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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)

(1) CONNECTED TRANSACTION AND ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE: DEBT CAPITALISATION; AND (2) PROPOSED REFRESHMENT OF GENERAL MANDATE

(1) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE: DEBT CAPITALISATION

On 18 January 2023 (after trading hours), the Company entered into the Agreement with the First Creditor and the Second Creditor (i.e. the Creditors) pursuant to which the Company conditionally agreed to capitalise the debt owed by the Group to the Creditors and the Creditors conditionally agreed to subscribe and the Company conditionally agreed to issue to the First Creditor and the Second Creditor 4,347,826,000 and 3,632,713,000 new Shares, respectively, at the Issue Price of HK\$0.115 per Share.

The Capitalisation Shares represent approximately 20.06% of the existing issued share capital of the Company and approximately 16.71% of the Company's issued share capital as enlarged by the issue of the Capitalisation Shares.

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought at the SGM. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

(2) PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board also proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM.

LISTING RULES IMPLICATIONS

(1) Issue of New Shares under Specific Mandate: Debt Capitalisation

As at the date of this announcement, Mr. Wong is interested in approximately 10.74% of the issued Shares and is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, each of the Creditors (wholly-owned by Mr. Wong) is an associate of Mr. Wong and a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the Debt Capitalisation constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Proposed Refreshment of General Mandate

Pursuant to Rule 13.36(4) of the Listing Rules, the Proposed Refreshment of General Mandate is subject to the Independent Shareholders' approval by way of an ordinary resolution at the SGM.

GENERAL

The SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate to allot and issue the Capitalisation Shares; and (ii) the Proposed Refreshment of General Mandate. A circular containing (i) details of the Agreement and the transactions contemplated thereunder; (ii) details of the Proposed Refreshment of General Mandate; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder and the Proposed Refreshment of General Mandate; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder and the Proposed Refreshment of General Mandate; and (v) the notice of the SGM and proxy form, is expected to be despatched to the Shareholders on or before 10 March 2023 as additional time is required to finalise the contents of the circular.

As the Debt Capitalisation is subject to the satisfaction of the conditions to the Agreement, the Debt Capitalisation may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

(1) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE: DEBT CAPITALISATION

On 18 January 2023 (after trading hours), the Company, the First Creditor and the Second Creditor entered into the Agreement in relation to the Debt Capitalisation. The salient terms of the Agreement are summarised below:

Debt Capitalisation

The Company is in debt to the First Creditor and the Second Creditor in the sum of HK\$500 million and HK\$280 million, respectively for outstanding loans as disclosed in the announcements of the Company dated 8 December 2022, 14 December 2022, 22 December 2022, 30 December 2022 and 6 January 2023, respectively. In addition, the Company is in debt to the Second Creditor in the sum of approximately RMB119.27 million for payments made to suppliers on behalf of the Group. The Company proposed to issue to the First Creditor and the Second Creditor 4,347,826,000 and 3,632,713,000 Capitalisation Shares, respectively, at the Issue Price as full settlement of the aforementioned debt owed to the Creditors.

Capitalisation Shares

An aggregate of 7,980,539,000 new Shares are proposed to be issued under the Debt Capitalisation. The Capitalisation Shares represent approximately 20.06% of the issued share capital of the Company as of the date of this announcement and approximately 16.71% of the issued share capital of the Company as enlarged by the issue of the Capitalisation Shares.

Issue Price

The Issue Price of HK\$0.115 per Capitalisation Share was arrived at after arm's length negotiation between the Creditors and the Company with reference to the prevailing market price of the Shares.

The Issue Price represents:

- (i) a discount of 7.26% to the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on 18 January 2023, the date of the Agreement; and
- (ii) a discount of 7.85% to the average closing price of HK\$0.1248 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

Given that the Issue Price was set with reference to the market price of the Shares, the Directors (excluding the Interested Directors and the independent non-executive Directors (whose view will be provided after taking into account the advice of the Independent Financial Adviser)) consider that the Issue Price is fair and reasonable under the present market conditions. The Directors (excluding the Interested Directors and the independent non-executive Directors (whose view will be provided after taking into account the advice of the Independent Financial Adviser)) are also of the view that the Debt Capitalisation is in the interest of the Company and the Shareholders as a whole.

