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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)

HOLDING ANNOUNCEMENT

(1) POSSIBLE VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND (2) RESUMPTION IN TRADING

This announcement is made by GOME Retail Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

(1) POSSIBLE VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

The Acquisition

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company announces that on 20 July 2022, the Company entered into an agreement (the “**Agreement**”, and as amended) pursuant to which the Company conditionally agreed to acquire the entire equity interests (the “**Target Interests**”) in Eagle Delight Properties (Overseas) Limited (鵬融地產(海外)有限公司) (the “**Target Company**”) from GOME Property Holdings Limited (國美地產控股有限公司) (the “**Vendor**”). The Vendor is ultimately wholly-owned by Mr. Wong Kwong Yu, the controlling shareholder of the Company (the “**Controlling Shareholder**”). The principal assets of the Target Company are the properties named GOME Commercial Capital (國美商都) and No. 9 Xiangjiang (湘江玖號) (collectively, the “**Properties**”).

The consideration for the acquisition of the Target Interests (the “**Acquisition**”) will be determined with reference to the valuations of the Target Interests to be conducted by an independent valuer engaged by the Company. The valuations are on-going and as at the date of this announcement, the exact amount of the consideration has not been fixed. As it is expected that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition will be more than 100%, the Acquisition will likely constitute a very substantial acquisition and a connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules. Further announcement(s) will be made containing full details of the Acquisition.

The Company expects to settle part or whole of the consideration by way of the issue of shares of the Company (the “**Share(s)**”) to the Vendor (or such other entities designated by the Vendor) (the “**Consideration Shares**”). The Consideration Shares will be issued pursuant to the specific mandate to be sought from the independent shareholders at the special general meeting of the Company.

Information on the Properties

The basic information of the Properties and the Company’s business plans are as follows:

GOME Commercial Capital (國美商都)

Located at the Zhongguancun Fengtai Science Park Industrial Base in Beijing, the People’s Republic of China (the “**PRC**”), GOME Commercial Capital (國美商都) has a total construction area of 524,638 square meters and comprises an eight-storey shopping complex, together with related catering, entertainment and ancillary facilities of 310,658 square meters, an office tower of 35,532 square meters, a hotel apartment of 55,404 square meters, a warehouse of 1,945 square meters, and a three-story underground car park of 121,099 square meters for 2,819 parking spaces. The Company intends to accommodate approximately 300 manufacturers of all categories of electrical appliances and consumer electronic products in the eight-storey shopping complex. By combining different sectors such as home appliances, home furnishings, and home decoration, the Group will broaden the technology experience with products being displayed and sold through an interconnection of different scenes from the base up. This would give consumers a unique shopping experience of being able to inspect, test and gain firsthand knowledge of a great variety of products from different producers from all over the world in one single location, drive the integrated management of “online digitalization + offline gridization”, build consumption scenarios, realize immersive experience and import IP attributes, innovate family consumption methods, and shape multi-dimensional social concepts. The management of the Group is of the view that the property is suitable for the Company to introduce and implement the new retailing concept. Moreover, the property, located at the Zhongguancun Fengtai Science Park Industrial Base, the center of high and innovative technology research and development in Beijing, also projects an innovative and high technology image associated with the products sold by the Company.

No. 9 Xiangjiang (湘江玖號)

Located at No. 168 Binjiang Road, Binjiang Jingguan Road, Yuelu District, Changsha City, Hunan Province, the PRC, No. 9 Xiangjiang (湘江玖號) has a total construction area of 130,501 square meters, which includes a six-storey shopping mall and catering, entertainment and supporting facilities. In addition, it has a one-storey underground car park that could provide parking spaces for 680 vehicles. The Company plans to build No. 9 Xiangjiang into an entertainment center with comprehensive display and experience center and a brand image promotion location with cutting-edge technology, to achieve a leading model of online and offline connection, empowerment and quality improvement, and one-stop services to meet different needs and expectations of the customers. It aims to extend more functions, take into account the optimized combination of diverse customer groups and different consumption demands, to reconstruct the new entertainment way that conforms to the urban temperament, and become a destination that fits the new concept of contemporary family experiential consumption and the new way of family entertainment.

Conditions precedent to the Acquisition

The Acquisition is conditional upon the satisfaction (or waiver, if applicable) of conditions precedent including as follows:

- (i) the Vendor having remedied, or made proposals for remediation to the satisfaction of the Company in relation to, the defects of the Properties discovered by the Company (if any) during due diligence process;
- (ii) all necessary approvals from the relevant government authorities (if applicable) having been obtained and the Acquisition not being subject to any laws, rules, local regulations, policies or any other restrictions;
- (iii) the Vendor having obtained the property ownership certificates in relation to the Properties which shall remain legally valid;
- (iv) the Vendor having obtained from the mortgagee(s) of the Properties the written consent(s) in respect of the Acquisition; and
- (v) the independent valuer engaged by the Company having issued a valuation on the Target Properties and the consideration has been agreed by the parties.

