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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)

CONNECTED TRANSACTION

THE ACQUISITION

The Board is pleased to announce that on 23 January 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares from the Vendors at an aggregate consideration of RMB900,000,000.

The Target Company is principally engaged in the business of mobile social data platform.

Upon completion of the Acquisition, the Purchaser will be interested in 60% of the Target Company. The Target Company will become a non wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

The Vendors are companies owned by the Controlling Shareholder and his associates. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements and exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board announces that on 23 January 2017, the Purchaser entered into the Agreement with the Vendors with respect to the Acquisition.

The Agreement

Date

23 January 2017

Parties

- (1) Purchaser: 北京匯海天韻商務諮詢有限公司(Beijing Huihai Tianyun Commercial Consultancy Co., Ltd.*), an indirect wholly owned subsidiary of the Company;
- (2) Vendors:
- (a) 北京鵬潤投資有限公司(Beijing Eagle Investment Co., Ltd.*);
 - (b) 多邊金寶商業有限公司(Duobian Jinbao Commercial Company Limited*);
 - (c) 天津國美互聯網資產交易中心有限公司(Tianjin GOME Internet Assets Exchange Centre Company Limited*); and
 - (d) 北京大康國際鞋城有限公司(Beijing Dakang International Shoes City Company Limited*).

Each of the Vendors is a company owned by the Controlling Shareholder and his associates and is a connected person of the Company.

Subject matter

The Purchaser has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell to the Purchaser the Sale Shares. The Sale Shares represent 60% of the existing registered capital of the Target Company.

Upon Completion, the Purchaser will hold 60% of the registered capital of the Target Company.

Consideration

Consideration for the acquisition of the Sale Shares

The consideration for the acquisition of the Sale Shares is RMB900,000,000 and was determined by the parties after arm's length negotiations with reference to, among other things, (i) the gross merchandise volume (GMV) of RMB1,179 million generated by the Target Company in 2016; (ii) the number of existing customers of the Target Company; (iii) the business prospects of the Target Company; and (iv) an asset valuation report of the Target Company issued by an independent asset valuer. The consideration will be payable by the Purchaser in one lump sum within 15 business days of Completion.

Conditions Precedent

Completion will be conditional upon the satisfaction of the following conditions:

- (a) the transactional documents becoming effective: (i) the Vendors having executed and delivered the documents in relation to the transfer of the Sale Shares to the Purchaser, (ii) the transactional documents being true, complete and legally effective, and (iii) the Target Company and the Vendors having complied in all respects their obligations under the transactional documents;
- (b) the Target Company having completed its internal approvals in respect of the transactions contemplated under the Acquisition, including, without limitation, the shareholders resolutions executed by the shareholders of the Target Company, the share transfer agreement and the revised articles of associations of the Target Company for the registration of the transfer with the administrative bureau for industry and commerce.

Completion

Completion will take place upon satisfaction of conditions (a) and (b) as set out above, the transfer of the equity interests of the Target Company to the Purchaser and completion of the change of business registration of the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in the business of mobile social data platform.

Financial Information of the Target Company

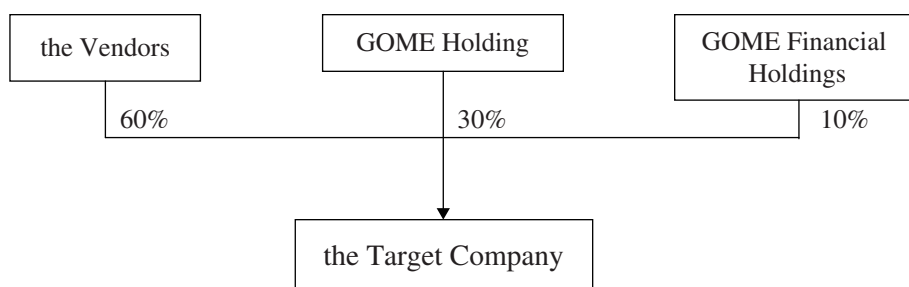
Set out below is the audited consolidated financial information of the Target Company for the two financial years ended 31 December 2015 and 2016 prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the year ended	
	31 December	
	2015	2016
	<i>RMB' million</i>	<i>RMB' million</i>
Loss before tax	(75.8)	(97.3)
Loss after tax	(75.8)	(97.3)

