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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

On 22 June 2009, (1) Jinan Wansheng, an indirect wholly-owned subsidiary of the Company, entered into the 2010 Management Agreement with Gome Retail, pursuant to which Jinan Wansheng will provide and will procure other members of the Group to provide management services to the Parent Group for a period of three years from 1 January 2010 to 31 December 2012, and (2) Kunming Hengda, another indirect wholly-owned subsidiary of the Company, entered into the 2010 Purchasing Service Agreement with Gome Retail, pursuant to which Kunming Hengda will provide purchasing services to the Parent Group for a period of three years from 1 January 2010 to 31 December 2012.

As Gome Retail is an associate of Mr. Wong, the transactions under the 2010 Management Agreement and the 2010 Purchasing Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the percentage ratios (other than profits ratio) in respect of the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement respectively is expected to be more than 0.1% and less than 2.5% on an annual basis, the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement will only be subject to the reporting and disclosure requirements set out in Rule 14A.34 of the Listing Rules and exempted from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 4 December 2006 in relation to, among others, the 2006 Management Agreement and the 2006 Purchasing Service Agreement.

### **2010 MANAGEMENT AGREEMENT**

#### **Background**

Since 29 July 2004, Tianjin Consultancy, a wholly-owned subsidiary of the Company, has provided management services to the Parent Group pursuant to a management service agreement dated 29 July 2004 and the 2006 Management Agreement.

## Historical transaction amounts under the 2006 Management Agreement

The historical transaction amounts under the 2006 Management Agreement for the two financial years ended 31 December 2008 were as follows:

|  | <b>For the year ended<br/>31 December 2007</b><br><i>RMB' million</i> | <b>For the year ended<br/>31 December 2008</b><br><i>RMB' million</i> |
|--|---|---|
| Transactions under the 2006 Management Agreement | 100.0   | 100.0   |

## Terms of the 2010 Management Agreement

On 22 June 2009, Jinan Wansheng and Gome Retail entered the 2010 Management Agreement.

The terms of the 2010 Management Agreement are the same as the 2006 Management Agreement, pursuant to which Jinan Wansheng will provide and will procure other members of the Group to provide management services to the Parent Group for a period of three years from 1 January 2010 to 31 December 2012.

Jinan Wansheng or its nominee will charge an annual fee at the rate of:

- (a) 0.75% of the total revenue of the Parent Group generated from the sales of electrical appliances and consumer electronic products (excluding value added tax) if such revenue is equal to or less than RMB5.0 billion or at the rate of 0.6% if such revenue exceeds RMB5.0 billion, which is based on arm's length negotiations between the Group and Gome Retail and with reference to the expected expenses of the head office level to be allocated to the Parent Group (i.e. share of the expenses at the head office level based on the expenses incurred in respect of the previous years) and the fixed cost nature of such expenses; and
- (b) subject to the maximum fees to be received by Jinan Wansheng or its nominee from the Parent Group under the 2010 Management Agreement shall not exceed RMB100.0 million (excluding value added tax) in each financial year, which is based on the expected revenue to be generated by the Parent Group.

The consideration to be received by Jinan Wansheng or its nominee under the 2010 Management Agreement will be payable by Gome Retail in cash within 14 business days after the end of each financial year.

## 2010 PURCHASING SERVICE AGREEMENT

### Background

Since 29 July 2004, Tianjin Logistics, a wholly-owned subsidiary of the Company, has provided purchasing services to the Parent Group pursuant to a services agreement dated 29 July 2004 and the 2006 Purchasing Service Agreement.

## Historical transaction amounts under the 2006 Purchasing Service Agreement

The historical transaction amounts under the 2006 Purchasing Service Agreement for the two financial years ended 31 December 2008 were as follows:

|   | <b>For the year ended<br/>31 December 2007</b><br><i>RMB' million</i> | <b>For the year ended<br/>31 December 2008</b><br><i>RMB' million</i> |
|---|---|---|
| Transactions under the 2006<br>Purchasing Service Agreement | 141.4   | 150.0   |

## Terms of the 2010 Purchasing Service Agreement

On 22 June 2009, Kunming Hengda and Gome Retail entered the 2010 Purchasing Service Agreement.

The terms of the 2010 Purchasing Service Agreement are the same as the 2006 Purchasing Service Agreement, pursuant to which Kunming Hengda will provide and will procure other members of the Group to provide purchasing services to the Parent Group for a period of three years from 1 January 2010 to 31 December 2012.

Kunming Hengda or its nominee will charge a fee at the rate of:

- (a) 0.9% of the revenue generated from the sales of electrical appliances and consumer electronic products (excluding value added tax) of the Parent Group, which is based on arm's length negotiations between the Group and Gome Retail and with reference to the fixed cost nature of the expenses to be incurred by the Group in rendering the purchasing services to the Parent Group; and
- (b) subject to the maximum fees to be received by Kunming Hengda or its nominee from the Parent Group under the 2010 Purchasing Service Agreement shall not exceed RMB150.0 million (excluding value added tax) in each financial year, which is based on the expected revenue to be generated by the Parent Group.

The consideration to be received by Kunming Hengda or its nominee under the 2010 Purchasing Service Agreement will be payable by Gome Retail in cash within 15 business days from the end of each three-month period.

## REASONS FOR THE TRANSACTIONS

Both the Group and the Parent Group are engaged in the retailing of electrical appliances and consumer electronic products in the PRC. In order to optimise the use of resources and allow the Group to systematically build the brand of "Gome", the Group has since 2004 been providing management and purchasing services to the Parent Group.

