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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2022 ANNUAL REPORT REGARDING ASSET IMPAIRMENT

Reference is made to the annual report of Gome Retail Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 (the “**2022 Annual Report**”). Unless the context requires otherwise, terms used herein shall have the same meanings as defined or used in the 2022 Annual Report.

For the year ended 31 December 2022, the Company recorded impairment losses of RMB574 million of financial assets (the “**Impairments**”) which represented 6.5% of the total financial assets (subject to credit risk assessment as stated in note 43 to the consolidated financial statements of the 2022 Annual Report) of the Group. In addition to the information disclosed in the section headed “Management Discussion and Analysis” in the 2022 Annual Report, the Board wishes to supplement the details regarding impairment losses on financial assets included in prepayments, other receivables and other assets, and impairment losses on amounts due from related companies.

Impairment losses on financial assets included in prepayments, other receivables and other assets

As at 31 December 2022, the Company recognised impairment losses of RMB539 million on financial assets included in prepayments, other receivables and other assets as set out in note 25 to the consolidated financial statements of the 2022 Annual Report.

Among which, the Company recognised an impairment loss on an advance to a supplier of RMB220 million which was relating to prepayments of goods made in 2021. During the year ended 31 December 2022, the supplier had continuous breaches of contract and was finally deregistered. The Group’s management considered an event of default occurred and therefore a full provision was made. The Group is planning to take legal action against the legal representative of the supplier.

The Group also recognised an impairment loss on a receivable due from Zhejiang Dejing Electronics Technology Co., Ltd. (“**Zhejiang Dejing**”) of RMB160 million. Zhejiang Dejing was a previous subsidiary of the Group’s associate, Gome Telecom Equipment Co., Ltd (“**Gome Telecom**”). The balance represented the loan advanced to Zhejiang Dejing which was unsecured, repayable in July 2021 and bearing interest at 4.35% per annum. This loan receivable together with interest receivables had been reclassified into other receivables of the Group in 2020 after the entire interest in Zhejiang Dejing had been disposed of by Gome Telecom during 2020. During the year ended 31 December 2022, the management considered the amount was credit-impaired and close to full provision was made.

In addition, the Group recognised an impairment loss of RMB103 million on other receivables (including individual items of relatively less significant amounts) based on historical credit loss rate with reference to the historical settlement records of the debtors, past due status, current economic conditions and the forward-looking information, including industry risks and changes in debtors’ conditions.

Furthermore, the Group recognised an impairment loss of RMB56 million on a receivable from Ningbo Ruimao International Trading Co., Ltd. (“**Ningbo Ruimao**”) of RMB491 million. Ningbo Ruimao is one of the major agents of the Group to liaise with suppliers. The expected credit loss was recognised with reference to an assessment made by Beijing North Asia Asset Assessment Firm (Special General Partnership), an independent professionally qualified valuer in the PRC (the “**Valuer**”). Key assumptions used by the Valuer included probability of default (“**PD**”) of 28.69% with reference to past default rates on companies with similar credit rating and loss given default (“**LGD**”) of 40% with reference to asset pledged and priority in settlement.

Impairment losses on amounts due from related companies

As at 31 December 2022, the Group recognised impairment losses of RMB87 million on amounts due from related companies (including one individually significant amount) as included in the balances set out in note 26 to the consolidated financial statements of the 2022 Annual Report.

Among which, the Group recognised an impairment loss of RMB66 million on amounts due from related companies (mainly trade in nature and with individually not significant amounts) based on historical credit loss rate with reference to the historical settlement records, past due status, current economic conditions and the forward-looking information, including industry risks and changes in debtors’ conditions.

In addition, the Group recognised an impairment loss of RMB21 million on an individually significant amount due from a related company, Anxun Logistics Co., Ltd (“**Anxun Logistics**”), of RMB470 million. Anxun Logistics is a company owned by Mr. Wong, the substantial shareholder of the Company. The expected credit loss was made with reference to an assessment made by the Valuer. Key assumptions used by the Valuer included PD of 10.06% with reference to past default rates on companies with similar credit rating and LGD of 40% with reference to asset pledged and priority in settlement.

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

Hong Kong, 13 September 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.*