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

(Incorporated in Bermuda with limited liability)
(Stock Code: 493)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

2023 FINANCIAL HIGHLIGHTS

- Sales revenue of the Group was RMB647 million during the year ended 31 December 2023 (the "Reporting Period"), as compared with RMB17,444 million for the corresponding period last year
- Gross profit margin was 26.89%, up 16.46 percentage points as compared with 10.43% in the previous year
- Loss attributable to owners of the parent was RMB10,057 million, decreased 49.60% as compared with RMB19,956 million in the previous year
- Basic loss per share was RMB22.3 fen, as compared with RMB58.6 fen in the previous year
- Net cash flows from operating activities achieved during the year was RMB1,113 million, as compared with RMB821 million in the previous year

The board of directors (the "Board") of GOME Retail Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (the "Group" or "GOME") for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2023

	NOTES	**2023** **RMB'000**	2022 RMB'000
Revenue	5	**646,904**	17,444,480
Cost of sales	6	**(472,667)**	(15,625,097)
Gross profit		**174,237**	1,819,383
Other income and gains	5	**600,024**	1,169,345
Selling and distribution expenses		**(1,675,216)**	(4,726,477)
Administrative expenses		**(1,475,539)**	(2,913,233)
Impairment loss on goodwill	11	**(841,156)**	(9,214,521)
Impairment losses on financial assets		**(820,190)**	(574,091)
Impairment loss on right-of-use assets		**(1,542,181)**	(3,958,633)
Impairment loss on interests in associates		**(162,974)**	–
Other expenses and losses		**(1,528,632)**	(263,256)
Share of results of associates		**(38,568)**	(90,279)
Loss before finance income (costs) and tax		**(7,310,195)**	(18,751,762)
Finance costs	7	**(2,816,911)**	(1,703,331)
Finance income	7	**44,504**	169,596
Loss before tax	6	**(10,082,602)**	(20,285,497)
Income tax (charge) credit	8	**(8,422)**	79,194
Loss for the year		**(10,091,024)**	(20,206,303)
Attributable to:			
Owners of the parent		**(10,057,243)**	(19,955,982)
Non-controlling interests		**(33,781)**	(250,321)
		(10,091,024)	(20,206,303)
Loss per share attributable to ordinary equity holders of the parent	10		
Basic		**(RMB22.3 fen)**	(RMB58.6 fen)
Diluted		**(RMB22.3 fen)**	(RMB58.6 fen)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
Loss for the year	**(10,091,024)**	(20,206,303)
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	**(167,492)**	(20,755)
Gains on asset revaluation for change in use from owner-occupied properties to investment properties, net of tax that will not be reclassified to profit or loss in subsequent periods	**5,415**	114,493
Exchange differences on translation of financial statements that may be reclassified to profit or loss in subsequent periods	**(668,260)**	1,982,103
Other comprehensive (expense) income for the year, net of tax	**(830,337)**	2,075,841
Total comprehensive expense for the year	**(10,921,361)**	(18,130,462)
Attributable to:		
Owners of the parent	**(10,887,580)**	(17,880,141)
Non-controlling interests	**(33,781)**	(250,321)
	(10,921,361)	(18,130,462)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	NOTES	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment		**4,771,754**	6,595,271
Investment properties		**4,828,588**	4,674,334
Right-of-use assets		**11,922,187**	15,451,082
Goodwill	*11*	**62,208**	903,364
Other intangible assets		**52,302**	146,195
Interests in associates		**452,031**	700,863
Interest in a joint venture		**–**	3,781
Financial assets at fair value through other comprehensive income		**12,988**	374,730
Financial assets at fair value through profit or loss		**2,185,681**	2,185,786
Deferred tax assets		**11,718**	12,181
Prepayments, other receivables and other assets		**173,534**	136,638
Total non-current assets		**24,472,991**	31,184,225
Current assets			
Inventories		**202,077**	432,639
Properties under development		**688,129**	692,646
Trade receivables	*12*	**129,796**	134,294
Prepayments, other receivables and other assets		**3,123,761**	3,274,560
Due from related companies		**548,265**	577,451
Financial assets at fair value through profit or loss		**303,171**	428,350
Pledged bank deposits and restricted cash		**443,215**	5,690,571
Cash and cash equivalents		**66,247**	169,713
Total current assets		**5,504,661**	11,400,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	NOTES	**2023**	2022
		RMB'000	*RMB'000*
Current liabilities			
Trade and bills payables	*13*	**4,860,606**	5,887,555
Other payables and accruals		**7,694,453**	5,506,294
Due to related companies		**294,393**	866,573
Lease liabilities		**118,318**	1,413,781
Interest-bearing bank and other borrowings	*14*	**24,266,291**	25,894,974
Derivative financial liabilities	*15*	**–**	87
Tax payable		**1,025,233**	1,024,908
Total current liabilities		**38,259,294**	40,594,172
Net current liabilities		**(32,754,633)**	(29,193,948)
Total assets less current liabilities		**(8,281,642)**	1,990,277
Non-current liabilities			
Lease liabilities		**212,385**	933,307
Interest-bearing bank and other borrowings	*14*	**205,403**	–
Deferred tax liabilities		**560,092**	563,664
Total non-current liabilities		**977,880**	1,496,971
Net (liabilities) assets		**(9,259,522)**	493,306
(Deficit) Equity			
(Deficit) Equity attributable to owners of the parent			
Issued capital		**1,079,531**	814,144
Treasury shares		**(444,985)**	(444,985)
Reserves		**(5,590,365)**	4,394,069
		(4,955,819)	4,763,228
Non-controlling interests		**(4,303,703)**	(4,269,922)
Total (deficit) equity		**(9,259,522)**	493,306

