results and other comprehensive income of the associate and joint ventures.

The Group's share of the results of associates and joint ventures is recognised in the consolidated statement of profit or loss and its share of other comprehensive income is recognised in other comprehensive income.

Dividends received from associates or joint ventures reduce the carrying amount of the investments.

When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture, including any long-term interests that, in substance, form part of the Group's net investment, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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 share in the associates or joint ventures. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The Group assesses at each reporting date whether there is objective evidence that the investment is impaired. If such evidence exists, the impairment loss is recognised as the difference between the recoverable amount of the investment and its carrying amount.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at its fair value at the acquisition date and represents the aggregate of the fair values of the assets transferred by the Group, the 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.

The Group determines whether a transaction represents the acquisition of a business or a group of assets in accordance with the requirements of IFRS 3.

For each business combination, the Group elects whether to measure the non-controlling interests ("NCI") 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 NCI are measured at fair value. Acquisition-related costs are expensed as incurred.

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.

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 subsequently 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 its 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 NCI 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 aggregate of these amounts 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 a bargain purchase.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than its carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

When part of a CGU to which goodwill has been allocated is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal, based on the relative values of the operation disposed of and the portion of the CGU retained.

Asset acquisition

When the Group acquires assets or a group of assets that do not constitute a business, the transaction is accounted for as an asset acquisition rather than a business combination.

In an asset acquisition, the cost of the assets acquired is measured at the fair value of the consideration transferred, including the fair value of any equity instruments issued by the Group, together with directly attributable transaction costs. Where the fair value of the assets acquired is more clearly evident, the assets are measured at their fair value.

When such transactions are entered into with shareholders or entities under common control, and the consideration transferred does not correspond to the fair value of the assets acquired, the difference is accounted for as an equity contribution from, or a distribution to, shareholders. In such circumstances, the assets acquired are recognised at their fair values.

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 most advantageous market must be accessible by the Group.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Fair value measurement (Continued)

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.

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:

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 at the end of each reporting period.

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period in which the change in circumstances that caused the transfer occurred.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

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 its value in use and its fair value less costs of disposal.

The recoverable amount 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 such cases, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (for example, a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

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 recognised in 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 any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 asset's recoverable amount. However, the carrying amount of the asset cannot be increased above the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of such an impairment loss is recognised in profit or loss in the period in which it arises.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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;

(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.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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, are normally recognised in profit or loss in the period in which they are 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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 construction period. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for its intended use.

When property or right-of-use assets are transferred to investment property due to a change in use supported by observable evidence, the difference between the carrying amount and the fair value of the property at the date of transfer is recognised in other comprehensive income and accumulated in the asset revaluation reserve. The asset revaluation reserve relating to that property is transferred directly to retained earnings upon derecognition of the asset.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets relating to leasehold properties that otherwise meet the definition of 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.

Investment properties are initially measured at cost, including directly attributable transaction costs.

Subsequent to initial recognition, investment properties are measured 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 profit or loss for the period in which they arise.

Any gains or losses on the disposal of an investment property are recognised in profit or loss in the period in which the property is disposed of.

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 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 under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use. Any difference between the carrying amount and the fair value of the property at that date 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 useful lives are amortised over their estimated useful economic lives and are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark and broadcasting licences

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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 classified as investment property. 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. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in profit or loss 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 lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is:

- a lease modification;
- a change in the lease term;
- a change in lease payments (for example, resulting from changes in an index or rate); or
- a change in the assessment of an option to purchase the underlying asset.

Lease liabilities are presented as a separate line item in the consolidated statement of financial position.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Lease modification

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.

The corresponding adjustment is made to the carrying amount of the right-of-use asset.

(d) Short-term leases and leases of low-value assets

The Group applies the recognition exemption to its short-term leases of buildings 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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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 from operating leases is recognised on a straight-line basis over the lease term and is included in “Other income and gains” in the consolidated statement of profit or loss due to its operating nature.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Leases (Continued)

Group as a lessor (Continued)

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.

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 of the lease, the Group recognises a receivable at an amount equal to the net investment in the lease.

Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

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 rather than the underlying asset.

If the head lease is a short-term lease to which the Group applies the recognition exemption, the Group classifies the sublease as an operating lease.

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 ("FVOCI") or fair value through profit or loss ("FVPL").

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, the Group initially measures a financial asset at fair value plus transaction costs, in the case of financial assets not at FVPL.

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 Group's policy for "Revenue recognition" below.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, the asset must give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets with contractual cash flows that do not meet the SPPI criterion are classified and measured at FVPL, irrespective of the business model. Financial assets containing contractual features such as conversion options that expose the holder to equity price risk do not meet the SPPI criterion and are therefore classified and measured at fair value through profit or loss.

The Group's business model for managing financial assets refers to how the Group 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 FVOCI are held within a business model with the objective of both collecting contractual cash flows and selling financial assets. Financial assets which are not held within the aforementioned business models are classified and measured at FVPL.

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 reclassified to the statement of profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to irrevocably classify 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 reclassified 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.

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 has 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 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 classified in its entirety as a financial asset at fair value through profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

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 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. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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 financial instruments and derivatives embedded in hybrid contracts, such as derivatives embedded in convertible bonds.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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 those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

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.

Upon issuance of the 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 at 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 periods. 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.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Convertible bonds (Continued)

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 included in the carrying amount of the liability, while the portion relating to the derivative component is recognised immediately in profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

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 make the sales.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Cash and cash equivalents

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

For the purposes 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 an outflow of resources embodying economic benefits 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 recognised as finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax.

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.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Income tax (Continued)

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 difference 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.

For the purposes of measuring deferred tax for investment properties measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale or settle the carrying amount of its asset and liabilities.

Deferred tax assets and liabilities for temporary differences are recognised between the carrying amounts of right-of-use assets and lease liabilities and their tax bases. For leases where tax deductions are based on cash basis then the temporary differences reverse on the lease term, with the reversal pattern dependent on the lease classification for accounting purposes. Deferred tax balances are measured using enacted or substantively enacted tax rates expected to apply when the differences reverse. Impairments of right-of-use assets for book purposes are reversed for tax purposes.

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 its becomes probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Income tax (Continued)

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 against 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 deferred tax liabilities 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.

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. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods

Revenue from the sale of liquor, electrical appliances, consumer electronic products and other commodities is 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.

(b) Franchise and management service income

Franchise and management service income represents fees charged to franchised stores and business partners for granting rights to use the Group's brand name and for providing ongoing operational, management and support services.

Revenue from franchise and management service income is recognised over time over the relevant service period, as the customer simultaneously receives and consumes the benefits provided by the Group. Progress towards complete satisfaction of the related performance obligation is measured using a time-elapsed method, and revenue from fixed service fees is recognised on a straight-line basis over the contractual service period.

Where the consideration includes variable amounts, such as fees based on a percentage of sales of franchised stores, the related variable consideration is recognised in the period in which the underlying sales occur, in accordance with the terms of the relevant agreements.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(c) Commission income from franchised stores

Commission income from franchised stores represents commission or service fees earned by the Group for facilitating sales arrangements, supply chain support and other related services provided to franchised stores.

The Group assesses whether it acts as a principal or an agent in these arrangements. Where the Group does not control the specified goods or services before they are transferred to the end customer and its role is to arrange for another party to provide those goods or services, the Group acts as an agent. Accordingly, revenue is recognised on a net basis, representing the commission or service fee earned by the Group.

Commission income from franchised stores is recognised over time over the relevant service period as the related services are rendered, in accordance with the contractual terms.

Other income

Rental income is recognised on a straight-line basis over the lease terms.

Income from warehousing services is recognised when the related services have been rendered.

Brand royalty income is recognised in accordance with the substance of the relevant agreements, generally on an accrual basis over the period of the licensing arrangement.

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.

Contract liabilities

A contract liability is recognised when consideration is received or is due from a customer before the Group transfers the related goods or services to the customer. 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).

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.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

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.

The cost of equity-settled transactions is recognised in employee benefit expenses, 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 between the beginning and the 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 in 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 the immediate expensing of the award unless there are also service and/or performance conditions.

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, provided that the original vesting conditions 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.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such contracts may cover the guaranteed principal together with related interest, default interest, liquidated damages, compensation and other costs incurred by the holder in enforcing its rights.

Financial guarantee contracts are initially recognised at fair value. Subsequent to initial recognition, they are measured at the higher of:

(i) the loss allowance determined in accordance with the impairment requirements of HKFRS 9; and

(ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

In measuring the loss allowance in respect of financial guarantee contracts, the Group considers the contractual amount covered by the guarantee, the financial position and repayment status of the underlying debtor, the probability and timing of a claim being made, and the expected recoveries from collateral, mortgaged assets, counter-guarantees and other recourse arrangements, where applicable.

A financial guarantee contract is derecognised when the obligation specified in the contract expires or is discharged or cancelled.

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 obligations 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. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (Continued)

Retirement benefit obligations

For long service payment ("LSP") obligations, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measured on a net basis. The estimated amount of LSP obligation is determined after deducting the negative service cost arising from the accrued benefits (being projected and attributed to periods of service) derived from the Group's MPF contributions that have been vested with employees and would be used to offset the employee's LSP benefits, which are deemed to be contributions from the relevant employees.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for the calculation of capitalisation rates on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 entity's functional currency.

Foreign currency transactions recorded by the entities in the Group are initially recorded at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 determined. 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 the change in fair value of the item (i.e., translation differences on items whose fair value gains or losses are recognised in other comprehensive income or profit or loss are 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 (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the 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. BASIS OF PREPARATION (CONTINUED)

2.5 Material accounting policy information (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 exchange rates approximating the exchange rates prevailing at the dates of the transactions (normally the weighted average exchange rates for the year).

The resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

The judgements in applying the Group's accounting policies and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgement in applying accounting policies

Going concern consideration

The assessment of the going concern assumption requires the directors to make judgement about the future outcome of events or conditions which are inherently uncertain.

