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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)

PARTIAL SETTLEMENT OF OUTSTANDING BONDS

Partial settlement of the Bonds

Reference is made to the announcements of the Company dated 28 May 2020, 30 June 2020, 29 April 2021 and 30 June 2023 in relation to the issue of the Bonds. The Bonds matured on 30 June 2023 and as of the date of this announcement, the Bonds remain outstanding.

On 27 December 2023, the Company, GOME Appliances and the Vendor entered into the Agreement with the Purchaser and the Bondholder on the partial settlement of the Bonds by way of (i) the Equity Transfer, and (ii) the Conversion.

Listing Rules implications

The Equity Transfer constitutes a transaction of the Company under Chapter 14 of the Listing Rules. As all the applicable ratios in respect of the Equity Transfer are below 5%, the Equity Transfer does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Conversion is being made under the terms of the Bonds. This announcement is made by the Company on a voluntary basis.

BACKGROUND

On 28 May 2020, the Company entered into a subscription agreement with the Subscriber under which the Subscriber agreed to subscribe for 5% convertible bonds due 2023 issued by the Company in the principal amount of US\$100,000,000. On 30 June 2020, the Company issued the Bonds. The Bonds matured on 30 June 2023 and the Bonds remain outstanding as at the date of this announcement.

THE AGREEMENT

On 27 December 2023, the Company and two of its subsidiaries, GOME Appliances and the Vendor, entered into the Agreement with the Purchaser and the Bondholder in relation to the partial settlement of the Bonds. The salient terms of the Agreement are summarised below:

The Equity Transfer

The Vendor will sell the Sale Shares, representing 21.6495% of the equity interest in the Target Company, to the Purchaser.

Consideration

The consideration for the Equity Transfer is RMB105,000,000. The consideration was determined after arm's length negotiations between the parties with reference to book value recorded by the Company and the latest financial performance of the Target Company.

The consideration will be applied in full to settle an equivalent amount of the Bonds.

Conditions

Completion of the Equity Transfer is conditional upon the satisfaction or waiver by the Purchaser of the following conditions within 30 days of the date of the Agreement:

- (1) the Agreement and other transaction documents related to the transactions have been properly executed;
- (2) the Vendor has used its best reasonable efforts to provide the documents for the Purchaser's due diligence on the Target Company;
- (3) the Vendor has passed a partnership resolution approving and authorising the Vendor to execute and deliver the Agreement and other transaction documents and to complete the transactions contemplated thereunder;
- (4) the Purchaser has obtained internal approval for the execution of the Agreement;
- (5) the Target Company and its existing shareholders (other than the Vendor) have executed a shareholders' agreement with the Purchaser under which the Purchaser will inherit all the rights and obligations of the Vendor in the Target Company;
- (6) the Target Company has passed shareholders' resolutions and board resolutions approving the transaction and other related matters in respect of the change of shareholders, including the appointment of one director nominated by the Purchaser to the board of the Target Company;
- (7) the Target Company has completed the industrial and commercial filing for the Equity Transfer and the appointment of the director nominated by the Purchaser to the board of directors of the Target Company;
- (8) the register of members of the Target Company has been amended to reflect the Purchaser as the shareholder of the Sale Shares;

- (9) the representations and warranties made by the Company and GOME Appliances under the Agreement remain true, accurate, complete and not misleading;
- (10) there has been no event in relation to the Target Company and the Sale Shares that would prevent the transactions contemplated under the Agreement to be completed; there has been no judgments, awards or rulings, decision or injunction by Chinese laws, courts, arbitration institutions or relevant government departments that restrict, prohibit or cancel the transactions contemplated;
- (11) the Company and GOME Appliances have not been in breach of any provisions stipulated in the transaction documents;
- (12) the Sale Shares are free of any encumbrances, charges or title defects as of closing;
- (13) the Company has not been subject to any winding-up and liquidation application by any party as at closing; and
- (14) the Company and GOME Appliances have issued a written certificate to the Purchaser at closing on the fulfillment of the conditions (other than conditions (2) and (4)).

