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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)

CONTINUING CONNECTED TRANSACTIONS

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On 10 March 2021, GOME Appliance, a wholly-owned subsidiary of the Company, entered into the Merchandise Framework Agreement and the Content Production Agreement with Lajin Network under which the Group agreed to purchase various merchandises from Lajin Network, and engage Lajin Network for the provision of content production services for the e-commerce platform of the Group.

LISTING RULES IMPLICATIONS

Lajin Network is a company which is beneficially owned as to 47.1% by the Controlling Shareholder and is hence an associate of the Controlling Shareholder and is thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Merchandise Framework Agreement and the Content Production Agreement constitute continuing connected transactions for the Company.

As the applicable percentage ratios for the annual transaction amount for each of the Merchandise Framework Agreement and the Content Production Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Merchandise Framework Agreement and the Content Production Agreement are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE CONTINUING CONNECTED TRANSACTIONS

On 10 March 2021, GOME Appliance entered into the Merchandise Framework Agreement and the Content Production Agreement with Lajin Network. The salient terms of the Merchandise Framework Agreement and the Content Production Agreement are summarised below:

(1) the Merchandise Framework Agreement

Subject: The Group will purchase from Lajin Network various general merchandise, including, without limitation, cosmetics and personal care products, clothing and accessories, shoes, headwear, luggage cases, bags, jewellery, clocks and watches, household products, food, alcohol and beverages, medicine and healthcare products, sporting goods and outdoor products.

The actual terms of purchase by the Group, including the brand, type, place of manufacture, price, quantity and specification, payment and delivery of the products, will be subject to further agreement between the parties in accordance with the terms of the Merchandise Framework Agreement.

Term: From the date of the Merchandise Framework Agreement to 31 December 2023.

Condition: The Merchandise Framework Agreement is subject to Lajin Network's compliance with the requirements of the GEM Listing Rules, including the obtaining of approval from its independent shareholders.

Price: The price of the merchandises supplied by Lajin Network to the Group will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market retail price and terms for the same or substantially similar products sold through both online and offline channels;
- ii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iii. on normal commercial terms which are no less favourable to the Group than it has transacted with independent third parties.

Cap amount: The purchase from Lajin Network is subject to the following annual caps:

| | Financial year ending 31 December | | |
|--------------------|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Transaction amount | 50,000 | 57,500 | 66,000 |

The Group and Lajin Network have small amount of previous transactions which fall under the de minimis threshold under Chapter 14A of the Listing Rules prior to the entering into of the Merchandise Framework Agreement. The annual caps for the Merchandise Framework Agreement were determined based on the Group's expected demand of merchandises.

(2) the Content Production Agreement

Subject: The Group will engage Lajin Network to provide content production services for the e-commerce platform of the Group. The services will include but not limited to arranging artists, internet celebrities and production teams under Lajin Network's management to produce live broadcast or promotional videos for the products or promotional activities of the Group, managing social media accounts created by the Group, and producing live broadcast variety shows for the Group.

The precise scope and detail terms of services will be subject to further agreement between the parties in accordance with the terms of the Content Production Agreement.

Term: From the date of the Content Production Agreement to 31 December 2023.

Condition: The Content Production Agreement is subject to Lajin Network's compliance with the requirements of the GEM Listing Rules, including the obtaining of approval from its independent shareholders.

Price: The pricing basis for the services provided by Lajin Network to the Group will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market price and terms for the same or substantially similar services;
- ii. the tender quotation provided by Lajin Network for similar services to independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

Cap amount: The services to be provided by Lajin Network is subject to the following annual caps:

Financial year ending 31 December
2021 **2022** **2023**
RMB'000 *RMB'000* *RMB'000*

| | | | |
|--------------------|--------|--------|--------|
| Transaction amount | 30,000 | 34,500 | 40,000 |
|--------------------|--------|--------|--------|

The Group and Lajin Network have no previous transactions on content production. The annual caps for the Content Production Agreement were determined based on the Group's expected demand of content services.

INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the continuing connected transactions of the Group are being conducted in a fair and reasonable manner, and are in line with the prevailing market rates, the Group adopts the following internal control methods and procedures:

- (a) The relevant management personnel of the Group will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are being conducted in accordance with the terms of the relevant agreement and they will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing policy of the Group:
 - (i) the management team of the Group will from time to time (on a regular monthly basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products/services compared to similar products/services in the market and the reference price of each type of transactions in the market;
 - (ii) the management team of the Group will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the sales of the products/provision of the services;
 - (iii) the Group also conducts regular quarterly reviews of the sales, costs of sales and expenses of the products/services and ensures the transactions are within the annual caps; and
 - (iv) the Group will also work closely with customers/suppliers with a view to obtaining information on the demand and inventory situation, and the Company would then adjust or negotiate the prices of the products/services as and when necessary to ensure price fairness.

- (b) The Group will conduct periodic half-yearly audit reviews of the continuing connected transactions of the Group, to consider (i) effective implementation of the pricing policies and the payment methods, evaluation of balances of annual caps; and (ii) management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where any weaknesses are identified, the Group will take measures to address them as soon as practicable.
- (c) The independent non-executive directors of the Company will review the transactions contemplated under the continuing connected transactions of the Group pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps of the continuing connected transactions.

REASONS FOR THE TRANSACTIONS

The Group takes entertainment marketing as its core marketing mode and integrates entertainment attributes into the transaction process. Interaction between users and merchants is enhanced by means of live broadcast, short video and competition, which facilitates sharing and the spread of information, and thus realizing a more diversified and entertaining sales scenario.

The Group is expanding its online sales to cover general merchandise. Lajin Network has been marketing and promoting products of certain chic brands through its e-commerce platform and has secured a stable supply for such high-end consumer products. The procurement of general merchandises through Lajin Network will provide the Group with a stable supply of merchandises and save the Group from co-ordinating with a large number of suppliers for such merchandises, thereby improving the Group's online sale efficiency and save on resources.

Lajin Network is engaged in the investment and production of film and television programs, online content and artist management. As the online e-commerce platform of the Group would need to be continuously updated for the introduction of new products and business promotion activities, the Group has requirement for content production services. Through different forms of content supply such as short videos or live broadcast shows, quality contents can drive user traffic on the Group's online platform, increase users' loyalty and help promote the online sales of the Group.

Given that the terms of the Merchandise Framework Agreement and the Content Production Agreement were concluded after arm's length negotiations and under normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Merchandise Framework Agreement and the Content Production Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Group

The main business of the Group is the operating and managing of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full-category of online sales network focusing on electronic products in the PRC through self-operated and platform models.

GOME Appliance

GOME Appliance is a wholly-owned subsidiary of the Company established in the PRC and its main business is the operating and managing of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full-category of online sales network focusing on electronic products in the PRC through self-operated and platform models.

Lajin Network

Lajin Network is principally engaged in the new media e-commerce business and the provision of artists management services, and investment in movies, TV programmes and internet contents. The shares of Lajin Network are listed on the GEM of the Stock Exchange (stock code: 8172).

LISTING RULES IMPLICATIONS

Lajin Network is a company which is beneficially owned as to 47.1% by the Controlling Shareholder and is hence an associate of the Controlling Shareholder and is thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Merchandise Framework Agreement and the Content Production Agreement constitute continuing connected transactions for the Company.

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GENERAL

At the Board meeting held to approve the Agreements, 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 Agreements and have abstained from voting at the Board meeting in respect of the resolutions proposed to approve the Agreements. 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 Agreements.

DEFINITIONS

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

| | |
|-----------------------------------|--|
| “Agreements” | the Merchandise Framework Agreement and the Content Production Agreement; |
| “associate” | has the meaning ascribed to it under the Listing Rules; |
| “Board” | the board of directors of the Company; |
| “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); |
| “Content Production Agreement” | the content production framework agreement dated 10 March 2021 between GOME Appliance and Lajin Network; |
| “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 45.47% of the issued share capital of the Company; |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “GEM” | Growth Enterprise Market operated by the Stock Exchange; |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM; |
| “GOME Appliance” | 國美電器有限公司(GOME Appliance Company Limited*), a company established in the PRC, a wholly-owned subsidiary of the Company; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Lajin Network” | Lajin Entertainment Network Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8172); |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Merchandise Framework Agreement” | the merchandise framework agreement dated 10 March 2021 between GOME Appliance and Lajin Network; |

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|------------------|--|
| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China; |
| “Shareholder(s)” | shareholder(s) of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “%” | per cent. |

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

Hong Kong, 10 March 2021

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.*