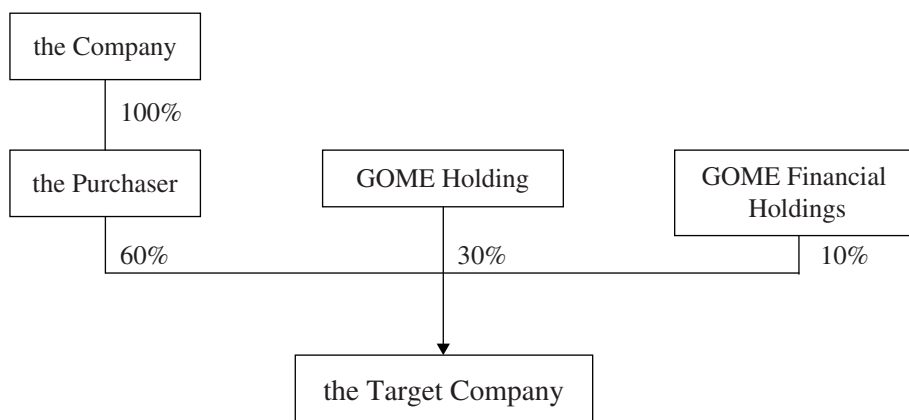
As at 31 December 2016, the consolidated net assets value of the Target Company was a deficit of RMB229.5 million.

Shareholding Structure of the Target Company

(i) Shareholding structure of the Target Company as at the date of this announcement:



(ii) Group structure of the Company and the Target Company upon Completion:



Upon Completion, the Purchaser will hold 60% of the registered capital of the Target Company. Accordingly, the Target Company will become a non wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated into the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

In the Internet era with the rise of the sharing economy, consumer demands have become more diversified, quality-oriented, and personalized. The ability to understand and adapt quickly to consumer desires under the new consumption model are the main challenges faced by retailers today. In the current new retail era, it is necessary for retailers to identify deeper consumer desires, and to promote value-added services to enhance the customer experience. In order to cultivate customer loyalty, extensive research and study of the consumption process of commercial merchandise, as well as exploration of correlations with other consumption scenarios are required. These can all be achieved through systematic filtering and analysis of big data.

The Group's new online-offline omni-channel retail model and offline scenario model have been implementing successfully. A data-platform company is indispensable for the Group as it builds its own specialized consumer database, and works to gain deeper understanding of consumption psychological thinking and behavior with sophisticated interactive mechanisms through the assimilation and analysis of user information. The Group will continue to conduct in-depth research and investment in fundamental data over the long term.

The Target Company was established by companies controlled by the Controlling Shareholder in 2015. It is an Internet and big data company with a sizable team of over 500 professionals. It is a specialized mobile social data platform with state-of-the art data-mining technology. Its core product is GOME Plus, an application based on a "Social + Commerce + Benefit Sharing" model. The Target Company is community-oriented and rebate sharing-centered; it provides a better online mobile social experience for consumers, and a more efficient sales platform for businesses in order to build a new consumer ecosystem. In addition to social commerce, the Target Company's future scope of business will also encompass areas such as workspaces, videos, games, advertising, and wealth management. The Target Company will enter these areas with GOME Plus as its carrier.

As its features and competitive edge, the Target Company uses base interactive platforms to analyse and enhance customer understanding by capturing in-depth insights into consumer psychological behavior, which are the core of the new retail strategy model. Additionally, based on the "Social + Commerce + Benefit Sharing" model, the Target Company is able to strengthen customer loyalty and experiences on value-added services. Therefore, the Acquisition is expected to significantly increase active users and GMV, and enhance the Group's new digital eco-platform.

The Group is innovating to further unify its online and offline products and membership, satisfy customer demands through technology and digital systems and to create full access to offline store orders. The Group aims to fulfill its strategic goal of creating a new retail consumer ecosystem through the extension of customized and personalized products and services from original products, a unification of network flow access points, and further optimization of the Group's online and offline integration. In order to optimize the Group's new retail business strategy, the Group has acquired 60% equity interest in the Target Company. Upon Completion, the Group will integrate with the Target Company in aspects of products, technology, users and retail channels, and solidify its linkage between online consumption and offline store experience. Through big data, the Internet, physical stores, and online-offline integration, the Group aims to improve data accessibility and information sharing, capitalize on mutual strengths and advantages, and build an entirely new consumer ecosystem.

