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## **GOME ELECTRICAL APPLIANCES HOLDING LIMITED**

**國美電器控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 493)**

**Lead Manager**

**J.P.Morgan**

### **PROPOSED ISSUE OF RMB DENOMINATED USD SETTLED 3% COUPON CONVERTIBLE BONDS DUE 2014 CONVERTIBLE INTO ORDINARY SHARES OF GOME ELECTRICAL APPLIANCES HOLDING LIMITED**

#### **PROPOSED ISSUE OF RMB DENOMINATED USD SETTLED 3% COUPON CONVERTIBLE BONDS DUE 2014**

The Board is pleased to announce that on 23 September 2009, the Company entered into the Bonds Subscription Agreement with the Lead Manager, pursuant to which the Lead Manager agreed to subscribe and pay for the Firm Bonds to be issued by the Company in an initial aggregate principal amount of RMB2,050 million, to be settled in US Dollars. In addition, the Company has granted to the Lead Manager an option to require the Company to issue the Optional Bonds in whole or in part, or one or more occasions up to a further aggregate principal amount of RMB340 million, to be settled in US Dollars, exercisable on one or more occasions, in whole or in part, at any time on or before the thirtieth day after the Closing Date.

Based on an initial Conversion Price of HK\$2.838 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 955,915,785 Shares (being the aggregate of 819,927,766 Shares to be converted from the Firm Bonds and 135,988,019 Shares from the Optional Bonds), representing approximately 6.35% of the issued share capital of the Company as at the date of this announcement and approximately 5.97% of the issued share capital of the Company as enlarged by the full conversion of the Bonds, assuming that there is no conversion of the 2014 Convertible Bonds and the 2016 Convertible Bonds, and the outstanding Warrants are not exercised. The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

**Completion of the Bonds Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Bonds Subscription Agreement may be terminated in certain circumstances. Please refer to the Section headed “Bonds Subscription Agreement” below for further information.**

**As the Bonds Subscription Agreement may or may not complete, potential investors are advised to exercise caution when dealing in the Shares.**

The Bonds will be offered and sold to persons whose ordinary business involves buying selling or investing in securities outside the United States in reliance upon Regulation S of the US Securities Act of 1933 (as amended). None of the Convertible Bonds will be offered to the public in Hong Kong nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company.

An application has been made to the Singapore Stock Exchange for the listing of the Bonds. The Company will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The gross proceeds from the Bonds is US\$300.2 million (US\$350.0 million if including the Optional Bonds), and the Company will receive net proceeds in the amount of US\$293.4 million from the Bond Issue (US\$342.2 million if including the Optional Bonds). The proceeds from the Bonds will be used for redemption and repurchase of the 2014 Convertible Bonds and for the Group’s general corporate purposes.

## **BONDS SUBSCRIPTION AGREEMENT**

Date: 23 September 2009

Parties: The Company

The Lead Manager

Subject to the fulfillment of the conditions set out below under the section headed “Conditions Precedent of the Bonds Subscription Agreement”, the Lead Manager has agreed to subscribe and pay for the Firm Bonds with an initial aggregate principal amount of RMB2,050 million, to be settled in US Dollars. In addition, the Company has granted to the Lead Manager an option to require the Company to issue the Optional Bonds up to a further aggregate principal amount of RMB340 million, to be settled in US Dollars, exercisable on one or more occasions, in whole or in part, at any time on or before the thirtieth day after the Closing Date. Accordingly, the maximum aggregate principal amount of the Bonds to be issued will be RMB2,390 million, to be settled in US Dollars.

Based on an initial Conversion Price of HK\$2.838 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 955,915,785 Shares (being the aggregate of 819,927,766 Shares to be converted from the Firm Bonds and 135,988,019 Shares from the Optional Bonds), representing approximately 6.35% of the issued share capital of the Company as at the date of this announcement and approximately 5.97% of the issued share capital of the Company as enlarged by the full conversion of the Bonds, assuming that there is no conversion of the 2014 Convertible Bonds and the 2016 Convertible Bonds, and the outstanding Warrants are not exercised. The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

The Bonds will be offered and sold outside the United States in reliance upon Regulation S of the Securities Act. None of the Bonds will be offered to the public in Hong Kong nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company.

The Bonds will be offered and sold to not less than six persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the Securities Act. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the placees (and their respective ultimate beneficial owners) are and will be independent of the Company and its connected persons.