If the Acquisition is materialised and completed, all obligations on the part of the Company relating to the Properties under the lease agreement dated 7 April 2021 entered into between the Company and GOME Management Limited in relation to the leasing of the Properties will be released.

Information on the parties

The Company

The Company is a company incorporated in Bermuda, the Shares of which are listed on the main board of the Stock Exchange. With a consistent focus on the “Home • Living” strategy and based on the development philosophy from the user-based, platform-based, technology-driven and closed-loop mindsets, the Group further promoted the development of the online platform as well as the offline local lifestyle service platform, supply chain platform, logistic platform and informatisation. Leveraging on marketing with entertainment features, low price, quality service and technology as its core business strategy, the Group strives to meet the all-round consumption and service needs of family users, so that families could enjoy better products and services at lower prices, and have a better quality of life.

The Vendor

The Vendor is a company established in the PRC and is principally engaged in the property development business.

Reasons for and benefits of the Acquisition

In light of changes in the market situation, the Company aims to improve future operational efficiency. It plans to reorganize its business segments and optimize its asset structure to ultimately improve the profitability of the Group. It will use technological means to help the digital transformation of enterprises and improve consumer service experience throughout the process.

Brief details of such plan are as follows:

1. To increase income and reduce expenditure, eliminate complexity and simplify, focus on the core business, and create a new profit model

The Company will use the vertical model to focus on retail sales of household appliances and consumer electronic products as its main business. Five main profit models have been formed: exhibition (offline boutique experience), marketing (online and offline omni-channel self-management + sharing supply chain), integrated solutions for home electronics products, extension products for wide scope home appliances and value-added services (delivery, after-sales, extended warranty, paid membership operation, etc.); other unrelated or loss-making businesses will be spun off, sold or discontinued, and investment in more expensive businesses such as GOME Fun will be gradually reduced.

Meanwhile, the Company will build an all-scenario and omni-channel provider of O2O appliances and consumer electronics retail by strengthening technology empowerment, comprehensively improve the operation quality of stores and comprehensively optimize the store network layout across the nation by closing down inefficient stores, opening new big and premium stores and expanding franchised stores.

2. To optimize asset structure, promote enterprise structure transformation and management upgrade

To increase the amount of tangible assets held by the Company, the Company considered, on the premise of not diluting the equity of minority shareholders and not increasing the cash flow pressure of the Company, to acquire from the Controlling Shareholder the property rights of the Properties at a substantially preferential price; thereby substantially optimizing the asset adequacy ratio of the Company and increasing its financing capacity;

In order to further professionally improve the profitability of the full-service closed loop of pre-sale, mid-sale and after-sale and value-added services, the Company will consider acquiring from the Controlling Shareholder part of the equity interest of Anxun Logistics Co., Ltd. (“**Anxun Logistics**”) at a substantially preferential price at an appropriate time, thereby achieving the goal of the Company obtaining a controlling interest in Anxun Logistics;

The adjustment of the operation and development strategy aims to inject high-quality assets at low prices, improve the asset structure, and increase the level of return to shareholders of the Company. In order to ensure the successful implementation of the above matters, the Company will:

- a procure the management team to achieve better performance and higher profitability in 2023; and
- b optimize the management structure, improve the quality and professional level of personnel, optimize staff structure and downsize staff, significantly enhance staff efficiency, close loss-making stores, reduce rents through soliciting tenants and surrendering of lease, select locations to open new urban stores and large stores, thereby significantly improving the area efficiency; rapidly expand its network through the branding operation and management model and the output capability of the commodity supply chain, and develop a self-operated + franchise model to cover the first-tier to sixth-tier cities across the country on the basis of gridization, so as to quickly restore its original market advantage and achieve the best performance level. Driven by the new model, the separation model of exhibition and sales can be implemented in an effective way to improve gross profit margin and positive cash flow, and achieve zero inventory.

The Directors believe that the asset adequacy ratio of the Company can be significantly improved after the injection of tangible assets, and it is an appropriate time to acquire the Properties through acquisition of the Target Interests. At the same time, from the perspective of market financing, the Acquisition can significantly enhance the confidence of financial institutions in supporting the business of the Company, which is conducive to the refinancing of the Company in the future. The Acquisition will also greatly promote the establishment of the Group’s offline city display and experience center and enhance its core competitiveness in its core business.

Completion of the Acquisition is subject to the satisfaction of certain conditions including the abovementioned. The Acquisition may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares and are recommended to consult their professional adviser if they are in any doubt.

Save as disclosed above, based on the information currently available, the Company confirms that there is no other information that is required to be disclosed under Part XIVA of the SFO.

(2) RESUMPTION IN TRADING

Trading in Shares was halted at the request of the Company with effect from 9:00 a.m. on Thursday, 21 July 2022 pending release of this announcement. An application has been made by the Company to the Stock Exchange for trading in the Shares to resume from 9:00 a.m. on 22 August 2022.

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

Hong Kong, 19 August 2022

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.*