For the purchasing services provided by the Group to the Parent Group, the Group will negotiate with various suppliers on a centralised basis for both the Group and the Parent Group and will benefit from the bulk purchases which will enable the Group to secure more favourable terms than if members of the Group and the Parent Group were to undertake their purchasing individually.

The Directors (including the independent non-executive Directors) consider that the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement will be entered into in the usual and ordinary course of businesses of the Group. They also consider the terms of the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement have been negotiated on an arm's length basis and on normal commercial terms between the Group and the Parent Group. The Directors (including the independent non-executive Directors) are of the view that as far as the Independent Shareholders are concerned, the terms of the transactions under the 2010 Management Agreement and the 2010 Purchasing Service Agreement are fair and reasonable and in the best interests of the Group and the shareholders of the Company as a whole.

## **GENERAL**

As Gome Retail is an associate of Mr. Wong, the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the percentage ratios (other than profits ratio) in respect of the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement respectively is expected to be more than 0.1% and less than 2.5% on an annual basis, the transactions under the 2010 Management Agreement and the transactions under the 2010 Purchasing Service Agreement will be subject to the reporting and disclosure requirements set out in Rule 14A.34 of the Listing Rules and exempted from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

|                                     |  |
|-------------------------------------|--|
| “2006 Management Agreement”         | the agreement dated 29 July 2004 and as supplemented by the agreement dated 4 December 2006 entered into between Tianjin Consultancy and Beijing Gome;   |
| “2006 Purchasing Service Agreement” | the agreement dated 29 July 2004 and as supplemented by the agreement dated 4 December 2006 entered into between Tianjin Logistics and Beijing Gome;   |
| “2010 Management Agreement”         | the agreement dated 22 June 2009 between Jinan Wansheng and Gome Retail pursuant to which Jinan Wansheng and other members of the Group will provide management services to the Parent Group (excluding Hong Kong Gome); |
| “2010 Purchasing Service Agreement” | the agreement dated 22 June 2009 between Kunming Hengda and Gome Retail pursuant to which Kunming Hengda and other members of the Group will provide purchasing services to the Parent Group (excluding Hong Kong Gome); |
| “associate”                         | has the meaning ascribed to it under the Listing Rules;  |

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|--------------------|--|
| “Beijing Gome”     | 北京國美電器有限公司 (Beijing Gome Electrical Appliance Co., Ltd.*), a company incorporated with limited liability under the laws of the PRC and a member of the Parent Group;   |
| “Board”            | the board of Directors;  |
| “Company”          | GOME Electrical Appliances Holding Limited, a company incorporated in Bermuda and whose shares are listed on the main board of the Stock Exchange (stock code: 493);   |
| “Director(s)”      | the director(s) of the Company;  |
| “Gome Retail”      | 國美電器零售有限公司 (Gome Electrical Appliances Retail Co. Ltd.*) a company incorporated in the PRC and is a subsidiary of Beijing Gome;  |
| “Group”            | the Company and its subsidiaries;  |
| “Hong Kong”        | the Hong Kong Special Administrative Region of the People’s Republic of China;   |
| “Hong Kong Gome”   | Gome Home Appliances (H.K.) Limited, a company incorporated with limited liability under the laws of the British Virgin Islands which is ultimately wholly-owned by Mr. Wong;  |
| “Jinan Wansheng”   | 濟南萬盛源經濟諮詢有限公司 (Jinan Wansheng Yuan Economic Consulting Company Limited*), a company incorporated with limited liability under the laws of the PRC, an indirect wholly-owned subsidiary of the Company;   |
| “Kunming Hengda”   | 昆明恒達物流有限公司 (Kunming Hengda Logistics Company Limited*), a company incorporated with limited liability under the laws of the PRC, an indirect wholly-owned subsidiary of the Company;   |
| “Listing Rules”    | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Mr. Wong”         | Mr. Wong Kwong Yu (黃光裕先生), the controlling shareholder of the Company;   |
| “Parent Group”     | a group of companies wholly owned by Mr. Wong which are engaged in the retail sale of electrical appliances and consumer electronic products under the “GOME Electrical Appliances” trademark, excluding Hong Kong Gome; all of which do not form part of the Group; |
| “percentage ratio” | has the meaning ascribed to it under Chapter 14A of the Listing Rules;   |

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|-----------------------|---|
| “PRC”                 | the People’s Republic of China (for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan);   |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited;  |
| “Tianjin Consultancy” | 天津國美商業管理諮詢有限公司 (Tianjin Gome Commercial Consultancy Company Limited*), a company incorporated with limited liability under the laws of the PRC, a wholly-owned subsidiary of the Company; and |
| “Tianjin Logistics”   | 天津國美物流有限公司 (Tianjin Gome Logistics Company Limited*), a company incorporated with limited liability under the laws of the PRC, a wholly-owned subsidiary of the Company.                      |

By Order of the Board  
**GOME Electrical Appliances Holding Limited**  
**Ng Kin Wah**  
*Executive Director*

Hong Kong, 22 June 2009

*As at the date of this announcement, the Board comprises Mr. Chen Xiao, Mr. Ng Kin Wah, Mr. Wang Jun Zhou and Ms. Wei Qiu Li as executive directors; Mr. Sun Qiang Chang as non-executive director; and Mr. Sze Tsai Ping, Michael, Mr. Chan Yuk Sang, Mr. Mark Christopher Greaves, Dr. Liu Peng Hui, Mr. Yu Tung Ho and Mr. Thomas Joseph Manning as independent non-executive directors.*

\* *For identification purpose only*