Notes:

1. CORPORATE AND GROUP INFORMATION

GOME Retail Holdings Limited is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Victoria Place, 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 operating and managing of retail stores and online sales network for electrical appliances, consumer electronic products and general merchandise in the People's Republic of China (the "PRC") through self-operated and platform models.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, debt securities and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Going concern consideration

The Group incurred a loss of RMB10.1 billion for the year ended 31 December 2023, the Group's current liabilities exceeded its current assets by RMB32.8 billion as at 31 December 2023. The Group's current liabilities amounted to RMB38.3 billion, of which RMB24.3 billion represented interest-bearing bank and other borrowings as at 31 December 2023. Nevertheless, the Group had cash and cash equivalents amounted to RMB66 million as at 31 December 2023. In addition, certain loan payables to financial institutions were overdue. The overdue of these loan payables entitled the lenders the right to demand immediate repayment of the loan payables from the Group. Certain banks have initiated legal actions against the Group on the overdue balances. Under certain legal proceedings in relation to the overdue balances, the Group received assets preservation orders to restrict the disposition of certain assets and the withdrawal of bank deposits during the year. Moreover, the Group involved in a number of pending civil claims or lawsuits filed by the civil litigants as at 31 December 2023. Further, due to the suspension of supply of goods from certain major suppliers, the revenue significantly decreased in the reporting period, which resulted in significant impacts on the Group's operations. These conditions, together with other matters disclosed in the consolidated financial statements, 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.

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) Restructure of bank and other borrowings

The Group has been actively negotiating with relevant banks and related entities for, including but not limited to, change of borrowing terms and extension for repayment terms to reach mutually agreed arrangements. Under the coordination from certain local governments, the Group is committed to obtain the consents from the banks to (i) renew or extend the repayment due date for existing secured bank borrowings; (ii) convert existing unsecured bank borrowings by way of the government-directed debt-to-equity swap to ordinary shares of the Company; and (iii) pledge certain of the Group's assets or properties as collaterals in order to obtain additional funds or banking facilities to support the Group's working capital needs.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern consideration (Continued)

(2) Restructure of trade payables

The Group has been actively negotiating with the suppliers and service providers for settlements of the overdue balances. The Group has obtained the consents from (i) certain major suppliers to re-activate the existing credit limit by setting up joint accounts for the receipt of proceeds from sales of goods; and (ii) certain major suppliers to re-activate the existing credit limit by converting the overdue trade payables to ordinary shares of the Company through debt-to-equity swap. In addition, the Group is negotiating with other suppliers to convert the overdue trade payables to ordinary shares.

(3) Reopen the closed stores and recover seized inventories and settlement of other payables

The Group has been actively negotiating with the landlords and service providers for settlements of the overdue balances in order to reopen the closed stores and recover the seized inventories and re-activate the provision of services to the Group. The Group has obtained the consents from certain landlords and service providers to resume the closed stores and recover the seized inventories and re-activate the existing provision of services by converting the overdue lease liabilities or other payables into ordinary shares of the Company through debt-to-equity swap. In addition, the Group will negotiate with other landlords and service providers to convert the overdue lease liabilities and other payable.

(4) Restructure of convertible bonds and support from the convertible bond holders

The Group and the convertible bond holders are actively negotiating to manage the repayment of overdue aggregated principal amounts of US$300 million (equivalent to RMB2.1 billion) plus accrued and unpaid interests through various options, including but not limited to, extension of repayment terms, swap of certain portion of the outstanding principal amount to shares of the Company and exchange of certain properties.

On 27 December 2023, the Group entered into an agreement with one of the Bondholders in relation to the partial settlement of the bonds payable. Pursuant to the agreement, the Group will sell the 21.6495% of the equity interest of Shenzhen Shifen Daojia Services Technology Co., Ltd. ("SSDST"), a subsidiary of the Group and a limited liability company established in the PRC, to the Bondholder at a consideration of RMB105,000,000. In addition, the Bondholder will convert total amounts of the Bonds payable 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 will be issued to the Bondholder (based on exchange rate at the date of announcement of the Company dated 27 December 2023). On 23 January 2024, the equity interest of SSDST was transferred to the Bondholder.

(5) Sale of properties

The Group is in active negotiations with investors for sale of certain investment properties and properties under development of the Group to enhance its liquidity position.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern consideration (Continued)

(6) Debt capitalisation of amounts due to related companies

In March 2023, the Group capitalised amounts due to related companies in an aggregated amount of RMB804 million. An aggregate of 7,980,539,000 new shares of the Company were issued at the net price per capitalisation share of HK$0.115, represented 16.71% of the issued share capital of the Company as enlarged by the issue of the capitalisation shares. For details please refer to the announcements of the Company dated 8 December 2022, 14 December 2022, 22 December 2022, 30 December 2022, 6 January 2023, 18 January 2023 and 10 March 2023 and 27 March 2023.

(7) 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 are seeking professional advice from financial advisors and consultants in pursuing these fund-raising initiatives in order to best serve the interest of the Group.

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 reporting date, 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 are in progress and related written contractual agreements are not yet finalised as at the date of the 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 followings: (i) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the equity exercises; (ii) the ability of certain suppliers, service providers, landlords, banks and convertible bond holders or other creditors in converting their debt to shares of the Company; (iii) the successful negotiation with convertible bond holders for restructuring the convertible bonds; (iv) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (v) the successful negotiation 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; (vi) the successful negotiation with the major suppliers and service providers for reactivating the existing credit limit and resumption of the supply of goods; (vii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants; and (viii) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity.

