

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

CONNECTED TRANSACTION

THE ACQUISITION

On 16 August 2019, the Company entered into the Agreement with the Vendor under which the Company has conditionally agreed to purchase, and the Vendor agreed to sell the Sale Shares to the Company for the consideration of RMB585,000,000.

The Sale Shares represent 19.5% of the equity interests in the Target Company, which indirectly holds the entire equity interests in Anxun Logistics. Anxun Logistics is principally engaged in the provision of warehousing and logistics services in the PRC.

LISTING RULES IMPLICATIONS ON THE ACQUISITION

The Vendor is a company beneficially owned by Mr. Wong, the controlling shareholder of the Company. Accordingly, the entering into of the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements and exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

THE AGREEMENT

Date

16 August 2019

Parties

Purchaser: the Company.

Vendor: Rocket Gain Investments Limited (迅贏投資有限公司*), a company established in the British Virgin Islands that is principally engaged in investment holding. The Vendor is beneficially owned by Mr. Wong, the controlling shareholder of the Company.

Subject matter

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire, or cause a wholly-owned subsidiary of the Company to acquire, the Sale Shares. The Sales Shares represent 19.5% of the equity interests in the Target Company.

Consideration

The consideration for the Acquisition is RMB585,000,000, which was determined after arm's length negotiations between the parties with reference to the value of the Target Company as at 31 March 2019 as determined by two independent valuers.

The consideration for the Acquisition will be satisfied by the Company through internal resources and will be payable by the Group within 90 business days of Completion.

Conditions

Completion of the Acquisition will be conditional upon the satisfaction of all the following conditions:

- (a) the delivery by the Vendor to the Company a duly executed Agreement and ancillary documents and all the transaction documents being accurate, complete and legally effective, and the Vendor and the Target Company having performed all of their obligations under the Agreement;
- (b) the Target Company having completed all of its internal approval procedures in respect of the transfer of the Sale Shares to the Company; and
- (c) the representations, warranties and undertakings of the Vendor under the Agreement remaining true and accurate and there has been no changes to such representations, warranties and undertakings at Completion.

Valuation on the Target Company

The Company has engaged two independent third party valuers, 北京立信東華資產評估有限公司 (Beijing Lixin Donghua Assets Appraisal Co., Ltd.) (the “**First Valuer**”) and 北京中勤永勵資產評估有限責任公司 (Beijing Zhongqin Yongli Asset-Assessment Ltd.) (the “**Second Valuer**”) (together the “**Independent Valuers**”) to determine the fair value of the Target Company.

The First Valuer

The First Valuer has adopted both the asset-based approach (資產基礎法) and the income approach (收益法) in determining the value of the Target Group. As each of the Target Company and GOME Logistics (a wholly owned subsidiary of the Target Company and the immediate holding company of Anxun Logistics) is an investment holding company and has no revenue, the asset-based approach was used by the First Valuer in determining the value of the Target Company and GOME Logistics. As Anxun Logistics has active operations and is generating revenue, the income approach was used to determine its value. Based on such valuation approaches, the First Valuer has determined that the value attributable to the shareholders of the Target Company as at 31 March 2019 was approximately RMB3,043.96 million.

The Second Valuer

Similar to the First Valuer, the Second Valuer has also adopted both the asset-based approach and the income approach in determining the value of the Target Group. The rationale for using two approaches was the same as that of the First Valuer where the asset-based approach was considered by the Second Valuer as a more appropriate method for determining the value of the Target Company and GOME Logistics, as each of the them is an investment holding company and has no revenue, and the income approach was used for determining the value of Anxun Logistics, as it has active operations and is generating revenue. Based on such valuation approaches, the Second Valuer has determined that the value attributable to the shareholders of the Target Company as at 31 March 2019 was approximately RMB3,046.90 million.

Notwithstanding that the valuation reports prepared by the Independent Valuers were only used by the Company as reference tools and were not the primary factor for determining the consideration, the valuation reports prepared by the Independent Valuers, which used the income approach as one of the methods in determining the value of the Target Group is considered to be a profit forecast under Rule 14.61 of the Listing Rules.