### **Lock-up Undertaking**

The Company has, among other things, undertaken with the Lead Manager that no member of the Group or any person acting on any of their behalf will (a) issue, offer, sell, lend, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Lead Manager between the date hereof and the date which is 90 days after the Closing Date or (if later) the Option Closing Date (both dates inclusive), except for the Bonds, the Conversion Shares issued on conversion of the Bonds, Shares issued pursuant to the Warrants, the conversion of the 2014 Convertible Bonds and the 2016 Convertible Bonds, and the Share Option Scheme.

### **Conditions Precedent of the Bonds Subscription Agreement**

Completion of the Bonds Subscription Agreement is conditional upon, among other things:

- (i) the execution and delivery (on or before the Closing Date) of the trust deed and a paying and conversion agency agreement in connection with the Bond Issue, each in a form reasonably satisfactory to the Lead Manager and the Company;

- (ii) upon the date of the Bonds Subscription Agreement and on the Closing Date and the Option Closing Date (if any), there having been delivered to the Lead Manager comfort letters, in form and substance satisfactory to the Lead Manager, dated the date of the Offering Circular in the case of the first letter and dated the Closing Date and the Option Closing Date (if any) in the case of the subsequent letters, and addressed to the Lead Manager from Ernst & Young, Certified Public Accountants to the Company;
- (iii) at the Closing Date and the Option Closing Date (if any):
  - (a) the representations and warranties of the Company in the Bonds Subscription Agreement being true, accurate and correct at, and as if made on such date;
  - (b) the Company having performed all of its obligations under the Bonds Subscription Agreement to be performed on or before such date; and
  - (c) there having been delivered to the Lead Manager a certificate dated as of such date, of a duly authorised officer of the Company, confirming amongst others matters that there has been no change (nor any development or event involving a prospective change) which is materially adverse to the financial condition, prospects or results of operations of the Company or of the Group from that set out in the Preliminary Offering Circular and the Offering Circular;
- (iv) on or prior to the Closing Date there having been delivered to the Lead Manager copies of all consents and approvals (if any) required in relation to the issue of the Bonds and the performance of its obligations under the trust deed, the paying and conversion agency agreement in relation to the Bond Issue, and the Bonds;
- (v) on the date of the Bonds Subscription Agreement, there having been delivered to the Lead Manager a certificate of no default dated as of such date, of a duly authorised officer of the Company;
- (vi) the Hong Kong Stock Exchange having agreed to list the Conversion Shares upon conversion of the Bonds and the Singapore Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Lead Manager, to list the Bonds; and
- (vii) on or prior to the Closing Date and the Option Closing Date (if any), there having been delivered to the Lead Manager, each in a form and substance reasonably satisfactory to the Lead Manager, legal opinions from Bermuda counsel to the Company, and English and PRC counsels to the Lead Manager, dated the Closing Date and in the case of the Optional Bonds, such Option Closing Date (if any), and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Lead Manager has reasonably previously requested in respect of the Bond Issue prior to the date of the Bonds Subscription Agreement.

The Lead Manager may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions precedent.

If any of the conditions precedent is not satisfied or waived by the Lead Manager on or prior to the Closing Date or the Option Closing Date (if any), as the case may be, the Bonds Subscription Agreement will terminate and be of no further effect and no party will be under any liability to any other parties in respect of the Bonds Subscription Agreement except otherwise provided therein.

## Termination

The Lead Manager may, by written notice to the Company given at any time prior to the time set out in the Bonds Subscription Agreement for payment of the net subscription monies for the Firm Bonds or the Option Bonds (if any) to the Company, terminate the Bonds Subscription Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Lead Manager any
  - (i) breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Bonds Subscription Agreement or
  - (ii) any failure to perform any of the Company's undertakings or agreements in the Bonds Subscription Agreement (save where such failure will not result in a Material Adverse Effect);
- (b) if any of the conditions precedent specified in the Bonds Subscription Agreement has not been satisfied or waived by the Lead Manager on or prior to the Closing Date or the Option Closing Date, as the case may be;
- (c) if in the opinion of the Lead Manager (after prior consultation with the Company), any facts that are not public on the date of the Bonds Subscription Agreement becomes public or any new developments occur or are threatened with respect to the actions of Wong Kwong Yu and/or Du Juan that have an adverse effect or prospective adverse effect on the Company, provided that in the opinion of the Lead Manager such information or event is likely to prejudice materially the success of the offering of the Bonds outside the United States in reliance upon Regulation S of the Securities Act and distribution of the Bonds or dealings in the Bonds in the secondary market;
- (d) if in the opinion of the Lead Manager there shall have been, since the date of the Bonds Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view (after prior consultation with the Company), be likely to prejudice materially the success of the offering of the Bonds outside the United States in reliance upon Regulation S of the Securities Act and distribution of the Bonds or dealings in the Bonds in the secondary market;
- (e) if, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Hong Kong Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, NASDAQ and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Hong Kong Stock Exchange and/or the Singapore Stock Exchange for more than five Trading Days; (iii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong, Singapore and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong, Singapore or the United Kingdom; or (iv) a change or development involving a prospective