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. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income or expense are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income or expense is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS(S)

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

All (2022: all) revenue of the Group was derived from customers in Mainland China and over 99% (2022: 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 (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**646,904**	17,444,480
Other income		
Income from warehousing service	**66,386**	45,407
Income from store display services	**35,757**	118,768
Income from compensation	**361**	7,099
Income from installation	**209**	15,156
Income on extended warranty service	**–**	83,663
Income on the net investment in finance leases	**–**	6,424
Gross rental income from investment property operating leases	**109,730**	109,051
Realised income from wealth management financial products	**2,680**	6,328
Government grants*	**13,265**	59,673
Commission income from providing online platforms	**2,006**	34,455
Others	**61,296**	62,656
	291,690	548,680
Gains		
Gains on disposal of right-of-use assets	**–**	39,920
Gains from disposal of subsidiaries (under liquidation and deregistration process)	**93,337**	–
Gains on disposal of interests in associates	**12,621**	–
Gains on disposal of financial assets at fair value	**32,401**	–
Gains on lease modification and closing stores	**82,957**	193,045
Foreign exchange gain	**–**	97,270
Fair value gains on investment properties	**86,930**	153,160
Fair value gain on derivative financial instruments embedded in the convertible bonds	**88**	137,270
	308,334	620,665
	600,024	1,169,345

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Total revenue from contracts with customers from sale of electrical appliances, consumer electronic products and general merchandise	**646,904**	17,444,480
Geographical market		
Mainland China	**646,904**	17,444,480
Timing of revenue recognition		
Goods transferred at a point in time	**646,904**	17,444,480

6. LOSS BEFORE TAX

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

	2023 *RMB'000*	2022 *RMB'000*
Cost of inventories sold	**510,010**	15,059,891
(Reverse of provision) provision against inventories	**(37,343)**	565,206
Cost of sales	**472,667**	15,625,097
Depreciation of property and equipment	**478,543**	482,753
Depreciation of right-of-use assets	**1,300,382**	2,576,005
Amortisation of other intangible assets*	**41,783**	45,709
Research and development costs	**4,002**	67,636
Impairment losses on property and equipment***	**1,053,414**	513,782
Impairment loss on other intangible assets***	**52,110**	13,315
Impairment losses on goodwill	**841,156**	9,214,521
Impairment losses on right-of-use assets	**1,542,181**	3,958,633
Impairment loss on interests in associates	**162,974**	–
Impairment losses (reverse of impairment) on financial assets:		
Impairment losses (reverse of impairment) on trade receivables	**39,730**	(8,581)
Impairment losses on financial assets included in prepayments, other receivables and other assets	**125,151**	495,385
Impairment losses on due from related companies	**41,347**	87,287
Impairment losses on receivables from suppliers	**366,305**	–
Impairment losses on receivables from liquidated subsidiaries	**247,657**	–
Losses on disposal of property and equipment***	**40,436**	3,425
Lease payments not included in the measurement of lease liabilities	**387,904**	468,624
Fair value gains on investment properties, net***	**(86,930)**	(153,160)
Fair value losses (gains) on financial instruments, net:		
Financial assets at fair value through profit or loss	**17,701**	426,330
Derivative financial instruments embedded in the convertible bonds	**(88)**	(137,270)
Foreign exchange differences, net***	**124,535**	(97,270)
Auditor's remuneration:		
Audit services	**4,000**	5,000
Non-audit services	**1,080**	2,340
Staff costs excluding Directors' and chief executive's remuneration:		
Wages, salaries and bonuses	**535,941**	2,154,566
Pension scheme contributions**	**67,702**	269,814
Social welfare and other costs	**12,179**	39,032
Share based expense	**–**	314,441
	615,822	2,777,853

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 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

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

7. FINANCE (COSTS) INCOME

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

	2023	2022
	RMB'000	*RMB'000*
Finance costs:		
Interest on bonds payable	**(221,739)**	(305,032)
Interest on bank and other borrowings	**(366,156)**	(813,308)
Penalty interest on bank and other borrowings	**(2,155,279)**	(230,446)
Interest on lease liabilities	**(74,199)**	(416,229)
Total interest expense on financial liabilities not at fair value through profit or loss	**(2,817,373)**	(1,765,015)
Less: Interest capitalised	**462**	61,684
	(2,816,911)	(1,703,331)

	2023	2022
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**37,979**	163,071
Interest income from loans to third parties	**6,525**	6,525
	44,504	169,596

8. 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% (2022: 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% (2022: 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.

	2023 ***RMB'000***	2022 *RMB'000*
Current tax (charge) credit for the year	**(403)**	2,102
Deferred tax (charge) credit for the year	**(8,019)**	77,092
Total tax (charge) credit for the year	**(8,422)**	79,194

9. DIVIDENDS

Pursuant to the board of directors' resolution dated 28 March 2024, the board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 45,146,452,000 (2022: 34,080,936,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of convertible bonds outstanding and awarded shares granted had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2023 ***RMB'000***	2022 *RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	**(10,057,243)**	(19,955,982)

	Number of shares	
	2023 ***'000***	2022 *'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**45,146,452**	34,080,936

11. GOODWILL

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

	2023	2022
	RMB'000	*RMB'000*
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	**397,553**	397,553
	14,435,951	14,435,951
Accumulated impairment		
Beginning of year		
Artway	**(6,987,869)**	(2,338,711)
China Paradise	**(3,920,393)**	(1,644,010)
Dazhong Appliances	**(2,288,980)**	–
Others	**(335,345)**	(335,345)
	(13,532,587)	(4,318,066)
Impairment made during the year		
Artway	**–**	(4,649,158)
China Paradise	**–**	(2,276,383)
Dazhong Appliances	**(841,156)**	(2,288,980)
Others	**–**	–
	(841,156)	(9,214,521)
End of year		
Artway	**(6,987,869)**	(6,987,869)
China Paradise	**(3,920,393)**	(3,920,393)
Dazhong Appliances	**(3,130,136)**	(2,288,980)
Others	**(335,345)**	(335,345)
	(14,373,743)	(13,532,587)
Net	**62,208**	903,364

The following table sets out the key assumptions for cash flow projections.