The principal assumptions adopted by the Independent Valuers are as follows:

(1) Basic assumptions

- (a) Transactional assumption: The appraised assets are in the course of transaction and the valuation is based on a simulated market, including the terms of transaction of the appraised assets;
- (b) Open market assumption: The appraised assets can be traded openly in the market;
- (c) Going-concern assets assumption: The appraised assets will be used in consistent with their current function and method upon the completion of the present transactions; and
- (d) Continuing operation assumption: The entity being appraised has the bases and conditions for continuing operations.

(2) Special assumptions and restrictive conditions

- (a) There expects to be no material changes in the relevant current national laws, regulations and policies and national macroeconomic conditions; there expects to be no material changes in the political, economic and social environment which the parties operate; and there will be no other unpredictable and force majeure factors;
- (b) There will be no material changes in the bank's interest rates, taxation policies and tax rates, and administrative levies;
- (c) The operator of the Target Company is responsible and the management of the Target Company has the ability to discharge its duties;
- (d) Unless otherwise disclosed, the Target Company has been in compliance with all applicable laws and regulations and there does not exist any material breach in laws and regulations that would adversely affect the development and profits of the Target Company;

- (e) There will be no material changes in the Target Company's accounting policies from the date of the issue of the valuation report;
- (f) The valuation report was prepared on the basis of the appraised assets were legally owned by their owners;
- (g) The National Enterprise Credit Information System will be launched on time in accordance with its planned schedule and produce income;
- (h) The cash flow of the Target Company is being generated at the end of each year; and
- (i) All asset title certificates, financial reports, accounting records, assets list and other information provided by the Target Company for the purpose of the valuation were true, legally effective, complete and trustworthy and there does not exist any documents that ought to be provided but not provided, and there are no matters of deficiency, whether contingent or actual, that may affect the valuation not known to the independent valuer after it has completed its valuation procedures.

COMPLETION OF THE ACQUISITION

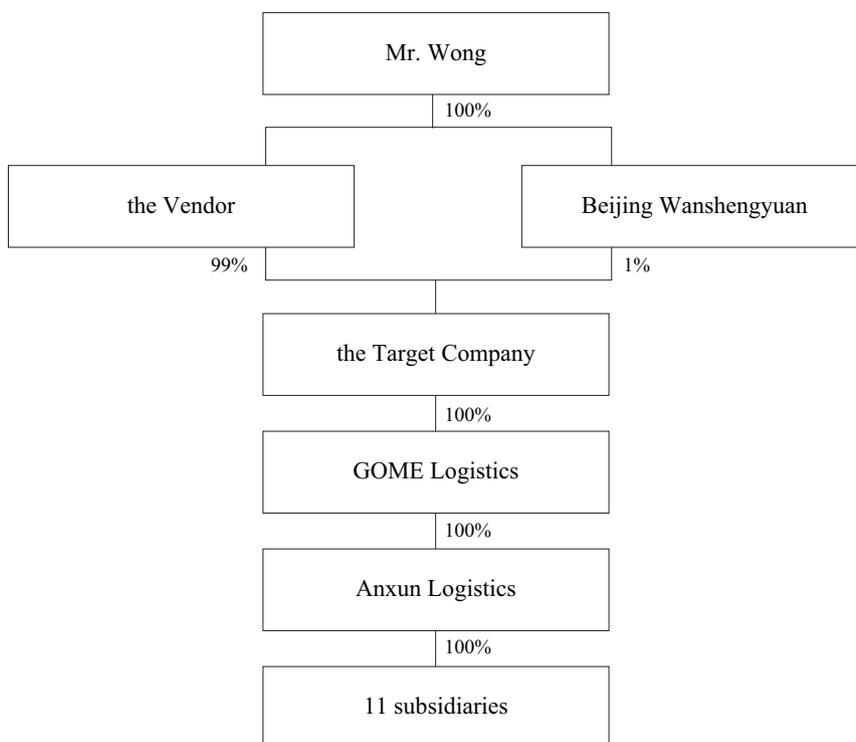
The parties shall register the transfer of the Sale Shares to the Company or its designated subsidiary with the relevant administrative bureau for industry and commerce within 90 business days from the satisfaction of the conditions to the Agreement.

