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GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

FURTHER ANNOUNCEMENT IN RELATION TO CHANGE OF AUDITOR

Reference is made to the announcements of GOME Retail Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 April 2023 and 28 April 2023 in relation to the change of auditor of the Company.

Outstanding matters raised by Shinewing

The Company would like to provide further information raised by the former auditor of the Company, Shinewing (HK) CPA Limited (“**Shinewing**”), in its resignation letter. In its resignation letter, Shinewing referred to a letter dated 30 March 2023 to the Board and the audit committee of the Board (the “**Audit Committee**”) which claimed that it has not received certain information (the “**Outstanding Matters**”) to enable it to complete its audit procedures for the Company’s financial statements for the year ended 31 December 2022 (“**FY2022**”). The details of the Outstanding Matters are set out below:

1. Bank confirmations

As of 30 March 2023, the receipt of approximately 50 bank confirmations remain outstanding and Shinewing claimed that it would not be able to complete its audit procedures and render audit opinion on the cash, cash equivalent, pledged deposits, restricted cash, and interest-bearing loans disclosed in the consolidated financial statements of the Group for FY2022 (the “**Consolidated Financial Statements**”).

2. Prepayments and account receivables from and current accounts with related parties

The Company has not provided supporting documents in relation to certain prepayments of significant amount and account receivables from related parties (including without limitation loan agreements for acquisitions, purchase agreement, approval documents and documents in relation to the commercial rationale of such transactions). In addition, the Company has not provided supporting information for assessing impairment, and Shinewing has not received supporting documents for determining the commercial fairness of the prepayments and account receivable from related parties.

In addition, certain confirmations for current accounts of significant amount were still outstanding.

The Company has provided the financial reports of some parties involved in the prepayment of significant amount or account receivables from related parties and some of them are in net deficit situations. Up to 30 March 2023, the Company has not provided a professional third-party assessment on the potential credit loss.

As a result, Shinewing was of the view that it would not be able to provide an opinion on the existence of such sums and their recoverability.

3. *Stock take process and inventories level*

Shinewing's audit team conducted a stock take on the Group's inventories on 3 January 2023. Owing to the liquidity issue of the Group, inventories with an estimated value of approximately RMB540 million in certain retail stores and warehouses of the Group have been seized, Shinewing was unable to complete the stock take process for the seized inventories.

Shinewing conducted another stock take in early March focusing on those retail stores and warehouses that it has not been able to conduct the stock take process in January. It was found that approximately RMB300 million of goods remain seized and for those stores where the stock take process have been made, there exist discrepancies in the stock level for the reason that some of the goods have been seized or reprocessed. As the Company and Shinewing do not have access to the stores or the warehouses that have been seized, Shinewing was unable to complete the audit procedures for the inventories of the Group and Shinewing would not be able to opine on the existence, completeness or provision on the inventories of the Group.

4. *Sustainability of the Group*

Up to 30 March 2023, the Company has not provided supporting documents in relation to the sustainability of the Group based on the consolidated financial statements prepared on a going concern basis, nor has the Company provided the working capital forecast for the forthcoming twelve months. As such, Shinewing claimed that it expects to issue a modified opinion on the Group as a going concern.

5. *Valuation of non-current assets*

Up to 30 March 2023, the Company has not provided sufficient and adequate supporting documents on the recovery and impairment of the non-current assets of the Group (including projects under construction and goodwill), which led to Shinewing being unable to complete the audit procedures for disclosures in the Consolidated Financial Statements.

6. *Litigations*

Shinewing has not been provided with a complete list of litigations of the Group.

Audit plan

As disclosed in the announcement of the Company dated 21 April 2023, the Company appointed Elite Partners CPA Limited (“**Elite Partners**”) as the new auditor of the Company to fill the casual vacancy following the resignation of Shinewing.

Elite Partners will conduct its audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institutes of Certified Public Accountants (“**HKICPA**”) on the Consolidated Financial Statements, including but not limited to:

- identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for its opinion;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures adopted by the Group; and
- obtain sufficient appropriate audit evidence for Elite Partners to form an opinion on the Consolidated Financial Statements as a whole.

Elite Partners will carry out the following audit procedures to address the Outstanding Matters:

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| Bank confirmations | <ul style="list-style-type: none">• issuing bank confirmation letters; and• following up the reply status of the outstanding bank confirmation letters previously raised by Shinewing. |
| Prepayments and account receivables from and current accounts with related parties | <ul style="list-style-type: none">• reviewing relevant contracts, invoices and other supporting documents;• discussing with management to understand business rationale of the relevant transactions and performing interviews with relevant suppliers and customers;• reviewing the expected credit loss assessments performed by independent valuers; and• reviewing the subsequent settlement status of the account receivables or current accounts with related parties and the subsequent refund or utilisation of the prepayments. |

- Stock take process and inventories level
- obtaining an inventory list that show the status of each store/warehouse and obtain a complete list of the inventories being seized with the corresponding accounting treatment include the assessment of the net realisable value of the inventories;
 - collaborating with management on their marketing plan, and performing analytical procedures on the physical stores and warehouses that was being seized or shut down; and understanding the corresponding settlement agreement with the landlords on the closed stores or seized inventories and obtain relevant contracts when necessary;
 - performing a new round of stock take;
 - performing physical inspection and analysis on closed shops or seized inventories;
 - tailoring audit procedures and performing audit works on the opening balance; and
 - obtaining from the management the stock rolling information from the opening balance and perform test on the rolling information.
- Sustainability of the Group
- obtaining from the management the Group's latest future cash flow forecast and relevant supporting documents; and
 - conducting corresponding audit procedures to assess the going concern review of the Group and considering the disclosure of the management's assumption of continuous operation in accordance with the Hong Kong Standard on Auditing 570.
- Valuation of non-current assets
- obtaining from the management the valuation reports issued by independent valuers; and
 - conducting corresponding audit procedures to assess the impairment assessments of the Group's goodwill and certain properties.
- Litigations
- conducting internet and litigation searches on litigations;
 - sending legal letters to lawyers;
 - interviewing the Group's in-house legal experts; and
 - conducting corresponding audit procedures to assess the sufficiency of provision and adequacy of the disclosure.

Audit Committee

The Audit Committee has reviewed the audit plan of Elite Partners and is satisfied that the audit plan could address the Outstanding Matters.

Estimated time of release for the FY2022 results

Based on the current progress of the audit, the Company expects to release the audited financial results of the Group for FY2022 on or before mid-July 2023. Further announcement will be made by the Company in this regard.

By order of the Board
GOME Retail Holdings Limited
ZHANG Da Zhong
Chairman

Hong Kong, 23 June 2023

As at the date of this announcement, the Board comprises Mr. Zou Xiao Chun and Ms. Huang Xiu Hong as executive directors, Mr. Zhang Da Zhong and Ms. Dong Xiao Hong as non-executive directors, and Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao as independent non-executive directors.

** For identification purpose only.*