change in taxation affecting the Company, the Bonds and the Shares to be issued upon conversion of the Bonds or the transfer thereof (save, in the case of (e)(i) to (e)(iv) herein, such a change or development will not result in a Material Adverse Effect); or

- (f) if, in the opinion of the Lead Manager, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view (after prior consultation with the Issuer) be likely to prejudice materially the success of the offering of the Bonds outside the United States in reliance upon Regulation S of the Securities Act and distribution of the Bonds or dealings in the Bonds in the secondary market.

Upon such notice being given the Bonds Subscription Agreement shall terminate and be of no further effect and no party shall be under any liability to any other in respect of the Bonds Subscription Agreement, except otherwise provided therein.

Subject to the foregoing, completion of the subscription and issue of the Firm Bonds will take place on the Closing Date.

The Directors consider that the terms and conditions of the Bonds Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

**PRINCIPAL TERMS OF THE BONDS**

The principal terms of the Bonds are summarised as follows:

- Issuer: The Company.
- Principal amount of the Bonds: The aggregate principal amount of the Firm Bonds will be RMB2,050 million, to be settled in US Dollars. In addition, the Company has granted to the Lead Manager an option to require the Company to issue the Optional Bonds up to a further aggregate principal amount of RMB340 million, to be settled in US Dollars exercisable on one or more occasions, in whole or in part, at any time up to and including the thirtieth day after the Closing Date. Accordingly, the maximum aggregate principal amount of the Bonds to be issued will be RMB2,390 million, to be settled in US Dollars.
- Issue Price: 100% of the principal amount of the Bonds.
- Interest: 3% per annum.

**Conversion period:** Bondholder(s) may exercise conversion rights at any time on or after 5 November 2009 up to 3 pm (at the location of the conversion agent with which the certificate evidencing such Bond is deposited for conversion) on the business day falling on or immediately prior to the 10th day prior to the Maturity Date; or if such Bond shall have been called for redemption by the Company prior to the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.

**Conversion Price:** The initial Conversion Price will be HK\$2.838 per Share, representing (i) a premium of approximately 29% over the closing price of HK\$2.20 per Share as quoted on the Hong Kong Stock Exchange on 22 September 2009, which is the Trading Day prior to the Bonds Subscription Agreement being signed, (ii) a premium of approximately 33.5% over the average of the closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 5 Trading Days up to and including 22 September 2009 of HK\$2.126 per Share and (iii) a premium of approximately 30.5% over the average of the closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 10 Trading Days up to and including 22 September 2009 of HK\$2.175 per Share respectively.

The Conversion Price is subject to adjustment upon the occurrence of certain prescribed events including, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, a modification of conversion rights, other offers to shareholders of the Company, or if the Company determines that an adjustment is reasonable. The Conversion Price may not be reduced so that, on conversion of the Bonds, Shares would be issued at a discount to their nominal value.

**Ranking of Shares:** The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

**Maturity:** Unless previously redeemed, converted or repurchased and cancelled as provided in the terms and conditions of the Bonds, the Company will redeem each Bond at US dollar equivalent of its RMB principal amount multiplied by 106.318% on 25 September 2014.