INFORMATION ON THE TARGET GROUP

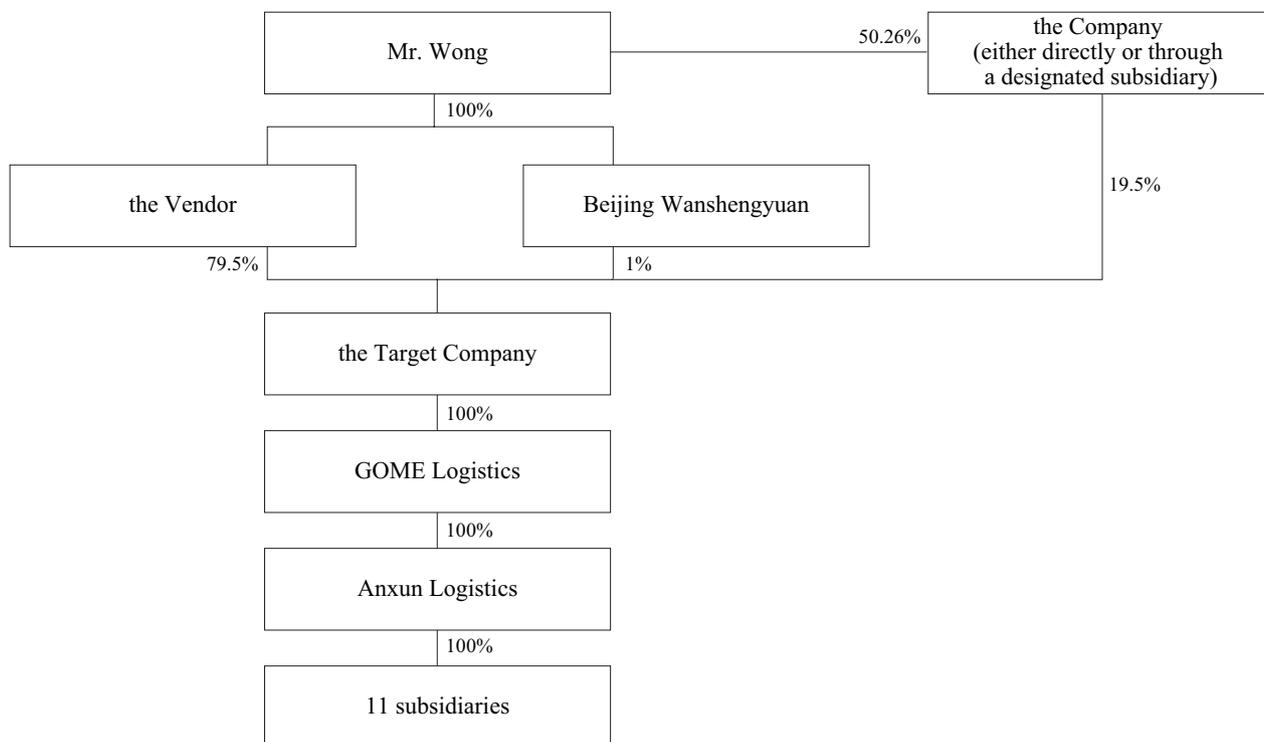
The Target Company is a limited liability company established in the PRC in August 2002. The Target Company is principally engaged in the business of investment holding. The Target Company owns the entire equity interests of GOME Logistics, which in turn holds the entire equity interests in Anxun Logistics.