The directors have considered the Group's financial position, cash flow forecasts and available financing facilities, and are satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The major events or conditions that may give rise to business risks which could individually or collectively cast significant doubt on the going concern assumption are set out in note 2.1 to the consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

Inventories

The Group has operational procedures are 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.

Provision for ECLs 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 and is subsequently adjusted for forward-looking information. For example, if forecast economic conditions such as gross domestic product growth are expected to deteriorate, historical default rates may be adjusted accordingly. 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 default rates, forecast economic conditions and ECLs involves significant estimation uncertainty. The amount of ECL recognised is sensitive to changes in circumstances and forecast economic conditions.

The information about the ECLs on the Group's trade receivables is disclosed in notes 23 and 41.

Provision for ECLs on other receivables and amounts due from related companies

Expected credit losses on other receivables and amounts due from related companies are estimated based on assumptions regarding the risk of default and expected loss rates of counterparties.

Advances to related parties and advances to suppliers included in other receivables are assessed using lifetime ECL when there has been a significant increase in credit risk since initial recognition.

In assessing whether credit risk has increased significantly, the Group considers both quantitative and qualitative information, including counterparties' historical settlement records, past due status, current economic conditions and forward-looking information available at the reporting date.

The Group also applies judgement in selecting the appropriate ECL model and determining the key assumptions used in the model, including macroeconomic factors, industry risks and changes in counterparties' financial conditions.

Further details are disclosed in notes 24, 25 and 41.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different 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 2025 was RMB3,763,175,000 (2024: RMB4,183,268,000). Further details, including the key assumptions used for fair value measurement, are given in note 14.

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 for the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the expected timing and level of future taxable profits together with future tax planning strategies.

As at 31 December 2025, the Group recognised deferred tax assets of nil (2024: nil) in relation to deductible temporary differences and unused tax losses. Deferred tax assets have not been recognised in respect of certain unused tax losses of RMB24,161 million (2024: RMB22,794 million) as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

The realisation of deferred tax assets is mainly dependent on whether sufficient future taxable profits will be generated in the relevant subsidiaries. If the actual future taxable profits are lower than expected, or if there are changes in estimates and assumptions used in the forecast of future taxable profits, a material reversal or additional recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such changes occur.

Further details are disclosed in note 21 Deferred tax.

4. OPERATING SEGMENT INFORMATION

In accordance with IFRS 8 Operating Segments, the Group operates as a single reportable operating segment. This determination reflects the integrated management of all business activities by the Chief Operating Decision Maker (CODM), who reviews financial performance and allocates resources on a consolidated basis. The Group's operations are homogeneous in nature, with no individual component meeting the quantitative thresholds for separate reporting. Entity-wide disclosures, including revenue by geographical region and type of goods or services, are provided in note 5. Accordingly, no segment information by profit, assets and liabilities is presented.

Geographical information

All (2024: all) revenue of the Group was derived from customers in Mainland China and over 99% (2024: 99%) 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 (2024: nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	**538,055**	473,816
Other income		
Gross rental income from investment property operating leases	**101,414**	111,485
Income from warehousing services	**10,287**	29,372
Income from store display services	**–**	3,531
Income from compensation and fines	**–**	4,792
Investment and financial management income	**–**	1,755
Government grants*	**1,902**	4,461
Commission income from platforms	**–**	2,571
Others	**30,504**	14,448
	144,107	172,415
Gains		
Gains from disposal of subsidiaries (under liquidation and deregistration process)	**–**	278,327
Gains on lease modifications and closing stores	**383**	110,165
Gains on disposal of financial assets at fair value	**942**	–
Gains on disposal of interests in associates	**–**	10,336
Gains on disposal of property and equipment	**323,802**	342,715
Gains on debt restructuring	**–**	141,304
Foreign exchange gain	**15,550**	–
Others	**14,580**	–
	355,257	882,847
	499,364	1,055,262

* 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 at the end of the reporting period.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2025 RMB'000	2024 RMB'000
Types of goods or services		
Sales of liquor	**366,266**	370,154
Sales of electrical appliances and consumer electronic products	**160,557**	100,635
Sales of other commodities	**4**	3,027
Franchise and management service revenue	**3,613**	–
Commission income from franchise store	**7,615**	–
	538,055	473,816
Geographical market		
Mainland China	**538,055**	473,816
Timing of revenue recognition		
Goods transferred at a point in time	**526,827**	473,816
Services transferred over time	**11,228**	–
	538,055	473,816

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:

	2025 RMB'000	2024 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	**72,919**	51,583
Loyalty points programme	**1,481**	1,494
	74,400	53,077

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 liquor

The Group recognises revenue from the sale of liquor through the Group's retail channels on a gross basis, as the Group acts as principal in these transactions and controls the goods before they are transferred to customers. The performance obligation is satisfied at a point in time when control of the goods is transferred to the customer, in accordance with the relevant contractual terms and sales arrangements. Payment is generally due immediately or in advance, depending on the sales arrangements. Certain sales may be subject to return rights in accordance with applicable laws and regulations or contractual arrangements. During FY2025, no material returns were recorded in respect of such sales.

Sale of electrical appliances, consumer electronic products and other commodities

The Group recognises revenue from the sale of electrical appliances, consumer electronic products and other commodities through the Group's retail channels on a gross basis, as the Group acts as principal in these transactions and controls the goods before they are transferred to customers. The performance obligation is satisfied at a point in time when control of the goods is transferred to the customer, in accordance with the relevant contractual terms and sales arrangements. Payment is generally due immediately or in advance, depending on the sales arrangements. Certain contracts provide customers with rights of return or exchange, including free return within 7 days and exchange or repair within 7 to 15 days, which may give rise to variable consideration subject to the constraint on variable consideration.

Franchise and management service income

Franchise and management service income represents fees charged to franchisees for granting rights to operate stores under the Group's brand name and for providing ongoing operational, management and support services. The related performance obligations are generally satisfied over time, and the related revenue is recognised over the relevant service period in accordance with the contractual terms of the underlying agreements.

Commission income from franchised stores

Commission income from franchised stores represents commission income charged in connection with sales arrangements, supply chain support and other related services provided to franchised stores under the relevant cooperation agreements. The Group acts as an agent in these arrangements and, accordingly, the relevant revenue is presented on a net basis. The related performance obligations are generally satisfied over time, and the related commission income is recognised over the relevant service period in accordance with the contractual terms of the underlying agreements.

6. LOSS BEFORE TAX

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

	2025 RMB'000	2024 RMB'000
Cost of inventories sold	511,990	445,953
Provision (reversal of provision) against inventories	1,037	(45,816)
Cost of sales	513,027	400,137
Depreciation of property and equipment	185,977	258,947
Depreciation of right-of-use assets	469,738	716,232
Amortisation of other intangible assets*	–	18,528
Research and development costs	1,315	731
Impairment losses on property and equipment***	157,118	447,539
Impairment loss on other intangible assets***	–	33,774
Impairment losses (reverse of impairment) on financial assets:		
Impairment losses (reverse of impairment) on trade receivables	550	(2,930)
Impairment losses on financial assets included in prepayments, other receivables and other assets	881,225	390,338
Impairment losses on due from related companies	199,777	70,739
(Reverse of impairment) impairment losses on rebates receivables from suppliers	(5,931)	579,285
(Reverse of impairment) impairment losses on receivables from liquidated subsidiaries	(110,310)	305,078
	965,311	1,342,510
Losses from disposal of subsidiaries (under liquidation and deregistration process)***	39,931	–
Lease payments not included in the measurement of lease liabilities	9,909	24,951
Fair value losses on investment properties, net***	599,071	1,158,698
Provision for financial guarantee for bankrupted subsidiaries***	465,610	1,992,170
Provision for litigation expenses***	35,672	68,481
Losses on financial assets at fair value through profit or loss, net***	222,513	446,571
Foreign exchange loss, net***	–	4,938
Auditor's remuneration:		
Audit services	2,480	2,480
Non-audit services	–	800
Staff costs excluding Directors' and chief executive's remuneration:		
Wages, salaries and bonuses	92,079	147,765
Pension scheme contributions**	10,054	18,595
Social welfare and other costs	2,420	5,167
	104,553	171,527

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 2025, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2024: nil).

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

7. FINANCE (COSTS) INCOME

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

	2025 RMB'000	2024 RMB'000
Finance costs:		
Interest on bonds payable	**(120,816)**	(172,038)
Interest on bank and other borrowings	**(11,795)**	(112,751)
Penalty interest on bank and other borrowings	**(1,679,430)**	(1,704,459)
Interest on lease liabilities	**(1,074)**	(4,016)
	(1,813,115)	(1,993,264)

	2025 RMB'000	2024 RMB'000
Finance income:		
Bank interest income	**953**	4,906
Interest income from loans to third parties	**3,572**	5,372
	4,525	10,278

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 (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:

	2025 RMB'000	2024 RMB'000
Fees	**2,374**	2,341
Other emoluments:		
Salaries, allowances and other expenses	**2,142**	3,338
Pension scheme contributions	**169**	121
	4,685	5,800

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

(a) Directors and the chief executive

2025	Fees RMB'000	Salaries, allowances and other expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Zou Xiao Chun	366	–	11	377
Mr. Ding Jiang Ning	366	1,021	79	1,466
Ms. Wei Ting	366	1,121	79	1,566
	1,098	2,142	169	3,409
Non-executive director:				
Mr. Zhang Da Zhong (note i)	178	–	–	178
	178	–	–	178
Independent non-executive directors:				
Mr. Wang Gao	366	–	–	366
Mr. Lui Wai Ming	366	–	–	366
Mr. Liu Yin Hong	366	–	–	366
	1,098	–	–	1,098
	2,374	2,142	169	4,685

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

(a) Directors and the chief executive (Continued)

2024	Fees RMB'000	Salaries, allowances and other expenses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Mr. Zou Xiao Chun	365	–	–	365
Mr. Ding Jiang Ning (note ii)	124	1,021	66	1,211
Ms. Wei Ting (note iii)	124	1,117	55	1,296
Mr. Song Lin Lin (note iv)	134	1,200	–	1,334
	747	3,338	121	4,206
Non-executive directors:				
Mr. Zhang Da Zhong	365	–	–	365
Ms. Dong Xiao Hong (note v)	134	–	–	134
	499	–	–	499
Independent non-executive directors:				
Mr. Wang Gao	365	–	–	365
Mr. Lui Wai Ming	365	–	–	365
Mr. Liu Yin Hong (note vi)	365	–	–	365
	1,095	–	–	1,095
	2,341	3,338	121	5,800

Notes:

(i) Mr. Zhang Da Zhong retired as chairman and non-executive director in June 2025.