As at 31 December 2023, the recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections prepared based on financial budgets as approved by management which cover a period of five years. The pre-tax discount rates (if applicable) applied to the cash flow projections is 11.55%-12.10% (2022: 13.52% to 16.18%). The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2022: 3%).

12. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**207,478**	172,246
Impairment	**(77,682)**	(37,952)
	129,796	134,294

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**110,016**	83,385
3 to 6 months	**3,804**	33,953
Over 6 months	**15,976**	16,956
	129,796	134,294

13. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**4,860,606**	3,944,828
Bills payable	**–**	1,942,727
	4,860,606	5,887,555

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**819,564**	1,134,518
3 to 6 months	**296,673**	2,514,064
6 to 12 months	**874,306**	2,061,805
Over 12 months	**2,870,063**	177,168
	4,860,606	5,887,555

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

(i) the Group's certain pledged time deposits amounting to Nil (2022: RMB1,189,127,000) and related interest receivables amounting to Nil (2022: RMB67,789,000);

(ii) the Group's buildings which had an aggregate net carrying value at the end of the reporting period of Nil (2022: RMB79,720,000); and

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023 Effective interest rate *(%)*	**2023** Maturity*	**2023** *RMB'000*	2022 Effective interest rate *(%)*	2022 Maturity*	2022 *RMB'000*
Current						
Bank loans – secured	**3.85-6.00**	**2024**	**1,425,784**	0.30-18.00	2023	13,517,382
Bank loans – unsecured	**–**	**–**	**–**	3.85-18.00	2023	109,260
Other loans – secured	**5.00**	**2024**	**58,200**	5.60-8.35	2023	144,853
Other loans – unsecured	**–**	**2024**	**123,064**	N/A	N/A	N/A
Bonds payable – unsecured	**7.80-8.00**	**2022-2023**	**2,502,366**	7.44-7.87	2023	2,283,212
Bank loans – secured	**3.75-18.00**	**2022-2023**	**14,464,384**	3.65-18.00	2022	3,527,431
Bank loans – unsecured	**8.85-10.50**	**2022-2023**	**34,923**	5.90-18.00	2022	3,700,337
Other loans – secured	**3.80-18.00**	**2022-2023**	**3,061,511**	8.35	2022	63,829
Bank loans – secured	**4.00-8.10**	**2025-2042**	**2,543,350**	3.80-5.87	2024-2034	2,538,596
Other loans – secured	**10.00**	**2026**	**52,709**	6.09	2024	10,074
			24,266,291			25,894,974
Non-current						
Bonds payable – unsecured	**7.00-7.80**	**2025-2026**	**205,403**	N/A	N/A	N/A

	2023 *RMB'000*	2022 *RMB'000*
Analysed into:		
Bank loans repayable:*		
Within one year	**15,925,091**	20,854,410
In the second year	**75,000**	46,500
In the third to fifth years, inclusive	**1,611,503**	100,000
Beyond five years	**856,847**	2,392,096
	18,468,441	23,393,006
Other borrowings repayable:*		
Within one year	**5,745,141**	2,491,894
In second year	**5,743**	10,074
In the third to fifth years, inclusive	**252,369**	–
	6,003,253	2,501,968

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

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

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

(a) certain of the Group's buildings situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of RMB3,026,036,000 (2022: RMB3,094,281,000);

(b) certain of the Group's aircraft with a net carrying amount at the end of the reporting period of Nil (2022: RMB34,486,000);

(c) certain of the Group's investment properties situated in Mainland China which had an aggregate fair value at the end of the reporting period of RMB4,792,611,000 (2022: RMB4,608,291,000);

(d) certain of the Group's property under development situated in Mainland China which had an aggregate net carrying amount at the end of the reporting period of RMB688,129,000 (2022: RMB692,646,000);

(e) 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 RMB194,086,000 (2022: RMB197,735,000);

(f) certain of the Group's time deposits amounting to RMB329,720,000 (2022: RMB4,267,465,000) and related interest receivables amounting to RMB9,363,000 (2022: RMB119,343,000), respectively, at the end of the reporting period; and

(g) certain of the Group's investments in associates amounting to RMB125,354,000 (2022: RMB212,148,000);

(h) certain of the Group's inventories amounting to Nil (2022: RMB4,759,000);

(i) certain of the Group's financial assets at fair value through other comprehensive income with an aggregate fair value as of Nil (2022: RMB131,219,000).

(ii) Except for the bank loans and bonds payable denominated in EUR and USD with carrying amounts of Nil (2022: RMB1,123,027,000) and RMB2,392,280,000 (2022: RMB2,055,861,000) respectively, all the Group's bank and other borrowings are denominated in RMB at the end of the reporting period.

(iii) During the year ended 31 December 2023, the Group has redeemed certain corporate bonds of RMB9,241,000 (2022:RMB2,579,503,000) upon its maturity and renewed RMB206,970,000 (2022: Nil).