The Capitalisation Shares have a nominal value of approximately HK\$199,513,000 and a market value of approximately HK\$989,587,000, based on the closing price of HK\$0.124 per Share on 18 January 2023, the date of the Agreement. After deducting expenses relating to the Debt Capitalisation, the net price per Capitalisation Share is approximately HK\$0.115.

Conditions

The issue of the Capitalisation Shares is conditional upon (i) the passing of the resolution(s) by the Board to approve the Agreement and the transactions contemplated thereunder; (ii) the compliance with all disclosure requirements pursuant to Chapter 14A of the Listing Rules by the Company in respect of the Agreement and the transactions contemplated thereunder, and having obtained the Independent Shareholders' approval at the SGM; and (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares.

Completion of the Debt Capitalisation shall take place on the third Business Day after fulfilment of the conditions or any other date as agreed by the parties to the Agreement. If the conditions to the Debt Capitalisation are not fulfilled on or before 31 March 2023 (or such later date as may be agreed between the parties), the Agreement will lapse and terminate and the debt owed to the Creditors shall remain outstanding and repayable by the Company.

The Specific Mandate

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when issued, will rank *pari passu* in all respects with the Shares in issue on the date of the issue of the Capitalisation Shares, including the right to any dividends or distribution declared on or after the date of such issue. The Capitalisation Shares are freely transferrable and is not subject to any lock-up on subsequent transfer.

SHAREHOLDING OF THE COMPANY

Assuming there will be no change to the issued share capital of the Company between the date of the Agreement and Completion, the effect on the shareholding structure of the Company as a result of the Debt Capitalisation is set out below.

Shareholders	Shareholding as at the date of this announcement		Shareholding after completion of the Debt Capitalisation	
	Shares	% of shareholding	Shares	% of shareholding
The First Creditor	2,006,938	0.01%	4,349,832,938	9.11%
The Second Creditor	2,661,182,000	6.69%	6,293,895,000	13.18%
Mr. Wong and his associates (other than the First Creditor and the Second Creditor)	1,607,606,664 ^(Note)	4.04%	1,607,606,664 ^(Note)	3.37%
Trans Asia Inter Capital Limited	4,062,856,000	10.21%	4,062,856,000	8.51%
Other public shareholders	31,448,248,597	79.05%	31,448,248,597	65.83%
Total	39,781,900,199	100.00%	47,762,439,199	100.00%

Note: Of these 1,607,606,664 Shares, 246,706,664 Shares are held by Smart Captain Holdings Limited, 160,000,000 Shares are held by Hillwood Assets Management Limited, 1,200,000,000 Shares are held by Element Assets Management Limited and 900,000 Shares are held by Ms. Du Juan, the spouse of Mr. Wong. All the companies mentioned above are wholly owned by Mr. Wong.

CAPITAL-RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the following, the Company has not conducted any equity fund raising activities during the twelve-month period immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Proceeds utilised as at the date of this announcement
28 June 2022 and 6 July 2022	Top-up placing	HK\$776,460,000	(i) Repayment of debt; (ii) Expansion of online and offline dual-platform business; and (iii) General working capital purposes	HK\$776,460,000
2 January 2023	Debt capitalisation	No cash proceeds generated	To settle the outstanding debt owed to the creditor	Outstanding debt settled

REASONS FOR THE DEBT CAPITALISATION

The Company is in debt to the Creditors in the aggregate amount of HK\$780 million and approximately RMB119.27 million for outstanding loans. As the Group has liquidity issue, the Company considers that the Debt Capitalisation will enable the Group to settle the outstanding debt owed to the Creditors and allow the Group to save its cash resources for other uses.

For the reason above, the Directors (excluding the Interested Directors and the independent non-executive Directors (whose view will be provided after taking into account the advice of the Independent Financial Adviser)) consider that the Debt Capitalisation is in the interest of the Company and its Shareholders as a whole.