(ii) Mr. Ding Jiang Ning was appointed as executive director in August 2024.

(iii) Ms. Wei Ting was appointed as executive director in August 2024.

(iv) Mr. Song Lin Lin was resigned as executive director in May 2024.

(v) Ms. Dong Xiao Hong resigned as non-executive director in May 2024.

(vi) Mr. Liu Yin Hong was appointed as independent non-executive director in January 2024.

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

(a) Directors and the chief executive (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable. The independent non-executive directors' emoluments shown above were for their services as directors of the Company. The chief executive's emoluments shown above was for the service in connection with the management of the affairs of the Company and the Group.

(b) Five highest paid individuals

During the years ended 31 December 2025 and 2024, of the five individuals with the highest emoluments in the Group, two (2024: three) were the executive directors of the Company, whose remuneration was set out above. The emoluments of the remaining three (2024: two) individuals were as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and other expenses	**4,242**	3,142
Pension scheme contributions	**132**	132
	4,374	3,274

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

	2025	2024
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	3	2

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 2025 (2024: 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 2025 and 2024.

The Group's contributions to pension schemes for the year ended 31 December 2025 amounted to RMB10,223,000 (2024: RMB18,716,000).

10. INCOME TAX (CHARGE) CREDIT

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% (2024: 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% (2024: 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.

	2025 **RMB'000**	2024 RMB'000
Current tax charge for the year	**(56,326)**	(43,658)
Deferred tax credit for the year (note 21)	**40,565**	170,117
Total tax (charge) credit for the year	**(15,761)**	126,459

10. INCOME TAX (CHARGE) CREDIT (Continued)

The income tax (charge) credit for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss as follows:

The statutory tax rate of 25% (2024: 25%) represents the PRC enterprise income tax rate applicable to the majority of the Group's operations. The effect of different tax rates applicable to subsidiaries operating in other jurisdictions, including Hong Kong, is reflected in the reconciliation below.

	2025 **RMB'000**	2024 RMB'000
Loss before tax	**(5,953,589)**	(11,830,055)
Income tax at the statutory tax rate	**1,345,438**	2,591,929
Tax effect of preferential tax rates and tax exemption	**1,730**	140
Tax effect of expenses not deductible for tax purposes	**(660)**	(2,458)
Tax losses utilised from prior years	**22,963**	16,026
Tax losses not recognised	**(1,385,232)**	(2,479,178)
Income tax (charge) credit	**(15,761)**	126,459

The share of tax credit attributable to associates amounting to RMB4,461,000 (2024: RMB5,468,000) 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 2026, the board did not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

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 47,310,080,000 (2024: 47,258,062,000) in issue during the year, excluding treasury shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2025 and 2024 in respect of the impact of convertible bonds outstanding and awarded shares granted as these potential ordinary shares 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:

	2025 **RMB'000**	2024 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(5,943,736)**	(11,629,391)

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	2025	2024
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**47,310,080**	47,258,062

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	Total RMB'000
At 1 January 2025						
Cost	7,591,256	692,385	1,608,134	252,990	78,038	10,222,803
Accumulated depreciation and impairment	(4,004,909)	(680,767)	(1,560,751)	(114,675)	–	(6,361,102)
Net carrying amount	3,586,347	11,618	47,383	138,315	78,038	3,861,701
At 1 January 2025	3,586,347	11,618	47,383	138,315	78,038	3,861,701
Additions	–	2,129	206	–	–	2,335
Disposals/written off	(812,847)	(2,479)	(1,657)	(2,214)	(163)	(819,360)
Impairment	(157,118)	–	–	–	–	(157,118)
Depreciation provided during the year	(102,900)	(5,747)	(6,294)	(71,036)	–	(185,977)
Transfers to investment properties	(212,990)	–	–	–	–	(212,990)
At 31 December 2025, net of accumulated depreciation and impairment	2,300,492	5,521	39,638	65,065	77,875	2,488,591
At 31 December 2025						
Cost	6,565,419	692,035	1,606,683	250,776	77,875	9,192,788
Accumulated depreciation and impairment	(4,264,927)	(686,514)	(1,567,045)	(185,711)	–	(6,704,197)
Net carrying amount	2,300,492	5,521	39,638	65,065	77,875	2,488,591

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 2024							
Cost	8,202,033	2,645,556	1,614,915	255,188	81,101	340,138	13,138,931
Accumulated depreciation and impairment	(3,814,798)	(2,609,561)	(1,486,790)	(115,890)	–	(340,138)	(8,367,177)
Net carrying amount	4,387,235	35,995	128,125	139,298	81,101	–	4,771,754
At 1 January 2024	4,387,235	35,995	128,125	139,298	81,101	–	4,771,754
Additions	25,942	13,212	241	–	75,731	–	115,126
Disposals/written off	(104,805)	(8,941)	(19,013)	(130)	(65,881)	–	(198,770)
Impairment	(447,539)	–	–	–	–	–	(447,539)
Depreciation provided during the year	(167,476)	(28,648)	(61,970)	(853)	–	–	(258,947)
Transfers to investment properties	(119,923)	–	–	–	–	–	(119,923)
Transfers from construction in progress to buildings	12,913	–	–	–	(12,913)	–	–
At 31 December 2024, net of accumulated depreciation and impairment	3,586,347	11,618	47,383	138,315	78,038	–	3,861,701
At 31 December 2024							
Cost	7,591,256	692,385	1,608,134	252,990	78,038	–	10,222,803
Accumulated depreciation and impairment	(4,004,909)	(680,767)	(1,560,751)	(114,675)	–	–	(6,361,102)
Net carrying amount	3,586,347	11,618	47,383	138,315	78,038	–	3,861,701

Certain of the buildings in Mainland China with the aggregate net carrying amounts of RMB33,469,000 (2024: RMB168,666,000) and RMB1,886,656,000 (2024: RMB3,049,670,000) were pledged as security for trade payables (note 27) and interest-bearing bank and other borrowings (note 29) of the Group as at 31 December 2025, respectively.

Apart from the pledged of certain of buildings above mentioned, as at 31 December 2025, certain buildings of the Group located in Mainland China with an aggregate carrying amount of RMB137,258,000 (2024: RMB199,092,000) have been seized by the courts.

During the year ended 31 December 2025, an impairment of RMB157,118,000 (2024: RMB447,539,000) was recognised for certain buildings following the reassessment of their recoverable amounts at the reporting date.

Based on management's assessment of the latest available status of the relevant court proceedings, the Group continues to retain control over the buildings and no disposal has been completed. Therefore, such buildings continue to be recognised as property and equipment of the Group as at 31 December 2025.

13. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2025 and 2024, the recoverable amounts of all buildings were determined based on its fair value less costs of disposal, which has been determined using the valuations performed by the independent external valuers. The independent qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's buildings and have recent experience in the locations and types of buildings valued. The fair value measurements hierarchy of the buildings are categorised as Level 3.

Set out below was a summary of the valuation techniques used and the key inputs to the valuation of the buildings:

	Usage	Valuation technique	Significant unobservable inputs	Range or weighted average 2025
Buildings located in Mainland China	Office premises	Direct comparison approach	Adjusted market unit rate (RMB per square metre), location, gross floor area, floor level, age, physical condition, accessibility, supporting facilities and marketability	3,789 - 9,246
Buildings located in Mainland China	Warehouse premises	Direct comparison approach	Adjusted market unit rate (RMB per square metre), location, gross floor area, floor level, age, physical condition, accessibility, supporting facilities and marketability	1,348 - 4,315

	Usage	Valuation technique	Significant unobservable inputs	Range or weighted average 2024
Buildings located in Mainland China	Office premises	Direct comparison approach	Adjusted market unit rate (RMB per square metre), location, gross floor area, floor level, age, physical condition, accessibility, supporting facilities and marketability	4,082 – 15,034
Buildings located in Mainland China	Warehouse premises	Direct comparison approach	Adjusted market unit rate (RMB per square metre), location, gross floor area, floor level, age, physical condition, accessibility, supporting facilities and marketability	1,665 – 4,728

The above ranges represent the ranges of adjusted market unit rates adopted in valuing the Group's buildings for the respective years.

Included in the above buildings were certain buildings seized by the courts as at 31 December 2025 and 2024. Such buildings were included in the valuation scope and were valued by the independent external valuers using the direct comparison approach with reference to comparable market transactions of similar properties. In performing the valuations, the valuers considered the relevant characteristics and circumstances of the properties in assessing their fair value less costs of disposal.

Under the direct comparison approach, fair value less costs of disposal was estimated by making reference to comparable sale evidence available in the relevant market and adjusting for differences in factors such as location, gross floor area, floor level, age, physical condition, accessibility, supporting facilities and other characteristics of the subject properties. A significant increase or decrease in the adjusted market unit rate would result in a significant increase or decrease in the fair value of the buildings. More favourable or less favourable property characteristics would also result in a higher or lower fair value measurement.