Redemption for taxation reasons:	The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice will be irrevocable) in accordance with the terms and conditions of the Bonds at the US dollar equivalent of their Early Redemption Amount together with interest accrued to the date fixed for redemption, if (i) the Company satisfies the trustee immediately prior to the giving of such notice that the Company has or will become obliged to pay additional tax amounts as provided or referred to in the terms and conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 23 September 2009, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no tax redemption notice will be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.
Redemption at option of the Company:	<p>On giving not less than 30 nor more than 90 days' notice to the of the Company Bondholders and the trustee (which notice will be irrevocable), the Company:</p> <p>(i) may at any time after 25 September 2012 and prior to the Maturity Date redeem all, but not some only, of the Bonds for the time being outstanding at the US dollar equivalent of their Early Redemption Amount as at the date fixed for redemption together with interest accrued to the date fixed for redemption, provided that the closing price of the Shares (as derived from the daily quotations sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange), translated into RMB at the prevailing rate applicable to the relevant Trading Day, for 30 consecutive Trading Days prior to the date upon which notice of such redemption is published was at least 130 per cent. of the Early Redemption Amount divided by the conversion ratio; or</p> <p>(ii) may at any time prior to the Maturity Date redeem all, but not some only, of the Bonds for the time being outstanding at the US dollar equivalent of their Early Redemption Amount together with interest accrued to the date fixed for redemption provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any Optional Bonds) has already been converted, redeemed or purchased and cancelled.</p>
Redemption at option of the Bondholder(s):	The Company will, at the option of the holder of any Bond redeem all or some only of such holder's Bonds on 25 September 2012 at the US dollar equivalent of 103.634 per cent. of their RMB principal amount together with interest accrued to the date fixed for redemption.



A put notice, once delivered, will be irrevocable and may not be withdrawn without the Company's consent. No fewer than 30 nor more than 45 days' notice of the commencement of the period in which the put option may be exercised pursuant to the terms and conditions of the Bonds shall be given by or on behalf of the Company to the Bondholders.

- Redemption for Delisting and the Change of Control: Following the occurrence of the following events:
- (i) when the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 Trading Days on the Hong Kong Stock Exchange or, if applicable, an Alternative Stock Exchange; or
  - (ii) when there is a Change of Control in the Company,
- the holder of each Bond will have the right by notice given to the Company not later than 60 days following any such event, or if later, 60 days following the giving of notice by the Company to the Bondholders of such event to require the Company to redeem all or some of such holder's Bonds on the 14th day following the expiry of such 60 day period at the US dollar equivalent of their Early Redemption Amount together with interest accrued to the date fixed for redemption.
- Voting rights: Before conversion of the Bonds, Bondholders will not have any right to attend or vote in any general meeting of the Company by virtue of their being Bondholders.
- Listing: An application has been made for the listing of and permission to deal in, the Bonds on the Singapore Stock Exchange.
- An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.
- Denomination: RMB100,000 each without coupons attached.
- Transferability: Other than during the Closed Period and subject to the terms of the paying and conversion agency agreement in relation to the Bonds Issue, the Bonds are freely transferable.
- Status: The Bonds constitute direct unsubordinated unconditional and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and will at all times rank pari passu and without any preference or priority among themselves.

## EFFECT ON THE SHARE CAPITAL

The following table summarises the shareholding structure of the Company as at the date of this announcement and as a result of conversion of the Bonds:

Name of Shareholder	As at the date of this announcement		Assuming the Firm Bonds (but not the Optional Bonds) are fully converted into Shares at the initial Conversion Price of HK\$2.838 each at a fixed exchange rate of HK\$1.1351=RMB1.00 and there is no conversion of the outstanding 2014 Convertible Bonds or the 2016 Convertible Bonds or exercise of the outstanding Warrants		Assuming the Firm Bonds and the Optional Bonds are fully converted into Shares at the initial Conversion Price of HK\$2.838 each at a fixed exchange rate of HK\$1.1351=RMB1.00 and there is no conversion of the outstanding 2014 Convertible Bonds or the 2016 Convertible Bonds or exercise of the outstanding Warrants		Assuming the Firm Bonds and the Optional Bonds are fully converted into Shares at the initial Conversion Price of HK\$2.838 each at a fixed exchange rate of HK\$1.1351=RMB1.00, the 2014 Convertible Bonds and the 2016 Convertible Bonds are fully converted into Shares, and the outstanding Warrants are fully exercised	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company
Mr. Wong Kwong Yu and associates	5,116,439,490	33.98%	5,116,439,490	32.23%	5,116,439,490	31.96%	5,116,439,490	26.67%
Mr. Chen Xiao	286,837,563	1.91%	286,837,563	1.81%	286,837,563	1.79%	286,837,563	1.50%
Holders of the Warrants	–	0.00%	–	0.00%	–	0.00%	108,790,252	0.57%
Holders of the 2014 Convertible Bonds <sup>Note (1)</sup>	–	0.00%	–	0.00%	–	0.00%	1,049,974,686	5.47%
Holders of the 2016 Convertible Bonds	–	0.00%	–	0.00%	–	0.00%	1,627,924,595	8.49%
Holders of share options under the Share Option Scheme <sup>Note (2)</sup>	–	0.00%	–	0.00%	–	0.00%	383,000,000	2.00%
Holders of the Bonds	–	0.00%	819,927,766	5.16%	955,915,785	5.97%	955,915,785	4.98%
Public Shareholders (other than the holders of the 2014 Convertible Bonds and the holders of the 2016 Convertible Bonds)	9,652,054,795	64.11%	9,652,054,795	60.80%	9,652,054,795	60.28%	9,652,054,795	50.32%
Total	15,055,331,848	100.00%	15,875,259,614	100.00%	16,011,247,633	100.00%	19,180,937,166	100.00%

