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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)

CONNECTED TRANSACTION LEASE AT THE PENGGRUN BUILDING

On 27 October 2020, Meixin Network, a 60% non-wholly-owned subsidiary of the Group, entered into the Meixin Lease Agreement with Beijing Xin Hengji to renew the lease of certain office units with an aggregate GFA of approximately 7,193.06 square meters at the Pengrun Building for a term up to 24 October 2021.

Beijing Xin Hengji is owned by certain associates of the Controlling Shareholder. The entering into of the Meixin Lease Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the rent payable under the Meixin Lease Agreement are more than 0.1% but less than 5%, the transaction contemplated under the Meixin Lease Agreement is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

THE MEIXIN LEASE AGREEMENT

Date

27 October 2020

Parties

- (a) Lessee: Meixin Network, a 60% non-wholly-owned subsidiary of the Company, is an Internet and big data company with a specialized mobile social data platform; and
- (b) Lessor: Beijing Xin Hengji, a company established in the PRC, which is principally engaged in the property development business. Beijing Xin Hengji is owned by certain associates of the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules.

Terms of the Meixin Lease Agreement

Meixin Network agreed to lease from Beijing Xin Hengji certain office units at the Pengrun Building with an aggregate GFA of approximately 7,193.06 square meters for use by Meixin Network as its office. The Meixin Lease Agreement has a term expiring on 24 October 2021.

Rent

The aggregate rent, including management fee, payable under the Meixin Lease Agreement is approximately RMB24,334,000 (equivalent to approximately HK\$28,272,000), which represents RMB275.13 (equivalent to approximately HK\$319.66) per square meter per month. The rent was determined after arm's length negotiations between the parties with reference to the prevailing market rent of comparable properties in Beijing as at 20 October 2020 as determined by an independent professional third-party property valuer.

A deposit equivalent to 3 months' rent is payable by Meixin Network to Beijing Xin Hengji under the Meixin Lease Agreement. The rent is payable on a quarterly basis in advance on or before the 20th day of the last month of the relevant quarter.

REASONS FOR THE TRANSACTION

The principal activities of the Group are the operation and management of networks of electrical appliances, consumer electronic products retail stores and electronic products on-line sale in the PRC.

The offices of Meixin Network have been located at the Pengrun Building since 2015. The Group completed the acquisition of the 60% interest in Meixin Network in March 2017. Given that the Group has occupied the Pengrun Building and has its headquarter operation there since 2004, it was considered that it would be more efficient to continue to have Meixin Network to maintain its offices at the Pengrun Building rather than relocating the operation of Meixin Network to another location.

As the lease of Meixin Network at the Pengrun Building has expired, the Meixin Lease Agreement is entered into to renew the lease of such office units for the operation needs of Meixin Network. Given that the rent for the Meixin Lease Agreement was determined after arm's length negotiations with reference to the prevailing market rent as determined by an independent professional third-party property valuer, the Directors (including the independent non-executive Directors) are of the view that the Meixin Lease Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms and conditions of the Meixin Lease Agreement are fair and reasonable to the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Beijing Xin Hengji is a limited liability company established in the PRC and is principally engaged in the business of property development. It is 95% owned by Beijing Xin Hengji Investment Management Group Co., Ltd. (北京新恒基投資管理集團有限公司) and the remaining 5% owned as to 4% by Mr. Huang Junqin (黃俊欽先生) and as to 1% by Ms. Chen Ruowen (陳若文女士), the spouse of Mr. Huang Junqin, respectively. Beijing Xin Hengji Investment Management Group Co., Ltd. is an investment holding company and is 80% owned by Mr. Huang Yu (黃宇先生) and 20% owned by Mr. Huang Junqin. Mr. Huang Junqin is the brother of the Controlling Shareholder and Mr. Huang Yu is the son of Mr. Huang Junqin and the nephew of the Controlling Shareholder. Beijing Xin Hengji is hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules and the entering into of the Meixin Lease Agreement constitutes a connected transaction for the Company.

As the applicable percentage ratios in respect of the rent payable under the Meixin Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Meixin Lease Agreement will be subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

At the Board meeting held to approve the Meixin Lease Agreement, each of Mr. Zou Xiao Chun, Ms. Huang Xiu Hong and Mr. Yu Sing Wong is considered to be interested in the transaction contemplated under such agreement and have abstained from voting at the Board meeting in respect of the resolutions proposed to approve such agreement. Save for Mr. Zou Xiao Chun, Ms. Huang Xiu Hong and Mr. Yu Sing Wong who have abstained from voting for the resolutions because of their interests in the transactions, the Board, including all the independent non-executive Directors, have unanimously voted in favour of the resolutions proposed to approve the Meixin Lease Agreement.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Beijing Xin Hengji”	北京新恒基房地產集團有限公司 (Beijing Xinhengji Property Co., Ltd.*), a company incorporated with limited liability under the laws of the PRC;
“Board”	the board of Directors;
“Company”	GOME Retail Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange (stock code: 493);
“Controlling Shareholder”	Mr. Wong Kwong Yu (黃光裕先生), the controlling shareholder of the Company, who as at the date of this announcement was interested in approximately 50.26% of the issued share capital of the Company;
“Director(s)”	the director(s) of the Company;
“GFA”	gross floor area;

“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;
“Meixin Network”	美信網絡技術有限公司 (Meixin Network Technology Company Limited*), a company incorporated in the PRC with limited liability which is 60% owned by the Group and 40% owned by the Controlling Shareholder and his associates;
“Meixin Lease Agreement”	the lease agreement dated 27 October 2020 between Meixin Network and Beijing Xin Hengji;
“Pengrun Building”	鵬潤大廈 (Pengrun Building*), an office building located at No. 26, Xiaoyun Road, Chaoyang District, Beijing (北京市朝陽區霄雲路26號), the PRC;
“percentage ratio”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“PRC”	the People’s Republic of China (for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

Translations of HK\$ into RMB are made in this announcement for illustration purpose at the rate of HK\$1.00 to RMB0.8607. No representation is made that any amounts in HK\$ or RMB could have been or could be converted at that rate or at any other rate or at all.

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

Hong Kong, 27 October 2020

As at the date of this announcement, the Board of the Company 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