14. INVESTMENT PROPERTIES

	2025 Completed investment properties RMB'000	2025 Investment properties under construction RMB'000	2025 Total RMB'000	2024 Completed investment properties RMB'000	2024 Investment properties under construction RMB'000	2024 Total RMB'000
Carrying amount at 1 January	**4,183,268**	**–**	**4,183,268**	3,246,675	1,581,913	4,828,588
Additions	**–**	**–**	**–**	79,736	2,190	81,926
Transferred from properties under development	**–**	**–**	**–**	688,129	–	688,129
Transfer from investment properties under construction	**–**	**–**	**–**	1,164,537	(1,164,537)	–
Transfer from property and equipment (note 13)	**212,990**	**–**	**212,990**	119,923	–	119,923
Net loss from fair value adjustment	**(599,071)**	**–**	**(599,071)**	(739,132)	(419,566)	(1,158,698)
Disposals	**(34,012)**	**–**	**(34,012)**	(376,600)	–	(376,600)
Carrying amount at 31 December	**3,763,175**	**–**	**3,763,175**	4,183,268	–	4,183,268

The Group's investment properties as at 31 December 2025 amounted to RMB3,763,175,000 (2024: RMB4,183,268,000) and comprise commercial properties in Mainland China that are leased to third parties. Since the Group retains substantially all the risks and rewards incidental to ownership of these properties, such lease arrangements are classified as operating leases. Accordingly, no finance lease receivables are recognised.

The Group's investment properties are stated at fair value, which has been determined with reference to the valuations performed by Northern Asia Asset Appraisal Co., Ltd. (2024: GeLv (Shanghai) Assets Appraisal Co., Ltd), independent firms of professional qualified valuers at RMB3,763,175,000 (2024: RMB4,183,268,000) as at 31 December 2025. The independent qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's investment properties and have recent experience in the locations and types of investment properties valued. The Group's management has discussed with the valuers on the valuation assumptions and valuation results.

Certain of the investment properties of the Group in Mainland China with the aggregate carrying amounts of RMB3,625,485,000 (2024: RMB4,121,288,000) and RMB84,857,000 (2024: RMB53,936,000) were pledged as security for interest-bearing bank loans (note 29) and trade payables (note 27) of the Group as at 31 December 2025, respectively.

Apart from the investment properties pledged as mentioned above, certain investment properties of the Group located in Mainland China with carrying amounts of RMB52,834,000 (2024: RMB8,044,000) have been seized by the courts as at 31 December 2025.

14. INVESTMENT PROPERTIES (CONTINUED)

The details of material investment properties (held outside Hong Kong and under lease terms of 36-40 years) are as follows:

Name	Address	Usage	Fair value 2025 RMB'000	Fair value 2024 RMB'000
GOME Smart City East Tower 國美智慧城東塔	37 Juxin Street, Haizhu District, Guangzhou, PRC 中國廣州市海珠區聚新街37號	Office	**1,372,365**	1,663,624
GOME Smart City West Tower 國美智慧城西塔	33 Juxin Street, Haizhu District, Guangzhou, PRC 中國廣州市海珠區聚新街33號	Office	**1,415,194**	1,573,036
Guangzhou Jinsheng Building 廣州金盛大廈	B1 to B3, 243 Changgangzhong Road, Haizhu District, Guangzhou, PRC 中國廣州市海珠區昌崗中路243號負一至三層	Shop	**94,567**	96,756
Guanqian Store No.1 觀前一店	10 North Bureau, Gusu District, Suzhou, PRC 中國蘇州市姑蘇區北局10號	Shop	**91,273**	94,480
Haowai Shishang Guan 號外時尚館	199 Nanjing Road, Heping District, Tianjin, PRC 中國天津市和平區南京路199號	Shop	**141,777**	163,920
Waiwen Building 外文大廈	1/F and 2/F, 89 West Third Ring North Road, Haidian District, Beijing, PRC 中國北京海淀區西三環北路89號一層及二層	Office	**223,745**	238,456
Zhongguancun Technology and Trade Electronics City 中關村科貿電子城	6/F, 18 Zhongguancun Street, Haidian District, Beijing, PRC 中國北京市海淀區中關村大街18號6層	Office	**113,411**	148,453

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

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

2025	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	–	–	3,763,175	3,763,175

2024	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	–	–	4,183,268	4,183,268

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 (2024: nil).

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 2024	4,792,611	35,977
Additions	81,926	–
Transfer from properties under development	688,129	–
Transfer from owner-occupied properties	119,923	–
Net loss from fair value adjustment recognised in other expenses and losses	(1,158,698)	–
Disposal	(340,623)	(35,977)
Carrying amount at 31 December 2024 and 1 January 2025	4,183,268	–
Transfer from owner-occupied properties	212,990	–
Net loss from fair value adjustment recognised in other expenses and losses	(599,071)	–
Disposal	(34,012)	–
Carrying amount at 31 December 2025	3,763,175	–

14. 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 2025	2024
Commercial properties located in Mainland China	Income approach	Estimated rental value (RMB per square metre and per month)	**30-210**	16 – 330
		Rental growth (per annum)	**0.5%~5%**	1.5% –5%
		Long term vacancy rate	**2%~5%**	2% –5%
		Discount rate	**6%**	6%

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 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 behavior that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

15. GOODWILL

	2025 RMB'000	2024 RMB'000
At 1 January		
Cost	**14,428,651**	14,435,951
Accumulated impairment	**(14,428,651)**	(14,373,743)
Net carrying amount	**–**	62,208
Cost at 1 January, net of accumulated impairment	**–**	62,208
Impairment recognised during the year	**–**	(62,208)
At 31 December	**–**	–
At 31 December		
Cost	**14,428,651**	14,428,651
Accumulated impairment	**(14,428,651)**	(14,428,651)
Net carrying amount	**–**	–

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

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

	2025 RMB'000	2024 RMB'000
Beginning of year		
Cost		
Artway	**6,987,869**	6,987,869
China Paradise	**3,920,393**	3,920,393
Dazhong Appliances	**3,130,136**	3,130,136
Others	**390,253**	397,553
	14,428,651	14,435,951
Accumulated impairment		
Artway	**(6,987,869)**	(6,987,869)
China Paradise	**(3,920,393)**	(3,920,393)
Dazhong Appliances	**(3,130,136)**	(3,130,136)
Others	**(390,253)**	(335,345)
	(14,428,651)	(14,373,743)
Net carrying amount	**–**	62,208
During the year		
Impairment		
Artway	**–**	–
China Paradise	**–**	–
Dazhong Appliances	**–**	–
Others	**–**	(62,208)
	–	(62,208)
End of year		
Cost		
Artway	**6,987,869**	6,987,869
China Paradise	**3,920,393**	3,920,393
Dazhong Appliances	**3,130,136**	3,130,136
Others	**390,253**	390,253
	14,428,651	14,428,651
Accumulated impairment		
Artway	**(6,987,869)**	(6,987,869)
China Paradise	**(3,920,393)**	(3,920,393)
Dazhong Appliances	**(3,130,136)**	(3,130,136)
Others	**(390,253)**	(390,253)
	(14,428,651)	(14,428,651)
Net carrying amount	**–**	–

During the year ended 31 December 2024, the board of directors determined that the remaining goodwill had become fully impaired due to recurring losses and unfavorable changes in market conditions affecting their recoverable amounts. Accordingly, no goodwill remained as at 31 December 2024, 1 January 2025 and 31 December 2025.

16. OTHER INTANGIBLE ASSETS

2025	Trademarks RMB'000	Broadcasting licenses RMB'000	Total RMB'000
At 1 January 2025			
Cost	692,607	60,000	752,607
Accumulated amortisation and impairment	(692,607)	(60,000)	(752,607)
Net carrying amount	–	–	–
Cost at 1 January 2025, net of accumulated amortisation	–	–	–
Amortisation provided during the year	–	–	–
Impairment recognised during the year	–	–	–
At 31 December 2025	–	–	–
At 31 December 2025			
Cost	692,607	60,000	752,607
Accumulated amortisation and impairment	(692,607)	(60,000)	(752,607)
Net carrying amount	–	–	–

2024	Trademarks RMB'000	Broadcasting licenses RMB'000	Total RMB'000
At 1 January 2024			
Cost	692,607	60,000	752,607
Accumulated amortisation and impairment	(640,305)	(60,000)	(700,305)
Net carrying amount	52,302	–	52,302
Cost at 1 January 2024, net of accumulated amortisation	52,302	–	52,302
Amortisation provided during the year	(18,528)	–	(18,528)
Impairment recognised during the year	(33,774)	–	(33,774)
At 31 December 2024	–	–	–
At 31 December 2024			
Cost	692,607	60,000	752,607
Accumulated amortisation and impairment	(692,607)	(60,000)	(752,607)
Net carrying amount	–	–	–

16. 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.

During the year ended 31 December 2024, the board of directors determined that the other intangible assets had become fully impaired due to recurring losses and unfavorable changes in market conditions affecting their recoverable amounts. Therefore, as at 31 December 2024 and 31 December 2025, the amount of other intangible assets was nil.

17. INTEREST IN ASSOCIATES

	NOTE	2025 RMB'000	2024 RMB'000
Share of net assets		**118,574**	135,749
Goodwill on acquisition	*(i)*	**363,202**	363,202
Accumulated impairment		**(438,166)**	(364,821)
Net carrying amount		**43,610**	134,130
Disposal during the year		**–**	94,664
Share of the associates losses for the year		**17,842**	21,874

	2025 RMB'000	2024 RMB'000
Fair value and carrying amount of a listed associate Gome Telecom Equipment Co., Ltd. ("Gome Telecom")	**–**	84,930

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

17. INTEREST IN ASSOCIATES (CONTINUED)

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

Notes:

(i) Goodwill on acquisition mainly represented goodwill airing from the investment in 國美通訊設備股份有限公司 ("Gome Telecom Equipment Co., Ltd." or "Gome Telecom"), a company established in the PRC.

As at 31 December 2025, the Group's investment in Gome Telecom was 28.34% (2024: 28.34%).

(ii) An impairment loss was recognised for Gome Telecom due to its delisting and continued losses. Impairment of other non-listed interest in associates was made based on the net assets value.

The following table illustrates the financial information of Gome Telecom, which is a material interests in associate to the Group.