15. CONVERTIBLE BONDS

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

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

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

At the issuance date, the liability components, and the above-mentioned conversion options, extension option and redemption options (collectively the "embedded derivatives") of the CBs were measured at fair value. The liability components are presented as interest-bearing borrowings on the amortised cost basis until extinguished on conversion or redemption. The embedded derivatives are separated from the liability components, and presented as derivative financial liabilities at fair value. As at 31 December 2023, the fair value of the derivative embedded was Nil (2022: RMB87,000).

On 27 December 2023, the Group entered into an agreement with one of the Bondholders in relation to the partial settlement of the bonds payable. Pursuant to the agreement, the Group will sell the 21.6495% of the equity interest of Shenzhen Shifen Daojia Services Technology Co., Ltd., a subsidiary of the Group and a limited liability company established in the PRC, to the Bondholder at a consideration of RMB105,000,000. In addition, the Bondholder will convert total amounts of the Bonds payable 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 will be issued to the Bondholder (based on exchange rate at the date of Announcement dated 27 December 2023).

16. SUBSEQUENT EVENTS

In February 2024, 2 subsidiaries of the Group received court orders to execute the liquidation process. Related total assets and net liabilities of these two subsidiaries were RMB97 million and RMB23 million, respectively, in aggregate.

On 8 March 2024, the Company announced that the principal amount of the Group's overdue interest bearing bank and other borrowings (including bonds payable) amounted to RMB19.26 billion as at 29 February 2024. The Group was involved in a total of 990 pending lawsuits, amounted to RMB4.54 billion in aggregate as at 29 February 2024 of which the pending cases with banks and financial institutions amounted to RMB2.90 billion. 922 cases with amount of RMB13.00 billion have received judgements. Moreover, the Group's frozen funds amounted to RMB114 million as at 29 February 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the twelve months ended 31 December 2023 (the "Reporting Period"), GOME Retail Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "GOME") continued to adhere to the original mission of "beautiful country, beautiful home, beautiful life", with the purpose of serving the needs of Chinese families for a better life in the new era, focusing on the retail industry and home service industry. At the same time, the Group is committed in dealing with difficulties, actively resolving its debt issues and continuing to promote its strategic focus and transformation.

During the Reporting Period, the global economy was sluggish, geopolitical conflicts escalated, and the external environment continued to be tense. In addition, the domestic economy faced the combined impact of cyclical and structural adjustments, resulting in a slow recovery. Upstream industries such as real estate have not yet come out of the trough, dragging down the demand for home appliance-related industries. Coupled with the continuing troubles of debt issues, the Group's revenue declined during the Reporting Period, and it continued to face the challenges of the crisis. Nevertheless, the management of the Group remained positive, and led all the group colleagues to work together to shoulder its social responsibilities and actively dealt with the debt issues. In addition to effectively divesting businesses and non-core assets with severe losses, the Group also developed innovative business models such as franchising and platform live streaming, to expand our income sources and seek new growth areas.

In 2023, the Group recorded sales revenue of RMB647 million, decreased by 96.29% as compared with RMB17,444 million for the corresponding period last year. The gross profit margin was 26.89%, increased by 16.46 percentage points as compared with 10.43% for the corresponding period last year. The operating expenses (including administrative expenses, selling and distribution expenses) of the Group amounted to RMB3,151 million as compared with RMB7,640 million for the corresponding period last year. Impairment losses on goodwill, financial assets, right-of-use assets and interests in associates of the Group amounted to RMB3,367 million as compared with RMB13,747 million for the corresponding period last year. Other expenses and losses of the Group amounted to RMB1,529 million as compared with RMB263 million for the corresponding period last year. Net finance costs were RMB2,772 million, while the amount was RMB1,534 million in 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 RMB10,057 million, decreased by 49.60% as compared with RMB19,956 million for the corresponding period last year.

In 2023, in addition to stabilising its main business, the Group put more efforts to dispose and realise its non-core assets, actively raised funds and continued to communicate and negotiate with various creditors to promote debt-for-equity swaps to keep debt issues under control and gradually resolve them. At the business level, in order to implement its strategies and streamline its business, the Group has focused on its main business of retailing of home appliances and consumer electronics products by using a vertical model. In addition, the Group put more efforts and resources into areas such as short videos, live streaming and establishing stores with local lifestyle services. In order to push forward the transformation of live streaming business, we quickly established a new media account matrix for the foreign domain platform and carried out in-depth cooperation with Multi-channel Network (MCN) companies and online celebrities to further enhance the product quality and expand its influence among users and communities, and accelerate the development of asset-light models such as franchising, so to attract more consumers and merchants to participate in the online and offline of GOME's sales chain. Our objective is to develop an online vertical e-commerce and live streaming platform catering to the needs of young consumers and an offline local lifestyle service center full of local characteristics.

FINANCIAL REVIEW

Revenue

During the Reporting Period, as a result of the working capital deficiency and reduced scale of retail network, sales revenue decreased by 96.29% to RMB647 million during the Reporting Period, as compared with RMB17,444 million for the corresponding period last year.

Cost of sales and gross profit

During the Reporting Period, cost of sales for the Group was RMB473 million, accounting for 73.11% of the total sales revenue, as compared with 89.57% for the corresponding period in 2022. The Group's gross profit was RMB174 million, decreased by 90.43% as compared with RMB1,819 million for the corresponding period last year. Gross profit margin was 26.89%, increased by 16.46 percentage points as compared with 10.43% for the corresponding period last year. The increase 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 RMB600 million, representing a decrease of 48.67% as compared with RMB1,169 million for the corresponding period in 2022, mainly due to, among others, the decrease in gains on lease modifications, fair value gains on investment properties and financial instruments, income from store display services and exchange gain, offset by increase in gains from disposal of subsidiaries and disposal of right-of-use assets during the Reporting Period.

