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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE



Sole Placing Agent

On 17 April 2020, the Company, as issuer, and the Investor, as subscriber, entered into the Subscription Agreement in relation to the subscription of the Bonds at the subscription price equal to 100% of the principal amount of the 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 will be allotted and issued, representing (i) approximately 5.96% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares will be allotted and issued under the General Mandate.

Application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

As the Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreement and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and should consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position or as to actions they should take.

THE SUBSCRIPTION AGREEMENT

Date

17 April 2020

Parties

- (i) the Company; and
- (ii) the Investor

Prior to Completion, the Investor may assign or transfer by novation all of its rights, interests and obligations under the Subscription Agreement to a wholly-owned subsidiary of Pinduoduo. The Investor undertakes to the Company that any such assignee/transferee is not, and at the time of such assignment or transfer will not be, a connected person of the Company.

Subject matter

The Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Bonds at the subscription price equal to 100% of the principal amount of the Bonds, being US\$200 million.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions, or their satisfaction subject only to Completion:

- (i) the listing committee of the Stock Exchange having granted approval to the listing of, and the permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked prior to Completion);
- (ii) the warranties given by the Company under the Subscription Agreement remaining true and accurate and not misleading on the Completion Date as if given on the Completion Date;
- (iii) no event or change that has had or would reasonably be expected to have a material adverse effect on (a) the condition (business, operations or financial) of the Group taken as a whole; (b) the Company's ability to perform its obligations under the Transaction Documents; or (c) the validity or enforceability of the Transaction Documents or the rights or remedies of the Investor, the Subscriber or any Bondholder thereunder having occurred; and
- (iv) there being no event existing or having occurred and no condition being in existence which would (had the Bonds already been issued) constitute an event of default under the Bonds.

Condition (i) shall not be waived by any party to the Subscription Agreement. The Subscriber may, at its sole discretion and upon such terms as it reasonably thinks fit, waive compliance with the whole or any part of the conditions other than condition (i).

Completion

Subject to the conditions precedent being satisfied or waived (as the case may be), Completion will take place on a date falling within five Business Days (but in any event no later than the fifth Business Day) after, and excluding, the date upon which condition (i) is satisfied, or such other date as the Company and the Investor may agree in writing (the “**Completion Date**”).

If the conditions precedent are not satisfied by the Long Stop Date, the Subscription Agreement will automatically terminate.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are set out below:

Interest

The Bonds will bear interest from and including the Issue Date at the rate of 5% per annum payable annually.

Form and denomination

The Bonds will be issued in registered form and in the minimum denomination of US\$10 million each and integral multiples of US\$10 million in excess thereof.

Maturity

The Bonds will initially mature on the date falling on the third anniversary of the Issue Date, which may be further extended to the fifth anniversary of the Issue Date at the discretion of Bondholders holding not less than $66\frac{2}{3}$ per cent. of aggregate principal amount of the Bonds then outstanding (in either case, if such date is not a Business Day, the Business Day immediately following such date) (the “**Maturity Date**”).

Conversion Price

The initial Conversion Price is HK\$1.215 per Share, which was determined after arm's length negotiation between the Company and the Investor based on the prevailing market price of the Shares, represents:

- (i) a premium of approximately 66.44% to the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on 17 April 2020, being the date of the Subscription Agreement; and
- (ii) a premium of approximately 68.75% to HK\$0.72 per Share, being the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including 16 April 2020, being the trading day of the Shares immediately before the date of the Subscription Agreement.

The initial Conversion Price is subject to adjustment(s) from time to time on the occurrence of the following events:

- (a) alteration to the nominal value of the Shares as a result of consolidation, subdivision, re-denomination or re-classification of Shares;
- (b) capitalisation of profits or reserves by the Company;
- (c) distributions by the Company to its Shareholders;
- (d) rights issues of Shares or options over Shares at less than 95% of the then market price per Share;
- (e) rights issues of other securities (other than Shares, options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) at less than 95% of the then market price per Share;
- (f) issues of Shares, options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at less than 95% of the then market price per Share;
- (g) other issues of any securities by the Company or its subsidiaries with rights to convert into or exchange or subscribe for Shares to be issued by the Company at less than 95% of the then market price per Share;
- (h) modification of rights of conversion, exchange or subscription attaching to certain securities (other than in accordance with the terms of such securities) so that the consideration per Share for the number of Shares available on conversion, exchange or subscription following the modification is reduced and is less than 95% of the then current market price per Share; and
- (i) other offers pursuant to which the Shareholders generally are entitled to participate in such arrangements (other than those covered in (d), (e), (f) and (g)).