Notes:

- (1) The current conversion price of the 2014 Convertible Bonds is HK\$4.46 per Share.
- (2) The earliest date on which the share options which have been granted under the Share Option Scheme are exercisable is 7 July 2010.

## **USE OF PROCEEDS**

The gross proceeds from the Bonds is US\$300.2 million (US\$350.0 million if including the Optional Bonds), and the Company will receive net proceeds in the amount of US\$293.4 million from the Bond Issue (US\$342.2 million if including the Optional Bonds). The proceeds from the Bonds will be used for redemption and repurchase of the 2014 Convertible Bonds and for the Group's general corporate purposes.

## **REASONS FOR AND BENEFITS OF THE BONDS ISSUE**

The issue and conversion of the Bonds will enlarge and diversify the shareholder base of the Company whilst providing an opportunity to raise further capital for the purposes as set out in the paragraph headed "Use of Proceeds" above.

Moreover, the issue of the Bonds would enable the Company to redeem or repurchase the 2014 Convertible Bonds.

The Company proposes to use part of the proceeds from the Bonds to redeem the 2014 Convertible Bonds in May 2010, when holders of the 2014 Convertible Bonds may choose to exercise their option to require the Company to redeem the 2014 Convertible Bonds.

In addition, the Company proposes to use part of the proceeds from the Bonds to repurchase a portion of the 2014 Convertible Bonds at around the same time as the issue of the Bonds to (a) enable certain holders of the 2014 Convertible Bonds, who have limits on their investment exposure to any individual listed company, to sell their 2014 Convertible Bonds pursuant to the repurchases conducted by the Company of the 2014 Convertible Bonds, and to subscribe the Bonds at the same time; and (b) give the Company the flexibility to take advantage of the current market condition to repurchase the 2014 Convertible Bonds with proceeds from the issue of the Bonds at a price lower than the price payable by the Company in May 2010, when holders of the 2014 Convertible Bonds may choose to exercise their option to require the Company to redeem the 2014 Convertible Bonds.

Where the proceeds from the Bonds are not used for the redemption or repurchase of the 2014 Convertible Bonds, such proceeds will be applied towards the general corporate purposes of the Group.

## **GENERAL MANDATE**

At the annual general meeting of the Company held on 30 June 2009, the Company granted a general mandate to the Directors to allot and issue up to 2,551,751,160 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the general mandate granted. As at the date of this announcement, the Company is entitled to issue up to 2,551,751,160 Shares pursuant to such general mandate. The Conversion Shares will be issued under the such general mandate.

## **FUND RAISING IN THE PAST 12 MONTHS**

Save for the open offer of shares made pursuant to the prospectus dated 13 July 2009 and the issue of the 2016 Convertible Bonds, the Company has not carried out any capital fund raising activities in the 12 months preceding the date of this announcement.

## **GENERAL**

The Group is principally engaged in the retailing of electrical appliances and electronic consumer products.

An application has been made to the Singapore Stock Exchange for the listing of the Bonds. The Shares are listed on the Hong Kong Stock Exchange and application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Bonds and the Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

None of the Bonds will be offered to the public in Hong Kong.

The Company will promptly notify the Hong Kong Stock Exchange upon becoming aware of any dealing in the Bonds by any connected person (as defined in the Listing Rules) of the Company.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms will have the following meaning:

“Alternative Stock Exchange”	:	at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the shares are then listed or quoted or dealt in
“Board”	:	board of directors of the Company
“Bond Issue”	:	issue of the Bonds
“Bondholder(s)”	:	holder(s) of the Bonds from time to time
“Bonds”	:	the Firm Bonds and the Optional Bonds
“Bonds Subscription Agreement”	:	the subscription agreement between the Company and the Lead Manager dated 23 September 2009 in respect of the subscription of the Bonds