Selling and distribution expenses

During the Reporting Period, the Group's total selling and distribution expenses amounted to RMB1,675 million, decreased by 64.56% as compared with RMB4,726 million for the corresponding period last year. The decrease in selling and distribution expenses was mainly due to rental expenses decreased from RMB554 million for the corresponding period last year to RMB353 million; salaries decreased from RMB1,474 million for the corresponding period last year to RMB366 million; advertising and promotion expenses decreased from RMB152 million for the corresponding period last year to RMB17 million; depreciation decreased from RMB1,749 million for the corresponding period last year to RMB837 million; delivery expenses decreased from RMB243 million for the corresponding period last year to RMB6 million; utility charges decreased from RMB268 million for the corresponding period last year to RMB45 million.

Administrative expenses

During the Reporting Period, administrative expenses of the Group were RMB1,476 million, decreased by 49.33% as compared with RMB2,913 million for the corresponding period last year. Among which, staff expenses decreased from RMB1,371 million for the corresponding period last year to RMB258 million, mainly as a result of the share options granted to certain employees in the previous year and decreased in head count during the Reporting Period; depreciation decreased from RMB1,069 million for the corresponding period last year to RMB902 million.

Impairment loss on goodwill

During the Reporting Period, the Group recorded impairment loss on goodwill of RMB841 million as compared with RMB9,215 million for the same period last year. The significant decrease was due to substantial portion of goodwill was impaired in previous year.

Sales revenue of the Group significantly dropped when compared with last year. The Group optimised the stores networks of Artway, China Paradise and Dazhong Appliances and closed underperformed stores in 2023. Upon the completion of various optimisation works, the management made corresponding adjustments to the future outlook based on the whole year performance of Artway, China Paradise and Dazhong Appliances, and performed impairment testing according to the requirement of IAS 36 with the recoverable amounts lower than the carrying amounts. The Group has engaged independent external valuers to prepare the valuation reports for the Artway, China Paradise and Dazhong Appliances.

As at 31 December 2023, the recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections prepared based on financial budgets as approved by management which cover a period of five years. The pre-tax discount rates (if applicable) applied to the cash flow projections is 11.55%-12.10% (2022: 13.52% to 16.18%). The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% (2022: 3%).

Impairment losses on financial assets

During the Reporting Period, the Group recorded impairment losses on financial assets of RMB820 million as compared with RMB574 million for the corresponding period last year.

Amongst which, the Group recognised an impairment loss on receivables from suppliers of RMB366 million, trade in nature with individually not significant amounts, based on historical credit loss rate with reference to the historical settlement records, past due status, and the current economic conditions. Certain subsidiaries of the Group were in liquidation process, the Group made an impairment loss on related receivables of RMB248 million. In addition, the Group recognised an impairment loss of RMB40 million on accounts receivable, RMB41 million on due from related companies and RMB125 million on other receivables, mainly trade in nature, based on historical credit loss rate with reference to the historical settlement records, past due 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 RMB1,542 million (2022: RMB3,959 million).

As affected by the overall domestic economic situation, the downward pressure on the leasehold property market is getting serious. 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 rates applied to the cash flow projections were ranging from 6.82% to 7.04% (2022: 7.06% to 7.37%). The growth rate used to extrapolate the cash flows of the cash generating unit is 1.8% (2022: 2%).

Impairment loss on Interests in associates

During the Reporting Period, the Group made an impairment loss on interests in associates of RMB163 million with reference to latest underlying performance and its quoted market price.

Other expenses and losses

During the Reporting Period, the Group recorded other expenses and losses of RMB1,529 million as compared with RMB263 million in the same period last year.

Amongst which, an impairment of RMB1,053 million (2022: RMB514 million) was recognised for certain property and equipment related to retail stores based on the recoverable amount of the retail stores cash generating unit. The recoverable amounts are determined based on higher of fair value less cost of disposal and value in use calculation which uses cash flow projections based on financial budgets as approved by management. The recoverable amounts of these buildings, leasehold improvements and equipment and fixtures were determined based on a value in use calculation using cash flow projections prepared based on financial budgets as approved by management which cover a period of five years. The pre-tax discount rates (if applicable) applied to the cash flow projections was 11.55% to 12.10% (2022: 13.52% to 16.18%). Factors leading to the impairment include lower than expected operating performance compared to internal forecasts, as well as to historical data and performance. Other key assumptions adopted during the evaluation include estimated growth rates, expected gross profit margins, and relevant expenditures of related retail stores, and the above assumptions are based on the previous performance and management's expectations on market development.

In addition, the Group also incurred litigation expenses of RMB110 million, contract claims of RMB105 million and exchange loss of RMB125 million.

Net finance (costs) income

During the Reporting Period, the Group's net finance costs (finance income less finance costs) were RMB2,772 million, as compared with RMB1,534 million for the corresponding period of 2022.

Income tax (charge) credit

During the Reporting Period, the Group's income tax charge amounted to RMB8 million, as compared with RMB79 million of income tax credit for the corresponding period in 2022.