As the Capitalisation Shares will be issued to settle the outstanding debt owed to the Creditors, no cash proceeds will be generated through the issue.

INFORMATION ON THE PARTIES

The Company

The principal activities of the Group are to provide a full range of products and services for daily life, including household appliances, food and beverages, clothing, shoes and bags, household decoration, daily necessities, maternity and baby toys, cosmetics and personal cares, etc., and provides home-delivery services to consumers through professionals. The business strategy centered on entertainment, low price, service and technology meets the full range of consumption and service needs of household users, so that every household can obtain better products and services with lower prices.

The First Creditor

The First Creditor is a company incorporated in British Virgin Islands and wholly-owned by Mr. Wong. It is principally engaged in investment holding business.

The Second Creditor

The Second Creditor is a company incorporated in Hong Kong and wholly-owned by Mr. Wong. It is principally engaged in investment holding business.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wong is interested in approximately 10.74% of the issued Shares. Accordingly, each of the Creditors (wholly-owned by Mr. Wong) is an associate of Mr. Wong and a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the Debt Capitalisation constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Debt Capitalisation is subject to the satisfaction of the conditions to the Agreement, the Debt Capitalisation may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

(2) PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board also proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM.

Existing General Mandate

At the annual general meeting of the Company held on 27 May 2022, the Shareholders approved, among other things, the grant of the Existing General Mandate which authorised the Directors to allot, issue and deal with not more than 6,751,308,839 new Shares, being 20% of the issued share capital of the Company of 33,756,544,199 Shares as at the date of the annual general meeting.

Proposed Refreshment of General Mandate

Subject to the Independent Shareholders' approval of the Proposed Refreshment of General Mandate, and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the SGM, the Shares in issue as at the date of the SGM would be 39,781,900,199 Shares, which means that under the Proposed Refreshment of General Mandate, the Directors would be authorised to allot, issue and deal with not more than 7,956,380,039 new Shares, representing 20% of the Shares in issue as at the date of this announcement. The Proposed Refreshment of General Mandate will, if granted, expire at the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws and regulations of the Cayman Islands to be held; or (iii) the date on which the authority set out in the resolution for the approval of the Proposed Refreshment of General Mandate is revoked or varied by the passing of an ordinary resolution of the Shareholders in general meeting.

Reasons for the Proposed Refreshment of General Mandate

As at the date of this announcement, since the grant of the Existing General Mandate, 6,025,356,000 Shares have been issued under such mandate.

On 30 June 2022, a total of 1,962,500,000 new Shares have been successfully placed at the placing price of HK\$0.40 per Share to not less than six independent placees pursuant to the terms and conditions of the placing and subscription agreement dated 28 June 2022 entered into by the Company. For details, please refer to the announcements of the Company dated 28 June 2022 and 6 July 2022.

On 9 January 2023, the Company issued 4,062,856,000 new Shares to Trans Asia Inter Capital Limited, a then creditor of the Company, at HK\$0.1023 per Share pursuant to the terms and conditions of the agreement dated 30 December 2022 entered into between the Company and Trans Asia Inter Capital Limited in respect of the capitalisation of the debt owed by the Group to Trans Asia Inter Capital Limited. For details, please refer to the announcement of the Company dated 2 January 2023.

The allotment and issuance of a total of 6,025,356,000 new Shares as aforementioned utilised approximately 89% of the total number of Shares to be allotted and issued under the Existing General Mandate and 725,952,839 Shares may be further issued under the Existing General Mandate.

As the Existing General Mandate has been almost fully utilised and the next annual general meeting of the Company is expected to be held in June 2023, the Proposed Refreshment of General Mandate will provide flexibility for the Company to issue new Shares before the forthcoming annual general meeting. While the Company has not formulated any concrete plan for raising capital or capitalisation of debts by issuing new Shares under the Proposed Refreshment of General Mandate, the Proposed Refreshment of General Mandate will enable the Company to capture better timing for fund raising before the next annual general meeting.