Conversion

Upon completion of the Equity Transfer and no earlier than 17 February 2024, the Bondholder will convert total amounts of the Bonds payable equivalent to the amount of RMB145,000,000 into Shares in accordance with the terms of the Bonds (with reference to the official exchange rate as defined in the Agreement). Based on the adjusted conversion price of HK\$1.24, an aggregate of 128,640,000 Conversion Shares will be issued to the Bondholder (based on exchange rate at the date of this Announcement). The Conversion Shares represent approximately 0.27% of the existing issued share capital of the Company and approximately 0.27% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

On the assumption that there have been no changes to the number of Shares in issue between the date of the Agreement and the issue of the Conversion Shares, the effect on the shareholding of the Company upon completion of the issue of the Conversion Shares is set out below:

Shareholders	Shareholding as at the date of this announcement		Shareholding after completion of the issue of the Conversion Shares	
	Shares	% of shareholding	Shares	% of shareholding
Mr. Wong and parties acting in concert with it	6,651,152,602	13.93%	6,651,152,602	13.89%
The Bondholder	–	–	128,640,000	0.27%
Other public shareholders	41,111,286,597	86.07%	41,111,286,597	85.84%
Total	<u>47,762,439,199</u>	<u>100.00%</u>	<u>47,891,079,199</u>	<u>100.00%</u>

Other terms

Waiving of accrued interest

Upon completion of the Equity Transfer and the Conversion, the total amount of the Bonds payable (including accrued interest) will be reduced by an amount equivalent to RMB250,000,000. For the purpose of the Agreement, interest accrued on the RMB250,000,000 under the Bonds will be suspended from the date of the Agreement becoming effective, and if the transactions are completed as contemplated, the accrued interest in respect of the RMB250,000,000 will be waived from the date of the Agreement becoming effective.

Standstill arrangements

The Purchaser and the Bondholder agree and undertake that upon completion of the transactions contemplated under the Agreement and for the six months thereafter, the Purchaser and the Bondholder will not, and will procure JD.com International Limited and its associates not to, file any petitions for the winding-up of the Company, nor file any claims against the Company in respect of the Bonds. The parties will work in good faith during the period for a resolution on the settlement of the Bonds.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in May 2016. It is owned as to 21.6495% by the Vendor, as to 48.1953% by 惠州酷友網絡科技有限公司 (Huizhou Kuyou Network Technology Co., Ltd.*), as to 24% by 惠州聯動投資合夥企業(有限合夥) (Huizhou Linkage Investment Partnership (Limited Partnership)*), and as to 6.1552% by 惠州鐵粉投資合夥企業(有限合夥) (Huizhou Tiefen Investment Partnership (Limited Partnership)*), which are independent third parties to the Company. The Target Company is ultimately controlled by TCL Industries Holding Co., Ltd. and is principally engaged in the business of installation and warranty services for electrical appliances.

The Target Company is currently being accounted as an associate of the Company.

Set out below is the consolidated financial information of the Target Company for the two years ended 31 December 2022 prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net profit before taxation	15,710	5,902
Net profit after taxation	15,556	5,860

The unaudited net asset value of the Target Company as at 31 December 2022 was deficit of approximately RMB22,576,000.

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately RMB13 million, which is calculated by reference to the carrying value of the Target Company as at 31 December 2022.

Upon completion of the Equity Transfer, the Group will cease to have any interest in the Target Company.

REASONS FOR THE TRANSACTIONS

The transactions contemplated under the Agreement are being carried out to allow the Company to repay part of the Bonds and enable the Company to continue to discuss with the Bondholders in good faith on a resolution to settle the Bonds.

As the transactions under the Agreement are being carried out after arm's length negotiations and on normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the transactions are fair and reasonable and in the interests of the Company and all the stakeholders as a whole.