Conversion

The Bondholder has the right to convert the principal amount of the Bonds (to be converted into HK\$ at the Agreed Rate) into fully-paid Shares at any time during the Conversion Period at the Conversion Price.

Conversion Shares

As at the date of this announcement, the Company has 21,557,627,422 Shares in issue.

The number of Shares to be issued upon exercise of the conversion rights attaching to the Bonds will be determined by dividing the principal amount of the Bonds (to be converted into HK\$ at the Agreed Rate) by the Conversion Price in effect.

Assuming that the conversion rights have been exercised in full, 1,283,950,617 new Shares will be allotted and issued, representing approximately (i) 5.96% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 5.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares, when allotted and issued, will rank *pari passu* with all other Shares in issue on the date of conversion.

Based on the estimated net proceeds from the Subscription of approximately US\$196.8 million and to 1,283,950,617 Conversion Shares will be allotted and issued at the initial Conversion Price of HK\$1.215, the net price per Conversion Share is estimated to be approximately HK\$1.196.

Status of the Bonds

The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank *pari passu* and without any preference or priority among themselves.

The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Events of default

Bondholders holding not less than 66⅔ per cent. of aggregate outstanding principal amount of the Bonds may notify the Company that the Bonds are, and they shall immediately become due and repayable if any of the following events occurs and is continuing (taking into account any grace period available pursuant to the conditions of the Bonds):

- (a) the Company's failure to pay any amount in respect of the Bonds when due;
- (b) the Company or any Principal Subsidiary initiates or consents to proceedings relating to itself under any bankruptcy or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;

- (c) an order is made or an effective resolution is passed for the Company's winding up, liquidation or dissolution, judicial management or administration of the Company;
- (d) any suspension in the trading of the Company's securities on the Stock Exchange for over 60 consecutive Business Days;
- (e) the Shares ceasing to be listed on the Stock Exchange;
- (f) any material breach of obligations by the Company under any Transaction Document;
- (g) cross default in respect of other indebtedness of the Company and/or any Principal Subsidiary and their respective guarantee or indemnity obligations under any indebtedness, in which the aggregate amount of indebtedness is US\$20 million or above; or
- (h) any step taken by competent governmental authority to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all of the Company's assets or preventing the Company from exercising control over such assets.

Redemption

(1) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem all the outstanding Bonds on the Maturity Date at an amount equal to the Redemption Amount.

(2) Redemption at the option of the Company

Unless previously redeemed, converted or purchased and cancelled, at any time following the occurrence of an Issuer Redemption Event, the Company may redeem in whole (but not in part) the Bonds for the time being outstanding at the Redemption Amount.

(3) Redemption at the option of the Bondholder

Unless previously redeemed, converted or purchased and cancelled, at any time following the occurrence of a Bondholder Redemption Event, Bondholders holding not less than 66⅔ per cent. of the aggregate principal amount of the Bonds then outstanding may redeem, in whole or in part, the Bonds for the time being outstanding at the Redemption Amount.

Transferability

The Bonds may not be transferred without the consent of the Company, except for a transfer to a transferee which is and remains a wholly-owned subsidiary of Pinduoduo.

Restrictions on conversion

(1) Public float

Conversion is only allowed if the issue of the Shares in satisfaction of the conversion right in respect of the Bonds would not result in the Company failing to meet its obligation under the Listing Rules to maintain the minimum prescribed percentage of the Shares that must at all times remain in public hands (as defined in the Listing Rules) or such other lower percentage permitted by the Stock Exchange at its discretion.

(2) Restriction on takeovers

Conversion is only allowed to the extent that the issue of the Shares in satisfaction of the conversion right in respect of the Bonds would not result in (i) any person holding 30% or more of the total voting power of the Shares or (ii) any person or persons being under the obligations to make offer(s) for the securities of the Company under the Takeovers Code.

Listing

No application will be made for the listing of, and permission to deal in, the Bonds on the Stock Exchange or any other stock exchange.

Application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

THE STRATEGIC COOPERATION AGREEMENT

On 17 April 2020, the Company and GOME Electrical Appliances (being a wholly-owned subsidiary of the Company), on the one side, and Shanghai Xunmeng (being a consolidated affiliated entity of Pinduoduo), on the other side, entered into the Strategic Cooperation Agreement, pursuant to which the parties thereto agreed to undertake strategic cooperation in respect of product purchases and sales, resources cooperation and support, joint marketing and other related services.