The simplified shareholding structure of the Target Group before and after the Acquisition is set out below:

Before the Acquisition



Upon completion of the Acquisition



Anxun Logistics has 11 wholly-owned subsidiaries and is a nationwide integrated logistics service provider. Its main business is warehouse management, trunk transportation, integrated home delivery and installation, and after-sales services. It is a leading domestic supply chain service expert, providing customers with one-stop integrated logistics solutions for large household appliances, home decoration, household products, sports equipment, 3C, FMCG, etc. Anxun Logistics' services covers 31 provincial-level administrative regions, more than 700 prefecture-level cities and more than 2,800 districts and counties, and has no blind spots for more than 45,000 fourth-tier townships across the country.

Financial Information of the Target Company

Set out below is the audited consolidated financial information of the Target Company for the two financial years ended 31 December 2017 and 2018 prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the year ended 31 December	
	2017	2018
	<i>RMB' million</i>	<i>RMB' million</i>
Profit before tax	49.18	23.43
Profit after tax	42.41	19.31

As at 31 December 2018, the consolidated net assets value of the Target Company was approximately RMB191.90 million.

Upon Completion, the Company will own 19.5% of the equity interests in the Target Company. The Target Company will be treated as an investment of the Company and the results of the Target Group will not be consolidated with the accounts of the Group.

Upon Completion, the Vendor shall procure Anxun Logistics to appoint a nominee of the Company to the 5-member board of directors of Anxun Logistics.

REASONS FOR THE ACQUISITION

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.

Anxun Logistics is the primary logistics services provider to the Group. It is involved in the fast developing logistics industry and its warehousing and logistics services cover 31 provincial-level administrative regions and has good developing prospects. Given that logistics services and the ability to provide timely delivery services to customers forms a key part of the Group's operations, the Directors consider that the Acquisition will provide the Group with a direct interest in its primary logistics services provider and enable the Group to foster greater cooperation with Anxun Logistics thereby ensuring better services could be provided by Anxun Logistics to the Group. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interest of the Company.

Given that the terms of the Acquisition were concluded after arm's length negotiations and the consideration was determined with reference to the appraised value of the Target Company, the Directors (including the independent non-executive Directors) are of the view that the Agreement was entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and that the terms and conditions of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS ON THE ACQUISITION

The Vendor is a company beneficially owned by Mr. Wong, the controlling shareholder of the Company. Accordingly, the entering into of the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements and exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

GENERAL

At the Board meeting held to approve the Agreement, each of Mr. Zou Xiao Chun, Ms. Huang Xiu Hong and Mr. Yu Sing Wong is considered to be interested in the transactions contemplated under the Agreement and have abstained from voting at the Board meeting in respect of the resolution proposed to approve the Agreement.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

- | | |
|---------------|--|
| “Acquisition” | the acquisition of the Sale Shares pursuant to the Agreement; |
| “Agreement” | the sale and purchase agreement dated 16 August 2019 between the Company and the Vendor in relation to the purchase of the Sale Shares by the Company; |

“Anxun Logistics”	安迅物流有限公司 (Anxun Logistics Co., Ltd.*), a limited liability company established in the PRC, an indirect wholly owned subsidiary of the Target Company;
“Beijing Wanshengyuan”	北京萬盛源物業管理有限責任公司 (Beijing Wanshengyuan Property Management Co., Ltd.*), a limited liability company established in the PRC;
“Board”	the board of directors 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 Acquisition;
“Director(s)”	the director(s) of the Company;
“GOME Logistics”	國美倉儲物流投資有限公司 (GOME Logistics Investment Co., Ltd.*), a limited liability company established in the PRC, a wholly-owned subsidiary of the Target Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wong”	Mr. Wong Kwong Yu, the controlling shareholder of the Company;
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	19.5% of the equity interests in the Target Company;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company”	北京鵬潤時代物業管理有限公司 (Beijing Pengrun Times Property Management Company Limited*), a limited liability company established in the PRC;
“Target Group”	the Target Company and its subsidiaries;
“Vendor”	Rocket Gain Investments Limited (迅贏投資有限公司*), a company established in the British Virgin Islands, which is beneficially owned by Mr. Wong, the controlling shareholder of the Company; and
“%”	per cent.

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

Hong Kong, 16 August 2019

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.*