	2025 RMB'000	2024 RMB'000
Non-current assets	**113,323**	126,975
Current assets	**94,870**	134,516
Total assets	**208,193**	261,491
Non-current liabilities	**29,525**	30,054
Current liabilities	**288,250**	294,588
Total liabilities	**317,775**	324,642
Revenue	**31,504**	39,445
Loss and total comprehensive loss for the year	**(41,412)**	(59,123)
The Group's share	**28.34%**	28.34%

The remaining interests in associates which are not material to the Group, no financial information has been disclosed.

Certain of the interest in associates of the Group of nil (2024: RMB50,430,000) were pledged as security for interest-bearing bank and other borrowings (note 29) of the Group.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Unlisted equity investment	**510**	26,520

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

The above unlisted equity investment represents 19.9% interest of 寧波惠融國際貿易有限公司, which is a company incorporated in the PRC and mainly engages in the wholesale of mobile phones and electronic products in Mainland China.

As at 31 December 2025 and 2024, the fair value of this equity interest was derived by using the market multiples approach and supported by a valuation report prepared by Northern Asia Asset Appraisal Co., Ltd. (2024: GeLv (Shanghai) Assets Appraisal Co., Ltd.), independent professional qualified valuers. The key unobservable inputs included the selected adjusted price-to-sales multiple and the Lack of Marketability Discount (DLOM). Information about the methods and assumptions used in determining fair value is provided in note 40.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2025 RMB'000	2024 RMB'000
Current			
Listed equity investments		**244,819**	243,945
Non-current			
Unlisted equity investments		**709,652**	977,987
Unlisted convertible debt security	*(i)*	**840,835**	811,701
		1,550,487	1,789,688

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.

As at 31 December 2025, the financial assets at fair value through profit or loss of the Group with an aggregate fair value of RMB243,500,000 (2024: RMB241,842,000) (note 29) were frozen by the court due to certain pending lawsuits.

Note:

(i) The above unlisted convertible debt security at 31 December 2025 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 substantial shareholder of the Company of which details are disclosed in announcement dated 26 November 2021.

The convertible bond is in the principal amount of RMB900,000,000 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. As at 31 December 2025 and 2024, the conversion option is still valid.

20. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings for office, hotel and shopping mall, 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 for office, hotel and shopping mall generally have lease terms between 1 and 20 years. Leases of retail stores generally have lease terms between 1 and 3 years. There are several lease contracts that include variable lease payments, which are further discussed below.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Retail stores RMB'000	Total RMB'000
As at 1 January 2024	274,761	11,499,314	148,112	11,922,187
Additions	–	–	49,231	49,231
Depreciation charge	(7,662)	(680,439)	(28,131)	(716,232)
Termination	732	–	(137,784)	(137,052)
Impairment	–	(3,685,484)	–	(3,685,484)
Exchange realignment	–	240,717	–	240,717
As at 31 December 2024 and 1 January 2025	**267,831**	**7,374,108**	**31,428**	**7,673,367**
Depreciation charge	**(6,350)**	**(455,955)**	**(7,433)**	**(469,738)**
Termination	**(55,525)**	**–**	**(13,465)**	**(68,990)**
Impairment	**–**	**(1,094,649)**	**–**	**(1,094,649)**
Exchange realignment	**–**	**(175,286)**	**–**	**(175,286)**
As at 31 December 2025	**205,956**	**5,648,218**	**10,530**	**5,864,704**

Certain of the leasehold land of the Group with a net carrying amount of RMB128,820,000 (2024: RMB188,925,000) were pledged as security for interest-bearing bank and other borrowings (note 29) of the Group as at 31 December 2025.

As at 31 December 2025, certain leasehold land of the Group with carrying amount of RMB77,136,000 (2024: RMB78,906,000) has been seized by the courts.

As at 31 December 2025, certain leased buildings with carrying amounts of RMB5,648,218,000 (2024: RMB7,374,108,000) were leased from the subsidiaries owned by Mr. Wong Kwong Yu, the substantial shareholder of the Company.

20. LEASES (CONTINUED)

The Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

During the year ended 31 December 2025, the Group recorded impairment loss on right-of-use assets of RMB1,094,649,000 (2024: RMB3,685,484,000). As at 31 December 2025 and 2024, the recoverable amount of each cash-generating unit has been determined based on the higher of fair value less cost of disposal and value in use calculation using cash flow projections prepared based on financial budgets as approved by management and with reference to the valuations performed by Beijing North Asia Assets Assessment Co., Ltd. and GeLv (Shanghai) Assets Appraisal Co., Ltd, independent firm of professional qualified valuer respectively. The independent qualified valuers hold recognised relevant professional qualifications in the jurisdictions in which they valued the Group's right-of-use assets and have recent experience in the locations and types of right-of-use assets valued. The pre-tax discount rates applied to the cash flow projections was 7% (2024: 7%). The growth rate used to extrapolate the cash flows of the cash generating units is 1.5% (2024: 1.6%).

The sensitive tests using a lower revenue growth rate by deducting 5% indicate that the impairment loss of the Group would have been increased by RMB31,393,000.

The sensitive tests using a higher discount rate of plus 5% that the impairment loss of the Group would have been increased by RMB133,379,000.

(b) Lease liabilities

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

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	**32,069**	330,703
New leases	**–**	49,231
Accretion of interest recognised during the year	**1,074**	4,016
Modifications and terminations	**(13,850)**	(247,948)
Transfer to other payables	**–**	(103,483)
Payments	**(8,233)**	(450)
Carrying amount at 31 December	**11,060**	32,069
Analysed into:		
Current portion	**7,690**	21,009
Non-current portion	**3,370**	11,060

The maturity analysis of lease liabilities is disclosed in note 41.

20. LEASES (CONTINUED)

The Group as a lessee (Continued)

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

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	**1,074**	4,016
Depreciation of right-of-use assets	**469,738**	716,232
Gains on lease modifications and closing stores	**(383)**	(110,165)
Impairment loss on right-of-use assets	**1,094,649**	3,685,484
Expense relating to short term lease	**9,909**	24,951
The amount recognised in profit or loss	**1,574,987**	4,320,518

(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:

2025	**Fixed payments RMB'000**	**Variable payments RMB'000**	**Total RMB'000**
Fixed rent	**8,233**	**–**	**8,233**

2024	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	450	–	450

(e) The total cash outflow for leases is disclosed in note 36(c).

20. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of commercial properties and an industrial property 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 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.

Rental income recognised by the Group during the year was RMB101,414,000 (2024: RMB111,485,000), details of which are included in note 5.

At 31 December 2025, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	**65,334**	73,780
After one year but within two years	**57,227**	67,935
After two years but within three years	**46,244**	60,107
After three years but within four years	**44,240**	50,521
After four years but within five years	**38,786**	46,407
After five years	**75,593**	134,861
	327,424	433,611

21. DEFERRED TAX

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

	2025 RMB'000	2024 RMB'000
Deferred tax liabilities	**(327,139)**	(367,703)

21. 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 2024	(344,120)	19,509	(9,263)	(97,820)	(106,202)	(81)	8,834	(19,231)	(548,374)
Credited to other comprehensive income	16,035	–	–	–	(5,562)	81	–	–	10,554
Credited (charged) to profit or loss	72,146	(19,509)	9,263	97,820	–	–	(8,834)	19,231	170,117
At 31 December 2024 and 1 January 2025	**(255,939)**	**–**	**–**	**–**	**(111,764)**	**–**	**–**	**–**	**(367,703)**
Credited to other comprehensive income	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**
Credited (charged) to profit or loss	**40,565**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**40,565**
At 31 December 2025	**(215,375)**	**–**	**–**	**–**	**(111,764)**	**–**	**–**	**–**	**(327,139)**

The Group has not recognised deferred tax assets in respect of tax losses arising in Hong Kong of RMB2,983 million (2024: RMB2,715 million), that are available indefinitely, and in the PRC of RMB21,178 million (2024: RMB20,079 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.

22. INVENTORIES

	2025 RMB'000	2024 RMB'000
Electrical appliances and consumer electronic products	**38,150**	76,527
General merchandise and others	**24,195**	43,244
	62,345	119,771

The above balances are stated net of allowance for write-down of inventories to net realisable value of RMB620,183,000 as at 31 December 2025 (2024: RMB619,146,000).

Inventories are stated at the lower of cost and net realisable value. Management assessed the net realisable value of inventories as at 31 December 2025 by reference to estimated selling prices in the ordinary course of business less the estimated costs necessary to make the sale, taking into account the ageing of inventories and subsequent sales, where applicable. Based on such assessment, no further material write-down of inventories was considered necessary as at 31 December 2025.

As at 31 December 2025, none of the Group's inventories were pledged, seized or otherwise subject to any material restrictions.

23. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	**86,107**	166,127
Impairment	**(75,302)**	(74,752)
	10,805	91,375

All of the Group's sales are on a cash basis except for certain 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:

	2025 RMB'000	2024 RMB'000
Within 3 months	**7,327**	58,483
3 to 6 months	**2,155**	31,416
Over 6 months	**1,323**	1,476
	10,805	91,375

23. TRADE RECEIVABLES (CONTINUED)

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

	2025 RMB'000	2024 RMB'000
At beginning of year	74,752	77,682
Impairment losses (reversal of impairment) recognised during the year	550	(2,930)
At end of year	75,302	74,752

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:

		Past due			
2025	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	16%	16%	20%	100%	38%
Gross carrying amount (RMB'000)	8,722	2,566	1,654	73,165	86,107
Expected credit losses (RMB'000)	1,395	411	331	73,165	75,302

		Past due			
2024	Current	Less than 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	3.04%	3.07%	43.82%	100%	37.48%
Gross carrying amount (RMB'000)	60,319	32,409	2,627	70,772	166,127
Expected credit losses (RMB'000)	1,836	993	1,151	70,772	74,752

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Current		
Advances to suppliers	30,205	66,003
Prepayment and deposits	100,549	64,480
Other receivables	1,756,670	1,970,781
Other receivable from Ningbo Ruimao International Trading Co., Ltd.	501,177	501,177
Other receivable from Zhejiang Dejing Electronics Technology Co., Ltd.	164,520	184,538
Prepaid tax value added tax	459,295	441,648
Others	18,680	25,497
	3,031,096	3,254,124
Impairment allowance	(1,715,748)	(834,523)
	1,315,348	2,419,601
Non-current		
Rental deposits	137,062	148,186

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

2025	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	15,807	818,716	834,523
(Reversal of impairment) impairment losses	(6,439)	887,664	881,225
	9,368	1,706,380	1,715,748

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

2024	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	122,148	322,037	444,185
Impairment losses	(106,341)	496,679	390,338
	15,807	818,716	834,523

25. DUE FROM (TO) RELATED COMPANIES

Due from related companies

	Note	2025 RMB'000	2024 RMB'000
Advances to associates	*(i)*	**3,011**	3,078
Due from Anxun Logistics**	*(ii)*	**110,900**	302,253
Due from other related companies	*(i)*	**26,740**	23,769
		140,651	329,100

Due to related companies

	Note	2025 RMB'000	2024 RMB'000
Due to GOME Ruidong*	*(i)*	**54,176**	54,176
Due to other related companies	*(i)*	**258,842**	253,645
		313,018	307,821

* 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 substantial 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 Kwong Yu, the substantial shareholder of the Company.

Note:

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

(ii) The balance due from Anxun Logistics represented the net carrying amount after deduction of loss allowance under IFRS 9. As at 31 December 2025, lifetime expected credit losses of RMB231,543,000 (2024: RMB39,183,000) had been recognised on the balance. The significant decrease in the net carrying amount was mainly attributable to the increase in loss allowance recognised during the year following the Group's reassessment of recoverability.

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

	2025 RMB'000	2024 RMB'000
Cash and bank balances	**78,276**	108,501
Time deposits	**17,198**	200
	95,474	108,701
Less: Pledged time deposits for bills payable (note 27)	**(6,641)**	–
Restricted cash	**(32,688)**	(59,538)
	(39,329)	(59,538)
Cash and cash equivalents	**56,145**	49,163

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB77,982,000 (2024: RMB95,349,000). 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.

27. TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables - unsecured	**4,190,110**	4,544,975
Trade payables - secured	**338,830**	562,180
Bills payable - secured	**6,641**	–
	4,535,581	5,107,155

27. 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:

	2025 RMB'000	2024 RMB'000
Within 3 months	**33,812**	58,100
3 to 6 months	**18,098**	45,831
6 to 12 months	**38,665**	66,109
Over 12 months	**4,445,006**	4,937,115
	4,535,581	5,107,155

Certain of the Group's trade and bills payables are secured as follows:

(i) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying value at the end of the reporting period of RMB33,469,000 and RMB72,955,000 (2024: RMB168,666,000 and RMB72,955,000) were pledged as collateral and seized by the courts, respectively;

(ii) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of RMB84,857,000 (2024: RMB53,936,000) were pledged as collateral;

(iii) certain right-of-use assets of the Group located in Mainland China with an aggregate net carrying value at the end of the reporting period of RMB77,136,000 (2024: RMB78,906,000) were seized by the courts; and

(iv) certain pledged time deposits of the Group at the end of the reporting period of RMB6,641,000 (2024: nil).

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	2025 RMB'000	2024 RMB'000
Deferred revenue		**27,454**	47,773
Contract liabilities	*(i)*	**351,894**	426,294
Accrued salaries		**711,232**	712,748
Provision for litigation expenses		**510,771**	510,648
Provision for financial guarantee for bankrupted subsidiaries		**2,330,719**	2,097,146
Other payables	*(ii)*	**6,645,402**	5,708,034
Accruals		**2,177,333**	2,234,780
		12,754,805	11,737,423

Notes:

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

(ii) Other payables to subsidiaries that were ruled bankrupt by the court were RMB3,390,063,000 (2024: RMB2,504,167,000).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2025			2024		
	Effective interest rate (%)	Maturity*	RMB'000	Effective interest rate (%)	Maturity*	RMB'000
Current						
Bank loans – secured	4.50-4.55	2026	224,900#	4.55	2025	10,000#
Other loans – unsecured	–	2026	54,285	–	2025	66,618
Bonds payable – unsecured	5.00-7.00	2026	100,594	7.00-7.80	2025	10,922
Bonds payable – unsecured	5.00-8.00	2022-2025	2,524,263#	7.00-8.00	2022-2024	2,454,849#
Bank loans – secured	4.58-18.00	2022-2025	14,457,021#	3.75-18.00	2022-2024	16,447,129#
Bank loans – unsecured	8.85-10.50	2022-2025	44,285#	8.85-10.50	2022-2024	42,209#
Other loans – secured	3.75-18.00	2022-2025	6,147,546#	5.00-18.00	2022-2024	4,046,265#
Bank loans – secured	N/A	N/A	N/A	5.00	2027	10,000#
Other loans – secured	5.00	2027	10,000#	N/A	N/A	N/A
			23,562,894			23,087,992
Non-current						
Bonds payable – unsecured	5.00	2027-2034	6,273	7.00	2026	99,909

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans repayable:*		
Within one year	14,726,206	16,499,338
In the third to fifth years, inclusive	–	10,000
	14,726,206	16,509,338
Other borrowings repayable:*		
Within one year	8,826,688	6,578,654
In the second year	10,349	99,909
In the third to fifth years, inclusive	2,091	–
Beyond five years	3,833	–
	8,842,961	6,678,563

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

\# Mature or default or cross default.

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

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

(a) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of RMB1,886,656,000 and RMB64,302,000 (2024: RMB3,049,670,000 and RMB126,136,000) were pledged as collateral and seized by the courts, respectively;

(b) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of RMB3,625,485,000 and RMB52,834,000 (2024: RMB4,121,288,000 and RMB8,044,000) were pledged as collateral and seized by the courts, respectively;

(c) certain of the Group's right-of-use assets situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of RMB128,820,000 (2024: RMB188,925,000) were pledged as collateral;

(d) certain of the Group's investments in associates of nil (2024: RMB50,430,000) were pledged as collateral; and

(e) certain of the Group's financial assets at fair value through profit or loss with an aggregate fair value of RMB243,500,000 (2024: RMB241,842,000) were frozen by the court.

(ii) Except for the bonds payable denominated in USD with carrying amounts of RMB2,381,806,000 (2024: RMB2,330,444,000), 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 2025, the Group has redeemed, renewed and cancelled certain corporate bonds of RMB349,000, RMB6,621,000 and RMB300,000 (2024: nil, nil and nil) upon its maturity.

30. 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 of the convertible bonds was completed on 28 April 2020. On 9 March 2021, as a result of the placing of existing and the subscription of new shares of the Company and pursuant to the terms of Pinduoduo Subscription Agreement, the conversion price changed to HK$1.20 per share and the maximum number of shares that will be issued upon conversion of the convertible bonds is 1,300,000,000 shares.

30. CONVERTIBLE BONDS (CONTINUED)

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

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

At the issuance date, the liability components, and the above-mentioned conversion options, extension option and redemption options (collectively the "embedded derivatives") of the CBs were measured at fair value. The liability components are presented as interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from the liability components, and presented as derivative financial liabilities at fair value. As at 31 December 2025 and 2024, the fair value of the derivative embedded was nil.

On 27 December 2023, the Group entered into an agreement with JD in relation to the partial settlement of the bonds payable. Pursuant to the agreement, the Group sold 21.6495% of the equity interest in 深圳十分到家服務科技有限公司("Shenzhen Shifen Daojia Service Technology Co., Ltd." or "Shenzhen Shifen Daojia") to the bondholder at a consideration of RMB105,000,000. On 23 January 2024, the equity interest of Shenzhen Shifen Daojia was transferred to the bondholder. In addition, the bondholder has converted total amounts of the bonds equivalent to the amount of RMB145,000,000 into shares of the Company. Based on the adjusted conversion price of HK$1.24, an aggregate of 128,640,000 conversion shares has been issued to the bondholder on 28 May 2024. Gain on settlement of RMB151,640,000 was recognised during the year ended 31 December 2024. Such gain related only to the portion of the JD convertible bonds settled under the above arrangement and did not represent full settlement of all outstanding convertible bonds of the Group.

30. CONVERTIBLE BONDS (CONTINUED)

Following the above partial settlement, as at 31 December 2025, the remaining outstanding balance under the JD convertible bonds, including principal and accrued and penalty interests, remained unpaid. On 31 March 2025, the Group entered into a further settlement arrangement with JD in relation to the remaining outstanding principal amount of the bonds payable and accrued and penalty interests by way of (i) asset transfer; and (ii) share issue. Details of the transaction are set out in the announcement and the circular issued by the Company on 31 March 2025 and 30 June 2025, respectively. The relevant transaction plan was approved at the Company's special general meeting held on 17 July 2025. As at 31 December 2025 and up to the date of this report, the relevant settlement arrangement remained in progress.

Separately, the Pinduoduo convertible bonds were subject to a different debt resolution arrangement and were not part of the above JD settlement. During the year ended 31 December 2024, the Company provided Pinduoduo with a list of assets that may be used for such settlement arrangement, and Pinduoduo is currently evaluating such assets and conducting preliminary due diligence work. The Company has continued its discussions with Pinduoduo with an aim to reach an agreement on the debt resolution plan as soon as practicable.

31. ISSUED CAPITAL

2025	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	**47,891,079**	**1,197,277**	**1,082,460**

2024	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	47,891,079	1,197,277	1,082,460

31. ISSUED CAPITAL (CONTINUED)

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 2024		47,762,439	1,194,061	1,079,531
Issue of shares	*(i)*	128,640	3,216	2,929
At 31 December 2025 and 2024		**47,891,079**	**1,197,277**	**1,082,460**

Notes:

(i) On 28 May 2024, the Company completed the issuance of 128,640,000 conversion shares to a bondholder at HK$1.24 per share for the partial settlement of the bonds held by the bondholder in the principal amount of RMB145,000,000 (note 30).