INFORMATION ON THE INVESTOR, SHANGHAI XUNMENG AND PINDUODUO

The Investor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Investor is a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo and (ii) each of the Investor and its ultimate beneficial owner is independent of the Company and connected persons of the Company.

Shanghai Xunmeng

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Shanghai Xunmeng is a consolidated affiliated entity of Pinduoduo and its main operating entity which provides platform service to third-party merchants for their sales of products; and (ii) each of Shanghai Xunmeng and its ultimate beneficial owner is independent of the Company and connected persons of the Company.

Pinduoduo

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Pinduoduo is an exempted company incorporated under the laws of Cayman Islands, whose American depository shares are listed on the Nasdaq Global Select Market (Nasdaq: PDD); and (ii) Pinduoduo is an innovative and fast growing technology platform and one of the leading Chinese e-commerce players.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Group is principally engaged in the operation and management of a network of electrical appliances, consumer electronic products retail stores and electronic products on-line sale in the PRC.

The gross proceeds of the issue of the Bonds will be US\$200 million. The net proceeds of the Subscription, after deducting the related expenses payable by the Company, is estimated to be approximately US\$196.8 million.

The Company will apply the proceeds for the repayment of borrowings.

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Directors consider that the issue of the Bonds is an appropriate means of raising additional capital since (i) it will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) in the event that the Bonds are converted into Shares, the Company can improve its capital base, benefiting the long-term development of the Company. Further, the Conversion Price represents a premium of at least 66% over the closing price per Share as quoted on the Stock Exchange for each of the five trading days immediately prior to and including the date of the Subscription Agreement.

The Directors are also of the view that the entering into the Subscription Agreement and the Strategic Cooperation Agreement will enable the Group to leverage on Pinduoduo's platforms, resources and strengths to accelerate the Group's penetration in online communities and better serve customers in both digital and physical retail arena. The cooperation between the Company and Pinduoduo is in line with the Group's strategy to develop innovative retail model integrating social e-commerce platform, physical stores and GOME APP.

Having considered that no security is required in connection with the issue of the Bonds, the Directors consider that the terms of the Subscription Agreement, which were arrived at arm's length negotiations between the Company and the Investor, and the transactions contemplated thereunder (including the Conversion Price) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the Strategic Cooperation Agreement is in the usual course of business of the Company and the terms of the Strategic Cooperation Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHAREHOLDING STRUCTURE

For illustration purposes only, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after full conversion of the Bonds (assuming no other change in the issued share capital of the Company).

	As at the date of this announcement		Immediately after full conversion of the Bonds at the initial Conversion Price	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
GOME Management Limited (<i>Note 1</i>)	5,500,000,000	25.51%	5,500,000,000	24.08%
Shinning Crown Holdings Inc. (<i>Note 1</i>)	4,454,979,938	20.66%	4,454,979,938	19.50%
Shine Group Limited (<i>Note 1</i>)	634,016,736	2.94%	634,016,736	2.78%
Smart Captain Holdings Limited (<i>Note 2</i>)	240,955,927	1.12%	240,955,927	1.05%
Wan Sheng Yuan Asset Management Company Limited (<i>Note 2</i>)	5,750,737	0.03%	5,750,737	0.03%
the Investor	—	—	1,283,950,617	5.62%
Other Shareholders	10,721,924,084	49.74%	10,721,924,084	46.94%
Total	<u>21,557,627,422</u>	<u>100%</u>	<u>22,841,578,039</u>	<u>100%</u>

Notes:

- (1) Each of these companies is 100% beneficially owned by Mr. Wong Kwong Yu, the controlling shareholder of the Company.
- (2) Each of these companies is 100% beneficially owned by Ms. Du Juan, the spouse of Mr. Wong Kwong Yu.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

GENERAL MANDATE

The Conversion Shares will be allotted and issued under the General Mandate. Under the General Mandate, a maximum of 4,311,525,484 new Shares may fall to be allotted and issued.

Since the date of the annual general meeting of the Company held on 28 June 2019 and up to the date of this announcement, the General Mandate has not been utilised. No Shares have been allotted and issued by the Company under the General Mandate. The allotment and issue of the Conversion Shares is not subject to the approval of the Shareholders.

As the Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreement and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and should consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position or as to actions they should take.