LISTING RULES IMPLICATIONS

The Equity Transfer constitutes a transaction of the Company under Chapter 14 of the Listing Rules. As all the applicable ratios in respect of the Equity Transfer are below 5%, the Equity Transfer does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Conversion is being made under the terms of the Bonds. This announcement is made by the Company on a voluntary basis.

INFORMATION ON THE PARTIES

The Company

The Company is a limited liability company incorporated in Bermuda and is principally engaged in the retail of electrical appliances and consumer electronic products in the PRC.

GOME Appliances

GOME Appliances is a limited liability company established in the PRC and is principally engaged in the retail of electrical appliances in the PRC. It is a subsidiary of the Company.

The Vendor

The Vendor is a limited partnership established in the PRC and is principally engaged in the business of investment holding. It is ultimately controlled by the Company.

The Purchaser

The Purchaser is a limited liability company established in the PRC. It is principally engaged in the business of investment holding and is ultimately controlled by JD.com, Inc, a company that is principally engaged in the e-commerce business, the shares of which are listed on the Stock Exchange and NASDAQ.

The Bondholder

The Bondholder is a limited liability company incorporated in the British Virgin Islands. It is principally engaged in the business of investment holding. It is an associate of the Subscriber and is ultimately controlled by JD.com, Inc.

The Subscriber

The Subscriber is a limited liability company incorporated in Hong Kong and is principally engaged in investment holding and e-commerce business, it is a wholly-owned subsidiary of JD.com, Inc.

To the best knowledge of the Directors, having made reasonable enquiry, the Purchaser, the Subscriber and Danube and their ultimate beneficial owners are not connected persons of the Company.

DEFINITIONS

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

“Agreement”	the agreement dated 27 December 2023 entered into between the Company, GOME Appliances, the Vendor, the Purchaser and the Bondholder;
“Board”	the board of directors of the Company;
“Bonds”	5% conversion bonds due 2023 in the principal amount of US\$100,000,000 issued by the Company on 30 June 2020;
“Bondholder”	Danube Innovation Limited, a limited liability company incorporated in the British Virgin Islands;
“Company”	GOME Retail Holdings Limited, a company incorporated in the Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 493);
“connected person”	has the meaning ascribed to it under the Listing Rules;

“Conversion”	the conversion of the total accounts of the Bonds payable equivalent to the principal amount of RMB145,000,000 by the Bondholder into Conversion Shares;
“Conversion Shares”	Shares to be issued by the Company upon the Conversion;
“Director(s)”	the director(s) of the Company;
“Equity Transfer”	the transfer of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement;
“GOME Appliances”	國美電器有限公司 (GOME Appliances Co., Ltd.*), a limited liability established in the PRC, a subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	江蘇京東邦能投資管理有限公司 (Jiangsu Jingdong Bangneng Investment Management Co., Ltd.*), a limited liability company established in the PRC;
“Target Company”	深圳十分到家服務科技有限公司 (Shenzhen Shifen Daojia Services Technology Co., Ltd.*), a limited liability company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	21.6495% of the registered capital of the Target Company;
“Shares”	ordinary shares of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Subscriber”	JD.com International Limited;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Vendor” 寧波梅山保稅港區國美信盛達創業投資合夥企業(有限合夥) (Ningbo Meishan Bonded Port Area GOME Shengda Venture Capital Investment Partnership (Limited Partnership*), a limited partnership established in the PRC, a subsidiary entity of the Company; and

“%” per cent.

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

Hong Kong, 27 December 2023

As at the date of this announcement, the Board comprises Mr. Zou Xiao Chun and Mr. Song Lin Lin as executive directors; Mr. Zhang Da Zhong and Ms. Dong Xiao Hong as non-executive directors; and Ms. Liu Hong Yu, Mr. Wang Gao and Mr. Lui Wai Ming as independent non-executive directors.