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 RMB10,057 million, decreased by 49.60% as compared with a loss of RMB19,956 million for the corresponding period last year. During the Reporting Period, the Group's basic loss per share was RMB22.3 fen, as compared with basic loss per share of RMB58.6 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 RMB66 million, which was mainly denominated in Renminbi and the rest in HK dollars and other currencies, as compared with RMB170 million as at the end of 2022. The decrease in the cash and cash equivalents position was mainly due to repayment of bank and other borrowings, offset by operating cash inflow and proceeds from disposal of financial assets during the Reporting Period.

Inventories

As at the end of the reporting Period, the Group's inventories amounted to RMB202 million, down 53.35% as compared with RMB433 million as at the end of 2022. As a result of the reduced scale of retail network during the Reporting Period, inventory turnover days increased by 166 days from 79 days in 2022 to 245 days in 2023.

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 RMB3,124 million, down 4.61% from RMB3,275 million as at the end of 2022. The decrease was mainly due to the decrease in advances to suppliers and interest receivables during the Reporting Period. These amounts included trade balances with related companies which are subject to credit terms agreed.

Trade and bills payables

As at the end of the Reporting Period, trade and bills payables of the Group amounted to RMB4,861 million, down 17.44% as compared with RMB5,888 million as at the end of 2022. As a result of the reduced scale of operation during the Reporting Period, turnover days of trade and bills payables increased by 3,861 days from 289 days for the corresponding period in 2022 to 4,150 days.

Capital expenditure

During the Reporting Period, capital expenditure (relating to property and equipment) incurred by the Group amounted to RMB41 million, representing an 93.28% decrease as compared with RMB610 million for 2022.

Cash flows

During the Reporting Period, mainly due to, among others, the changes in inventories, trade receivables and trade and bills payables, the Group's net cash flows generated from operating activities was RMB1,113 million, as compared with net cash flows generated of RMB821 million for the corresponding period last year.

As a result of the disposal of financial assets, net cash flows from investing activities were RMB373 million, as compared with RMB168 million used in 2022.

During the Reporting Period, net cash outflows used in financing activities amounted to RMB1,589 million, as compared with RMB4,727 million used in 2022. The net cash outflows from financing activities were mainly due to the repayment of its 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 2023 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 matters, contingent liabilities and capital commitments

As at the end of the Reporting Period, the Group had capital commitments of RMB566 million and the Group did not make any third party guarantee.

During the year, 8 subsidiaries of the Group received court orders to execute the liquidation process. Related total assets and net liabilities of these 8 subsidiaries were RMB386 million and RMB174 million, respectively, in aggregate. In February 2024, 2 subsidiaries of the Group received court orders to execute the liquidation process. Related total assets and net liabilities of these two subsidiaries were RMB97 million and RMB23 million, respectively, in aggregate.

As at 29 February 2024, the principal amount of the Group's overdue interest-bearing bank and other borrowings (including bonds payable) amounted to RMB19.26 billion. 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. As at 29 February 2024, the Group was involved in a total of 990 pending lawsuits, amounted to RMB4.54 billion in aggregate, of which, the pending cases with banks and financial institutions amounted to RMB2.90 billion. 922 cases with amount of RMB13.00 billion have received judgements.

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 were mainly funded by cash on hand, cash generated from operations, interest-bearing bank and other borrowings.

As at 31 December 2023, the total borrowings of the Group comprised of interest-bearing bank loans, other loans, corporate bonds and convertible bonds, repayable within 1 year.

The interest-bearing bank loans and other loans comprised:

	Fixed rate	**Floating rate**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in RMB	19,369,670	2,394,255	21,763,925

The corporate bonds comprised:

(1) corporate bonds issued in 2018, renewed in 2020 with an aggregate nominal value of RMB102 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 and 2023 with an aggregate nominal value of RMB7 million issued at a fixed coupon rate of 7.8% per annum with renewal term of 2 years; and

(3) corporate bonds issued in 2020, renewed in 2023 with an aggregate nominal value of RMB200 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 2023, 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 2023, 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 2023, the debt to total equity (deficit) ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to RMB24,472 million over total deficit amounted to RMB9,260 million, decrease from 5,252.54% as at 31 December 2022 to negative 264.28% as at 31 December 2023. The debt ratio was 81.63% as compared with 60.81% as at 31 December 2022, which was expressed as a percentage of total borrowings over total assets amounted to RMB29,978 million.

Charge on group assets

As at the end of 2023, the Group's interest-bearing bank loans and other loans were secured by the Group's time deposits amounted to RMB330 million and related interests receivables amounted to RMB9 million, certain property and equipment, property under development and investment properties of the Group with a carrying value of RMB8,507 million, the Group's investments in associates amounted to RMB125 million, the Group's right-of-use assets with a carrying value of RMB194 million. The Group's secured interest-bearing bank loans and other borrowings amounted to RMB21,606 million in total.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 2,196 (2022: 12,431) 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

Although the Group has experienced a trough in the past period, the management has not given up hope and efforts. We will continue to work hard in 2024 and strive to turn the situation around, and we firmly believe that we can get out of the trough as soon as possible.

In the future, the Group will continue to actively resolve its debt issues and keep strategic focus. In terms of debt issues, it plans to divide the electrical appliance business, reorganise GOME Appliances with debt problems, design and establish a new management system to create a new GOME Appliances. In terms of strategy, we will continue to lean towards the optimisation and upgrading of new model business strategies, accelerate the development of innovative businesses such as home decoration, GOME Automobile Experience Hall and leasing business, to jointly construct and develop larger market place in the cities.