DEFINITIONS

In this announcement, unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“Agreed Rate”	the rate of exchange between US\$ and HK\$ at the rate of US\$1 to HK\$7.8
“Board”	the board of Directors
“Bondholder Redemption Event”	means any of the following: (i) trading of the Shares on the Stock Exchange is suspended for more than thirty (30) consecutive trading days (other than due to information technology related or systemic irregularities on the part of the Stock Exchange or any suspension of trading requested by the Company for the purpose of announcing any transaction pursuant to Chapter 14 and/or Chapter 14A of the Listing Rules), or the Shares cease to be listed on the Stock Exchange; or (ii) a Change of Control occurs
“Bondholders”	holders of the Bonds
“Bonds”	5% convertible bonds of the Company due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$200 million

“Business Day”	a day on which commercial banks and foreign exchange markets settle payments in Hong Kong, excluding any day in Hong Kong on which a typhoon signal number 8 or above or a “black” rainstorm warning is hoisted during the period from 9:00 a.m. to 5:00 p.m. on such day
“Change of Control”	occurs when: (i) any person or persons acting together acquires control of the Company if such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date; (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity; or (iii) one or more persons (other than any person referred to in paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the issued share capital of the Company
“Company”	GOME Retail Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 493)
“Completion”	completion of the Subscription
“Completion Date”	has the meaning ascribed to it under the paragraph headed “Completion” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Control”	the power of a person to secure that the affairs of another person are conducted directly or indirectly in accordance with the wishes of that first person by means of being the beneficial owner of more than 50 per cent. of the voting rights of that other person, or having the right to appoint or remove a majority of the members of or otherwise control the votes at the board of directors (or its equivalent) of that other person
“Conversion Period”	the period beginning on, and including, the date falling on the Issue Date and ending on, and including, 5:00 p.m. on the Business Day prior to the Maturity Date
“Conversion Price”	HK\$1.215 per Share (subject to any adjustment)

“Conversion Shares”	the Shares to be allotted and issued upon exercise of the conversion right attaching to the Bonds
“Directors”	the directors of the Company
“General Mandate”	the general mandate of the Company granted by its shareholders at the annual general meeting of the Company held on 28 June 2019
“GOME Electrical Appliances”	國美電器有限公司 (GOME Electrical Appliances Co., Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investor”	Hongkong Walnut Street Limited (香港胡桃街有限公司), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo
“Issue Date”	the date on which the Bonds are issued
“Issuer Redemption Event”	means any of the following: (i) the closing price of the Shares being equal to at least 130% of the then applicable Conversion Price for 60 consecutive trading days; (ii) at least 90% of the principal amount of the Bonds outstanding on the Issue Date has been redeemed, converted or purchased and cancelled as provided in the conditions of the Bonds; or (iii) the Company has or will become obliged to pay any additional tax amounts in excess of US\$10 million in respect of or in connection with any Bonds as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong, the PRC or any other relevant jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 May 2020 or such later date as may be agreed by the Subscriber and the Company

“Maturity Date”	has the meaning ascribed to it under the paragraph headed “Maturity” of this announcement
“Pinduoduo”	Pinduoduo Inc., an exempted company incorporated under the laws of Cayman Islands, whose American depository shares are listed on The Nasdaq Global Select Market (Nasdaq: PDD)
“PRC”	the People’s Republic of China
“Principal Subsidiary”	any subsidiary of the Company, at any time, whose assets or consolidated assets represent not less than 10 per cent. of the consolidated assets of the Company
“Redemption Amount”	an amount equal to the aggregate of (a) the aggregate principal amount of such outstanding Bonds held by the relevant Bondholder, and (b) any accrued but unpaid interest on such outstanding Bonds on the relevant redemption date
“Shanghai Xunmeng”	上海尋夢信息技術有限公司(Shanghai Xunmeng Information Technology Co., Limited*), a limited liability company established in the PRC and a consolidated affiliated entity of Pinduoduo
“Share(s)”	the ordinary share(s) in the share capital of the Company which have a par value of HK\$0.025 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Agreement”	the strategic cooperation agreement dated 17 April 2020 entered into by and among the Company, Shanghai Xunmeng and GOME Electrical Appliances
“Subscriber”	the Investor or such person to whom the Investor has assigned the Subscription Agreement in accordance with the Subscription Agreement
“Subscription”	the subscription of the Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 17 April 2020 entered into between the Company and the Investor in relation to the subscription of the Bonds

“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong
“Transaction Documents”	the Subscription Agreement, the Bond instrument, the Bond certificates, the Strategic Cooperation Agreement and any other document designated as such by the Company and the Subscriber
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 19 April 2020

As at the date of this announcement, the Board comprises Mr. Zou Xiao Chun as executive director, Mr. Zhang Da Zhong, Ms. Huang Xiu Hong and Mr. Yu Sing Wong 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*