Having considered the above reasons, the Directors (excluding the independent non-executive Directors whose view will be provided after taking into account the advice of the Independent Financial Adviser) consider that the Proposed Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

As the Proposed Refreshment of General Mandate is to be proposed to the Shareholders prior to the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of an ordinary resolution at the SGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao, has been established to (i) consider the terms of the Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the aforesaid transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) consider the terms of the Proposed Refreshment of General Mandate and advise the Independent Shareholders as to whether the terms of the Proposed Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Debt Capitalisation and the Proposed Refreshment of General Mandate.

GENERAL

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, (i) the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate; and (ii) the Proposed Refreshment of General Mandate. A circular containing (i) details of the Agreement and the transactions contemplated thereunder; (ii) details of the Proposed Refreshment of General Mandate; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; and (v) the notice of the SGM and a proxy form, is expected to be despatched to the Shareholders on or before 10 March 2023 as additional time is required to finalise the contents of the circular.

Voting at the SGM will be conducted by way of poll. Pursuant to Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in the transaction must abstain from voting on the resolution. Accordingly, Mr. Wong and his associates (including the Creditors) shall abstain from voting on the proposed resolutions to approve the Agreement and the transactions contemplated thereunder at the SGM.

Further, according to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve any refreshments of the general mandate.

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Company has no controlling shareholders. As a result, Ms. Huang Xiu Hong, being an executive Director, together with her associates, are required to abstain from voting in favour of the ordinary resolution regarding the Proposed Refreshment of General Mandate at the SGM.

At the Board meeting held to approve the Agreement, each of Mr. Zou Xiao Chun (who is a Director originally nominated by Mr. Wong's associate), Ms. Huang Xiu Hong (who is the sister of Mr. Wong) and Ms. Dong Xiao Hong (who holds senior management roles in various companies controlled by Mr. Wong and/or its associate) (i.e. the Interested Directors) is considered to be interested in the transactions contemplated thereunder, and has abstained from voting at the Board meeting in respect of the resolutions proposed to approve the Agreement. Save as disclosed, none of the Directors was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Agreement”	the agreement dated 18 January 2023 among the Company, the First Creditor and the Second Creditor relating to the Debt Capitalisation;
“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Capitalisation Share(s)”	7,980,539,000 new Shares;
“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);
“Creditors”	the First Creditor and the Second Creditor, collectively;
“Debt Capitalisation”	the capitalisation of the debt owed by the Group to the Creditors;
“Director(s)”	the director(s) of the Company;
“Existing General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the annual general meeting of the Company held on 27 May 2022 to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the annual general meeting (being 6,751,308,839 Shares);
“First Creditor”	Shinning Crown Holdings Inc., a company incorporated in British Virgin Island and wholly-owned by Mr. Wong;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Interested Directors”	Mr. Zou Xiao Chun, Ms. Huang Xiu Hong and Ms. Dong Xiao Hong;
“Issue Price”	HK\$0.115 per Capitalisation Share;

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder and the Proposed Refreshment of General Mandate;
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and the Proposed Refreshment of General Mandate and to make recommendations on voting;
“Independent Shareholders”	(in respect of the Agreement and the Debt Capitalisation) Shareholders other than Mr. Wong and his associates, and (in respect of the Proposed Refreshment of General Mandate) Shareholder(s) other than the controlling shareholders and their associates or, if there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and their respective associates;
“Last Trading Day”	17 January 2023, being the last full trading day in the Shares prior to the date of the Agreement;
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Wong”	Mr. Wong Kwong Yu;
“PRC”	the People’s Republic of China;
“Proposed Refreshment of General Mandate”	the new general mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at date of passing of the relevant resolution;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Creditor”	GOME Management Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Wong;
“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong);

“SGM”	the special general meeting of the Company to be convened to approve (i) the Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (ii) the Proposed Refreshment of General Mandate;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the Capitalisation Shares;
“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, 18 January 2023

As at the date of this announcement, the board of directors of the Company 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.*