In the beginning of 2024, policies to boost domestic demand have begun to accelerate. President Xi Jinping proposed at the fourth meeting of the Central Financial and Economic Affairs Commission "to promote a new round of large-scale equipment updates and replacement of consumer goods" and "promote high-quality durable consumer goods to enter residents' lives more", especially "to encourage the replacement of traditional consumer goods such as automobiles and home appliances. As a result, the replacement of durable consumer goods will be further promoted". During the NPC and CPPCC sessions in 2024, the government work report once again emphasised to increase macro-control efforts, coordinate the expansion of domestic demand and deepen supply-side structural reforms, promote continued improvement in economic performance, and achieve a virtuous cycle. It also emphasised "encouraging and promoting the replacement of old consumer goods with new ones, and boosting bulk consumption such as intelligent connected new energy vehicles and electronic products". It is believed that the market environment will be significantly improved in line with the changes in national policies in the coming year. In addition, the real estate industry is gradually stabilising amid the relaxation of city-specific policies, which is expected to drive a stabilising recovery in consumer demand for home appliances. In the coming year, the Group will take advantage of policy trends to actively work hard to get out of the debt crisis and embark on a new journey, focusing on independent innovation and reform and upgrading, and continue to be committed to promoting the quality of life of Chinese families.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to upholding good corporate governance practices. For the year ended 31 December 2023, the Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 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 year ended 31 December 2023.

SCOPE OF WORK OF MESSRS. ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2024. The work performed by Messrs. Elite Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Elite Partners CPA Limited on the preliminary announcement.

AUDIT OPINION

The consolidated financial statements have been audited by the Group's auditor, Messrs. Elite 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 2023. 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 2023 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

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a loss of RMB10.1 billion for the year ended 31 December 2023, the Group's current liabilities exceeded its current assets by RMB32.8 billion as at 31 December 2023. The Group's current liabilities amounted to RMB38.3 billion, of which RMB24.3 billion represented interest-bearing bank and other borrowings as at 31 December 2023. Nevertheless, the Group had cash and cash equivalents amounted to RMB66 million as at 31 December 2023. In addition, certain loan payables to financial institutions were overdue. The overdue of these loan payables entitled the lenders a right to demand immediate repayment of the loan payables from the Group. Certain banks 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 to restrict the disposition of certain assets and the withdrawal of bank deposits during the year. Moreover, the Group involved in a number of pending civil claims or lawsuits filed by the civil litigants as at 31 December 2023. Further, due to the suspension of supply of goods from certain major suppliers, the revenue significantly decreased in the reporting period and subsequent to the end of the reporting period, which bring significant impacts on 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 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 has taken plans 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. 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, including: (i) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the equity exercises; (ii) the ability of certain suppliers, service providers, landlords, bank and convertible bond holders or other creditors in converting their debt to shares of the Company; (iii) the successful negotiation with convertible bond holders for restructuring the convertible bonds; (iv) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (v) the successful negotiation 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; (vi) the successful negotiation with the major suppliers and service providers for reactivating the existing credit limit and resumption of supply of goods; (vii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants, and (viii) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity.

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 may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements.

Given the execution of certain of the above 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 issuance of the consolidated financial statements with details as set out in note 2.1 to the consolidated financial statements, and in view of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, we are 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 we disclaim our opinion on the consolidated financial statements of the Group in respect of year ended 31 December 2023."

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 plans and measures to mitigate its liquidity pressure and improve its financial position, which are set out in note 2.1 to this preliminary announcement, 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 followings: (i) successfully obtaining the approval from shareholders of the Company in the shareholder's meeting in relation to the equity exercises; (ii) the ability of certain suppliers, service providers, landlords, bank and convertible bond holders or other creditors in converting their debt to shares of the Company; (iii) the successful negotiation with convertible bond holders for restructuring the convertible bonds; (iv) the successful renewal and extension of the repayment due date of existing secured bank borrowings upon maturity; (v) the successful negotiation 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; (vi) the successful negotiation with the major suppliers and service providers for reactivating the existing credit limit and resumption of supply of goods; (vii) successfully defending the Group against civil claims procedures or lawsuits filed by the civil litigants; and (viii) the successful sale of the Group's properties at its intended price in order to enhance the Group's liquidity. 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 issuance 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, Elite Partners 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 Elite Partners disclaims its opinion on the consolidated financial statements of the Group in respect of year ended 31 December 2023. The audit committee of the Company (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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises Mr. Lui Wai Ming and Mr. Liu Yin Hong (being the independent non-executive directors of the Company) and Ms. DONG Xiao Hong (being the non-executive director of the Company). The Audit Committee assists the Board in providing an independent review on the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee had reviewed the annual results of the Group for the year ended 31 December 2023.

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

1) On 9 January 2023, the company completed the issuance of 4,062,856,000 new shares at the issue price of HK$0.1023 to repay the debt owed by the group.

2) On 27 February 2023, the Group repaid the domestic bonds issued in 2019 in the PRC, with aggregate principal amount of RMB9,241,000.

3) On 31 March 2023, the company completed the issuance of 4,347,826,000 shares and 3,632,713,000 new shares of the Company at the issue price of HK$0.115 to repay the debt owed by the group.

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 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 so as to preserve the funding needs of the Group.

DIVIDEND POLICY

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

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement will be published on the websites of the Stock Exchange and the Company (www.gome.com.hk). The 2023 Annual Report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

APPRECIATION

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

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board of the Company comprises Mr. Zou Xiao Chun and Mr. Song Lin Lin as executive directors; Mr. Zhang Da Zhong and Ms. Dong Xiao Hong as non-executive directors; and Mr. Wang Gao, Mr. Lui Wai Ming and Mr. Liu Yin Hong as independent non-executive directors.

* *For identification purpose only*