“Change of Control”	:	occurs when
		<ul style="list-style-type: none"> <li>(i) any Person or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the date of issue of the Bonds;</li> <li>(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the assets of the Issuer to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or the successor entity; or</li> <li>(iii) one or more Persons (other than any Person referred to in sub-paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the issued share capital of the Company</li> </ul>
“Closed Period”	:	the period during which the Bondholder(s) may not require the transfer of a Bond to be registered
“Closing Date”	:	25 September 2009 or such later date as the Company and the Lead Manager may agree
“Company”	:	GOME Electrical Appliances Holding Limited
“Control”	:	the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“Conversion Price”	:	the price at which Shares will be issued upon conversion which will initially be HK\$2.838 per Share with a fixed exchange rate of HK\$1.1351 = RMB1.00 and will be subject to adjustment in the manner provided in the terms and conditions of the Bonds
“Conversion Shares”	:	Shares to be allotted and issued by the Company upon conversion of the Bonds
“Directors”	:	directors of the Company
“Early Redemption Amount”	:	in respect of each RMB100,000 principal amount of Bonds, an amount which represents for the Bondholder a gross yield of 4.15% per annum, calculated on a semi-annual basis up to the redemption date

“Firm Bonds”	:	the RMB denominated US Dollar Settled 3% Convertible Bonds due 2014 of an initial aggregate principal amount of RMB2,050 million, to be settled in US Dollars
“Group”	:	the Company and its subsidiaries
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“Hong Kong Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Lead Manager”	:	J. P. Morgan Securities Ltd.
“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Adverse Effect”	:	a material adverse effect on the financial condition, prospects or results of operations of the Company and any such member of the Group taken as a whole, or any adverse effect on the ability of the Company to perform its obligations under the Bonds or the trust deed and agency agreement entered into by the Company in relation to the Bonds, or which are otherwise material in the context of the issue, offering and distribution of the Bonds
“Maturity Date”	:	25 September 2014
“Offering Circular”	:	an offering circular dated 23 September 2009 for use in connection with the issue of the Bonds and the listing of the Bonds on the Singapore Stock Exchange
“Optional Bonds”	:	the additional RMB denominated US Dollar Settled 3% Convertible Bonds due 2014 of an aggregate principal amount of RMB340 million, to be settled in US Dollars
“Option Closing Date”	:	a date to be specified by the Lead Manager upon exercise of the option to subscribe for all or any of the Optional Bonds, being a date not later than 15 business days after the date of exercise of such option
“PRC” or “China”	:	the People’s Republic of China
“Person”	:	any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the board of directors of the Issuer or any other governing board and does not include the wholly-owned direct or indirect Subsidiaries of the Company

“Preliminary Offering Circular”	:	the Offering Circular in preliminary form dated 22 September 2009
“Regulation S”	:	Regulation S under the Securities Act
“RMB”	:	Renminbi, the lawful currency of the People’s Republic of China
“Securities Act”	:	the US Securities Act of 1933, as amended
“Singapore Stock Exchange”	:	the Singapore Exchange Securities Trading Limited
“Share Option Scheme”	:	the share option scheme of the Company approved by a general meeting of the shareholders of the Company on 15 April 2005
“Shares”	:	ordinary shares of HK\$0.025 each in the issued share capital of the Company
“Subsidiary” or “Subsidiaries”	:	of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to appoint directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws of Bermuda or Hong Kong, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person
“Trading Day”	:	a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and will be deemed not to have been dealing days when ascertaining any period of dealing days
“United States”	:	the United States of America
“US\$” or “USD” or “US Dollar”	:	United States dollars, the lawful currency of the United States
“Warrants”	:	the warrants entitling the holders thereto to subscribe up to the aggregate amount of US\$25,000,000 for new Shares issued by the Company on 28 February 2006
“2014 Convertible Bonds”	:	the zero coupon convertible bonds due 2014 issued by the Company on 18 May 2007

“2016 Convertible Bonds” : The 5% RMB denominated USD settled convertible bonds due 2016 issued by the Company on 3 September 2009

“%” : per cent.

By Order of the Board of  
**GOME Electrical Appliances Holding Limited**  
**Chen Xiao**  
*Chairman and President*

23 September 2009

*As at the date of this announcement, the Board of the Company comprises Mr. Chen Xiao, Mr. Ng Kin Wah, Mr. Wang Jun Zhou, Ms. Wei Qiu Li and Mr. Sun Yi Ding as executive directors; Mr. Zhu Jia, Mr. Ian Andrew Reynolds and Ms. Wang Li Hong as non-executive directors; and Mr. Sze Tsai Ping, Michael, Mr. Chan Yuk Sang and Mr. Thomas Joseph Manning as independent non-executive directors.*

\* *For identification purpose only*