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

32. 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.

32. SHARE-BASED PAYMENTS (CONTINUED)

Restricted Share Award Scheme (Continued)

The maximum number of shares of the Company which could be granted under the Share Award Scheme was initially set at 2,061,855,670 Shares, representing 9.39% of the issued share capital of the Company at the time of adoption of the Share Award Scheme, which may be refreshed as determined by the Board after having taking into account the results and all relevant circumstances and affairs of the Group.

As at 31 December 2025 and 2024, an accumulated sum of HK$1,289,065,000 (excluding transaction costs) has been used by the Company to acquire 1,506,543,000 ordinary shares of the Company by the Trustee, and 580,999,000 forfeited or unawarded shares were held by the share award scheme trust and would be granted in future. The number of shares that may be issued under the Share Award Scheme divided by the weighted average number of shares in issue as at 31 December 2025 was 1.2% (2024: 1.2%).

Share Option Scheme

The shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") on 14 July 2022. The purpose of the Share Option Scheme is to enable the long-term stable development of the enterprise by motivating and binding directors, core talents and consultants, etc. 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 at the date of adoption of Share Option Scheme. 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.

On 14 July 2022, the Company granted an aggregate of 978,950,000 share options at the exercise price of HK$0.60 per option share, a total of 34,000,000 options and 944,950,000 options were granted to 2 substantial shareholders, an executive director and 767 employees of the Group. The independent non-executive directors of the Company have approved the grant of the above options to the substantial shareholders and director of the Company.

On 14 July 2023, the Company and the grantees have mutually agreed to terminate and cancel the above options granted.

33. TREASURY SHARES

	Number of shares '000	HK$'000	Equivalent to RMB'000
At 1 January 2024, 31 December 2024 and 31 December 2025	580,999	498,816	444,985

34. 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.

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.

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

The Group's subsidiaries, GOME Real Happiness Limited, Meixin Network Technology Co., Ltd. and Liaoning GOME Jiamei Appliances Co., Ltd., have material non-controlling interests. Details are set out below:

	2025	2024
Percentage of equity interest held by non-controlling interests:		
GOME Real Happiness Limited	**40%**	40%
Meixin Network Technology Co., Ltd.	**40%**	40%
Liaoning GOME Jiamei Appliances Co., Ltd.	**40%**	40%

	2025 **RMB'000**	2024 RMB'000
Profit (loss) for the year allocated to non-controlling interests:		
GOME Real Happiness Limited	**3,634**	(73,697)
Meixin Network Technology Co., Ltd.	**1,704**	18,732
Liaoning GOME Jiamei Appliances Co., Ltd.	**(21,400)**	29

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	2025 RMB'000	2024 RMB'000
GOME Real Happiness Limited		
Revenue	–	79,230
Total expense	(37,844)	(57,904)
Total comprehensive income (expenses) for the year	9,085	(184,243)
Total assets	301,718	698,486
Total liabilities	(9,804,125)	(10,110,743)
Meixin Network Technology Co., Ltd.		
Revenue	–	–
Total expense	(310)	(15,526)
Total comprehensive income for the year	4,261	46,831
Total assets	32,075	124,657
Total liabilities	(1,421,010)	(1,617,092)
Liaoning GOME Jiamei Appliances Co., Ltd.		
Revenue	119,193	71,000
Total expense	(22,336)	(15,311)
Total comprehensive (expenses) income for the year	(53,484)	146
Total assets	23,394	51,223
Total liabilities	(77,319)	(51,723)

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2025, the Group entered into modification and cancellation of subleasing agreements and derecognised right-of-use assets and lease liabilities of RMB68,990,000 (2024: RMB137,052,000) and RMB13,850,000 (2024: RMB247,948,000) respectively and transferred lease liabilities of nil (2024: RMB103,483,000) to other payables. The related net gain arising from lease modifications and cancellations recognised in profit or loss during the year amounted to RMB383,000 (2024: RMB110,165,000) (note 5).

(b) Changes in liabilities arising from financing activities

	Liabilities	
2025	**Interest-bearing bank and other borrowings and related interest payable RMB'000**	**Lease liabilities RMB'000 *(note 20)***
At 1 January 2025	**23,187,901**	**32,069**
Changes from financing cash flows	**(15,419)**	**(8,233)**
Foreign exchange movement	**(51,510)**	**–**
Non-cash movements in borrowings*	**(1,363,846)**	**–**
Modifications and terminations of lease liabilities	**–**	**(13,850)**
Interest expense	**1,812,041**	**1,074**
At 31 December 2025	**23,569,167**	**11,060**

	Liabilities	
2024	Interest-bearing bank and other borrowings and related interest payable RMB'000	Lease liabilities RMB'000 *(note 20)*
At 1 January 2024	24,471,694	330,703
Changes from financing cash flows	(1,209,679)	(450)
New leases	–	49,231
Foreign exchange movement	31,542	–
Non-cash movements in borrowings*	(2,094,904)	–
Modifications and terminations of lease liabilities	–	(247,948)
Transfer to other payables	–	(103,483)
Interest expense	1,989,248	4,016
At 31 December 2024	23,187,901	32,069

* Included in non-cash movements in borrowings were various non-cash adjustments to borrowings, including settlement by non-cash assets and bankruptcy-related derecognition.

36. 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:

	2025 RMB'000	2024 RMB'000
Within operating activities	3,401	5,047
Within financing activities	8,233	450
	11,634	5,497

37. COMMITMENTS AND LEGAL PROCEEDINGS

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

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for:		
Property and equipment	478,345	584,286

As at 31 December 2025 and 2024, the Group did not provide any third party guarantee except for the provision for financial guarantee for bankrupted subsidiaries as disclosed in note 28.

As at 31 December 2025, the Group involved in a total of 605 (2024: 772) pending litigation cases, with an aggregate amount in dispute of RMB4.6 billion (2024: RMB5.5 billion), of which RMB3.6 billion (2024: RMB4.1 billion) relates to pending litigation cases involving banks and financial institutions and RMB1.0 billion (2024: RMB1.4 billion) relates to pending litigation cases involving non-banks and financial institutions. There were also 1,672 (2024: 1,374) court-adjudicated cases involving an aggregate amount of RMB17.1 billion (2024: RMB14.6 billion).

The Group's pending litigation cases principally relate to financing disputes, supplier payment disputes and lease disputes arising from the Group's historical operations. Based on the information currently available to the Group, the directors are of the view that, except for the provisions already recognised in these consolidated financial statements, these matters are not expected to have a further material adverse effect on the Group's consolidated financial position.

38. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH INVESTEES

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

	Notes	2025 RMB'000	2024 RMB'000
Transactions with Anxun Logistics:	*(i)*		
Service fee*		–	30
Warehousing service income*		1,492	13,978
Transactions with Meiyunbao:	*(i)*		
Supply of goods or service*		2	–
Transactions with associates:	*(ii)*		
Purchase of goods and rental**		7,611	7,611
Transactions with Tong Tong AI:	*(i)*		
Rental income***		4,290	1,641

(i) These companies represent 通通AI社交集團有限公司 ("Tong Tong AI Social Group Limited" or "Tong Tong AI", formerly GOME Finance Technology Co., Ltd.) and its subsidiaries, 安迅物流有限公司 ("Anxun Logistics Co., Ltd." or "Anxun Logistics") and its subsidiaries and 美雲保(北京)科技服務有限公司 ("Meiyunbao Beijing Tech Service Co., Ltd." or "Meiyunbao"), which are controlled by Mr. Wong Kwong Yu, the substantial shareholder of the Company.

(ii) The balance represented transactions with 國美通訊設備股份有限公司 ("GOME Telecom Equipment Co., Ltd.") and its subsidiaries, which are controlled by Mr. Wong Kwong Yu, the substantial shareholder of the Company.

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

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

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

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

	2025 RMB'000	2024 RMB'000
Fees	2,374	2,341
Other emoluments:		
Salaries, allowances and other expense	5,184	6,378
Pension scheme contributions	301	251
	7,859	8,970

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.

39. 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:

2025 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	–	510	–	510
Financial assets at fair value through profit or loss	–	–	1,795,306	1,795,306
Trade receivables	10,805	–	–	10,805
Financial assets included in prepayments, other receivables and other assets	962,910	–	–	962,910
Due from related companies	140,651	–	–	140,651
Pledged bank deposits and restricted cash	39,329	–	–	39,329
Cash and cash equivalents	56,145	–	–	56,145
	1,209,840	510	1,795,306	3,005,656

2025 Financial liabilities	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	(23,569,167)
Trade and bills payables	(4,535,581)
Lease liabilities	(11,060)
Financial liabilities included in other payables and accruals	(10,198,124)
Due to related companies	(313,018)
	(38,626,950)

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2024 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	–	26,520	–	26,520
Financial assets at fair value through profit or loss	–	–	2,033,633	2,033,633
Trade receivables	91,375	–	–	91,375
Financial assets included in prepayments, other receivables and other assets	2,060,136	–	–	2,060,136
Due from related companies	329,100	–	–	329,100
Pledged bank deposits and restricted cash	59,538	–	–	59,538
Cash and cash equivalents	49,163	–	–	49,163
	2,589,312	26,520	2,033,633	4,649,465

2024 Financial liabilities	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	(23,187,901)
Trade and bills payables	(5,107,155)
Lease liabilities	(32,069)
Financial liabilities included in other payables and accruals	(9,028,576)
Due to related companies	(307,821)
	(37,663,522)

40. 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.