The Group has considered constructing a relevant data platform on its own, and at the same time actively sought for acquisition targets in the market, after taking into account that (i) the construction and maintenance cost of its own platform is very high; and (ii) constructing a platform on its own requires longer time, which cannot generate economic benefits to the Group in the short term. According to the recent market research of the Group, (i) the valuations of similar companies in the market are generally higher; (ii) similar data-type companies are not able to meet the demands of the Group completely, in contrast, the Target Company is more suitable in meeting the requirements of the Group under the new retail development and online and offline integration.

After taking into account the above, the Directors (including the independent non-executive Directors but excluded Mr. Zou Xiao Chun, Ms. Huang Xiu Hong and Mr. Yu Sing Wong, who have abstained from voting because of their deemed interests in the transaction) are of the view that the Agreement was entered into on normal commercial terms and is fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company was incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange.

The Purchaser is an investment holding company incorporated in the PRC and is indirectly wholly-owned by the Company.

The Vendors are companies established in the PRC and are principally engaged in investment holding, gold and jewelry sale, internet operation and property leasing businesses.

POST-COMPLETION TRANSACTIONS

Upon Completion, the Target Company will become a connected subsidiary of the Company and transactions between the Group and the Target Company will become continuing connected transactions of the Company. The Company will comply with the requirements of the Listing Rules with respect to continuing connected transactions as and when required.

LISTING RULES IMPLICATIONS

The Vendors are companies owned by the Controlling Shareholder and his associates. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements and exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

At the Board meeting held to approve the Acquisition, each of Mr. Zou Xiao Chun, Ms. Huang Xiu Hong and Mr. Yu Sing Wong, who was nominated by the Controlling Shareholder as a Director, is considered to be interested in the Acquisition and have abstained from voting in respect of the resolutions proposed to approve such transaction.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

“Acquisition”	the Acquisition by the Purchaser of the Sale Shares as contemplated under the Agreement;
“Agreement”	the agreement dated 23 January 2017 entered into between the Purchaser and the Vendors;
“associate”	has the meaning ascribed to it under the Listing Rules;

“Board”	the board of directors of the Company;
“Company”	GOME Electrical Appliances Holding Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Acquisition;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder”	Mr. Wong Kwong Yu, the controlling shareholder of the Company;
“Director(s)”	the director(s) of the Company;
“GOME Holding”	國美控股集團有限公司(GOME Holding Group Company Limited*), a company established in the PRC, which is owned by the Controlling Shareholder and his associates;
“GOME Financial Holdings”	國美金控投資有限公司(GOME Financial Holdings Investment Company Limited*), a company established in the PRC, which is owned by the Controlling Shareholder and his associates;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Shareholders”	the Shareholders other than the Controlling Shareholder and his associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	北京匯海天韻商務諮詢有限公司(Beijing Huihai Tianyun Commercial Consultancy Co., Ltd.*), an indirect wholly owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sale Shares”	RMB30,000,000 in the existing registered capital of the Target Company, representing 60% of the registered capital of the Target Company;
“Shares”	ordinary shares of HK\$0.025 each in the share capital of the Company;
“Shareholders”	holders of the Shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	美信網絡技術有限公司(Meixin Network Technology Company Limited*) (together with its subsidiaries), a company incorporated in the PRC with limited liability;
“Vendors”	(a)北京鵬潤投資有限公司(Beijing Eagle Investment Co., Ltd.*), (b)多邊金寶商業有限公司(Duobian Jinbao Commercial Company Limited*), (c)天津國美互聯網資產交易中心有限公司(Tianjin GOME Internet Assets Exchange Centre Company Limited*), and (d)北京大康國際鞋城有限公司(Beijing Dakang International Shoes City Company Limited*), the vendors of the Sale Shares.

By Order of the Board
GOME Electrical Appliances Holding Limited
Zhang Da Zhong
Chairman

Hong Kong, 23 January 2017

As at the date of this announcement, the Board of the Company comprises Mr. Zou Xiao Chun as executive director; Mr. Zhang Da Zhong, Ms. Huang Xiu Hong and Mr. Yu Sing Wong as non-executive directors; and Mr. Lee Kong Wai, Conway, Mr. Ng Wai Hung, Ms. Liu Hong Yu and Mr. Wang Gao as independent non-executive directors.

* For identification purpose only.