40. 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 2025 and 2024:

	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of fair value to the input
Unlisted debt security	Market approach and Black-Scholes model	Risk-free rate	1.29% (2024: 1.13%)	5% increase (decrease) in risk-free rate would result in decrease (increase) in fair value by nil (2024: RMB1 million).
Other unquoted investments	Market approach and enterprise value allocation model	DLOM*	16%-42% (2024: 20%-45%)	5% increase (decrease) in the DLOM would result in decrease (increase) in fair value by RMB8 million (2024: RMB19 million).
		P/S	0.51-3.29 (2024: 0.60-2.57)	5% increase (decrease) in the P/S would result in increase (decrease) in fair value by RMB14 million (2024: RMB25 million).
		EV/EBIT (Enterprise Value ("EV") over earning before interest and tax ("EBIT"))	21.51 (2024: 38.53)	5% increase (decrease) in the EV/EBIT would result in increase (decrease) in fair value by RMB1 million (2024: RMB3 million).

* The discount for lack of marketability ("DLOM") represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

40. 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:

2025	Total RMB'000	Fair value measurement using 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	**510**	**–**	**–**	**510**
Financial assets at fair value through profit or loss	**1,795,306**	**244,819**	**–**	**1,550,487**
Total	**1,795,816**	**244,819**	**–**	**1,550,997**

2024	Total RMB'000	Fair value measurement using 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	26,520	–	–	26,520
Financial assets at fair value through profit or loss	2,033,633	243,945	–	1,789,688
Total	2,060,153	243,945	–	1,816,208

40. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Fair value hierarchy (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
At 1 January 2024	12,988	2,185,681
Disposal	–	(4,375)
Total losses recognised in the statement of profit or loss	–	(391,618)
Total gains recognised in other comprehensive income	13,532	–
At 31 December 2024 and 1 January 2025	26,520	1,789,688
Disposal	–	(10,924)
Total losses recognised in the statement of profit or loss	–	(228,277)
Total losses recognised in other comprehensive income	(26,010)	–
At 31 December 2025	**510**	**1,550,487**

During the year ended 31 December 2025 and 2024, no financial assets at fair value though profit or loss was transferred from Level 3 to Level 1.

41. 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 payables, other receivables and payables and amounts due from/to related companies, which arise directly from its operations.

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 2025, the Group had bank borrowings of RMB2,236,204,000 with floating interest rates (2024: RMB2,431,149,000).

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).

2025	**Increase (decrease) in basis points**	**Increase (decrease) in loss before tax RMB'000**
If interest rate increase by	**50**	**11,181**
If interest rate decreases by	**(50)**	**(11,181)**

2024	Increase (decrease) in basis points	Increase (decrease) in loss before tax RMB'000
If interest rate increase by	50	12,156
If interest rate decreases by	(50)	(12,156)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

As at 31 December 2025, the Group had cash and bank balance and time deposits of RMB17,492,000 (2024: RMB13,352,000) and bonds payable of RMB2,381,806,000 (2024: RMB2,330,444,000) which were denominated in foreign currencies, mainly in USD, EUR and HKD. At 31 December 2025, the Group had financial assets at fair value through profit or loss of RMB1,319,000 (2024: RMB2,103,000), 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.

2025	**Change in foreign currency rate**	**Increase (decrease) in loss before tax RMB'000**
If RMB weakens against USD	**5%**	**119,075**
If RMB strengthens against USD	**5%**	**(119,075)**
If RMB weakens against EUR	**5%**	**(5)**
If RMB strengthens against EUR	**5%**	**5**
If RMB weakens against HKD	**5%**	**(919)**
If RMB strengthens against HKD	**5%**	**919**

2024	Change in foreign currency rate	Increase (decrease) in loss before tax RMB'000
If RMB weakens against USD	5%	116,476
If RMB strengthens against USD	5%	(116,476)
If RMB weakens against EUR	5%	(5)
If RMB strengthens against EUR	5%	5
If RMB weakens against HKD	5%	(721)
If RMB strengthens against HKD	5%	721

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades on credit only with third parties who have an established trading history with the Group and who have no history of default. It is the Group's policy that new customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, 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.

The amounts presented are gross carrying amounts for financial assets.

2025	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	 Stage 3 RMB'000	 Simplified approach RMB'000	 Total RMB'000
Trade receivables	–	–	–	86,107	86,107
Financial assets included in prepayments, other receivables and other assets	226,144	–	1,758,557	–	1,984,701
Pledged bank deposits and restricted cash	39,329	–	–	–	39,329
Cash and cash equivalents	56,145	–	–	–	56,145
Due from related companies	539,801	–	–	–	539,801
	861,419	–	1,758,557	86,107	2,706,083

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

2024	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	166,127	166,127
Financial assets included in prepayments, other receivables and other assets	1,093,671	996,022	677,030	–	2,766,723
Pledged bank deposits and restricted cash	59,538	–	–	–	59,538
Cash and cash equivalents	49,163	–	–	–	49,163
Due from related companies	329,100	–	–	–	329,100
	1,531,472	996,022	677,030	166,127	3,370,651

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). As at 31 December 2025, the Group had net current liabilities of RMB40,379,656,000, while the majority of its interest-bearing bank and other borrowings were in default or cross-default. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Management has reviewed the Group's working capital and capital expenditure requirements and is actively pursuing the plans and measures set out in note 2.1 to mitigate the Group's liquidity pressure and improve its financial position.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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.

2025	On demand or within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	8,233	3,431	–	11,664
Interest-bearing bank and other borrowings	23,562,042	13,930	4,339	23,580,311
Trade and bills payables	4,535,581	–	–	4,535,581
Financial liabilities included in other payables and accruals	10,198,124	–	–	10,198,124
Due to related companies	313,018	–	–	313,018
	38,616,998	17,361	4,339	38,638,698

2024	On demand or within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	22,605	11,664	–	34,269
Interest-bearing bank and other borrowings	23,075,689	121,181	5,262	23,202,132
Trade and bills payables	5,107,155	–	–	5,107,155
Financial liabilities included in other payables and accruals	9,028,576	–	–	9,028,576
Due to related companies	307,821	–	–	307,821
	37,541,846	132,845	5,262	37,679,953

41. 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 18) and financial assets at fair value through profit or loss (note 19) as at 31 December 2025 and 2024.

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.

2025	**Carrying amount RMB'000**	**Increase in loss before tax RMB'000**	**Decrease in equity RMB'000**
Financial assets at fair value through comprehensive income	**510**	**–**	**51**
Financial assets at fair value through profit loss	**954,471**	**95,447**	**–**

2024	Carrying amount RMB'000	Increase in loss before tax RMB'000	Decrease in equity RMB'000
Financial assets at fair value through comprehensive income	26,520	–	2,652
Financial assets at fair value through profit loss	1,221,932	122,193	–

41. 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 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:

	2025 RMB'000	2024 RMB'000
Trade and bills payables	4,535,581	5,107,155
Other payables and accruals	12,754,805	11,737,423
Due to related companies	313,018	307,821
Lease liabilities	11,060	32,069
Interest-bearing bank and other borrowings	23,569,167	23,187,901
Less: Cash and cash equivalents	(56,145)	(49,163)
Pledged bank deposits and restricted cash	(39,329)	(59,538)
Net debt	41,088,157	40,263,668
Equity attributable to owners of the parent	(22,466,377)	(16,243,392)
Total capital	(22,466,377)	(16,243,392)
Capital and net debt	18,621,780	24,020,276
Gearing ratio	221%	168%

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current assets		
Financial assets at fair value through profit or loss	**1,319**	2,103
Investment in subsidiaries	**85,278**	85,278
Right-of-use assets	**5,648,218**	7,374,108
Total non-current assets	**5,734,815**	7,461,489
Current assets		
Prepayments, other receivables and other assets	**9,892**	8,442
Cash and cash equivalents	**1,464**	1,709
Total current assets	**11,356**	10,151
Current liabilities		
Interest bearing bank and other borrowings	**2,381,806**	2,330,444
Other payables and accruals	**48,847**	49,187
Total current liabilities	**2,430,653**	2,379,631
Net current liabilities	**(2,419,297)**	(2,369,480)
Total assets less current liabilities	**3,315,518**	5,092,009
Non-current liabilities		
Amounts due to subsidiaries	**6,514**	5,782
Total non-current liabilities	**6,514**	5,782
Net assets	**3,309,004**	5,086,227
Equity		
Issued capital	**1,082,460**	1,082,460
Reserves (note)	**2,226,544**	4,003,767
Total equity	**3,309,004**	5,086,227

Zou Xiao Chun
Director

Ding Jiang Ning
Director

42. 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	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	(444,985)	36,100,439	42,849	(830,425)	2,003,452	(29,066,453)	7,804,877
Loss for the year and total comprehensive expense for the year	–	–	–	–	506,596	(4,308,761)	(3,802,165)
Issue of shares	–	1,055	–	–	–	–	1,055
At 31 December 2024 and 1 January 2025	**(444,985)**	**36,101,494**	**42,849**	**(830,425)**	**2,510,048**	**(33,375,214)**	**4,003,767**
Loss for the year and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(101,124)**	**(1,676,099)**	**(1,777,223)**
At 31 December 2025	**(444,985)**	**36,101,494**	**42,849**	**(830,425)**	**2,408,924**	**(35,051,313)**	**2,226,544**

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.

43. EVENTS AFTER THE REPORTING PERIOD

On 23 March 2026, the Company completed the allotment and issue of shares under a specific mandate for debt capitalisation, comprising: (i) 21,618,533,333 shares issued in settlement of RMB290 million due under the debt-to-equity swap arrangement with 上海金鉑鼎企業服務有限公司(Shanghai Jinboding Enterprise Services Co., Ltd.*); and (ii) 3,489,819,180 shares issued in settlement of RMB47 million of overdue other payables under the debt-to-equity swap arrangement with China TaiYue Technology Limited.

Corporate Information

DIRECTORS

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ZOU Xiao Chun
DING Jiang Ning
WEI Ting

Independent Non-executive Directors

WANG Gao
LUI Wai Ming
LIU Yin Hong

COMPANY SECRETARY

CHEUNG Yu Lung Philip

AUTHORISED REPRESENTATIVES

DING Jiang Ning
CHEUNG Yu Lung Philip

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ICBC
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China Everbright Bank

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