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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Gome Finance Technology Co., Ltd.**, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**(1) CONTINUING CONNECTED TRANSACTION:
FRAMEWORK AGREEMENT FOR
PROVISION OF CONNECTED FACTORING LOANS
AND
(2) NOTICE OF SGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 to 21 of this circular. A letter from Opus Capital is set out on pages 22 to 38 of this circular.

A notice convening the SGM to be held at Forum Room II, Basement 2, The Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 27 May 2019 at 3:00 pm (or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 2:30 p.m.) is set out on pages 44 to 45 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suite 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	20
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	22
APPENDIX – GENERAL INFORMATION	39
NOTICE OF SGM	44

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“2016 Factoring Service Framework Agreement”	the factoring service framework agreement entered into between the Company and Swiree dated 5 August 2016 in respect of the provision of factoring services by the Group to the GOME Suppliers, details of which are set out in the Company’s announcement and circular both dated 5 August 2016
“Announcements”	the announcements of the Company dated 15 March 2019 and 15 April 2019 in relation to, among other things, the transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps for those transactions
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Gome Finance Technology Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 628)
“Connected Factoring Loan(s)”	(i) commercial factoring loan(s) granted by the Group to the GOME Supplier(s) which is (are) conditional upon transfer of the relevant trade receivables of such GOME Supplier(s) (being trade payables of the GOME Group) to the Group and/or (ii) commercial factoring loan(s) granted by the Group to connected person(s) of the Company who is (are) connected with the GOME Group, Mr. Wong and/or Ms. Du which is (are) conditional upon transfer of the relevant trade receivables of such connected person(s) to the Group
“Connected Factoring Loan Borrower(s)”	(i) the GOME Supplier(s) and/or (ii) connected person(s) of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“DZPTY”	Dazhong Putaoyuan E-Commerce Co., Ltd.* (大眾葡萄園電子商務有限公司), a company established in the PRC with limited liability and wholly-owned by Ms. Zeng
“DZPTY Customer(s)”	the customer(s) of DZPTY

DEFINITIONS

“DZPTY Factoring Loan(s)”	commercial factoring loan(s) that may be granted by the Group to DZPTY pursuant to the terms and conditions of the DZPTY Factoring Service Agreement
“DZPTY Factoring Service Agreement”	the factoring service agreement entered into between GOME Xinda and DZPTY dated 15 March 2019 in respect of the provision of the DZPTY Factoring Loan(s) to DZPTY
“GOME”	GOME Retail Holdings Limited, a company incorporated in Bermuda with limited liability and the issued ordinary shares of which are listed on the main board of the Stock Exchange (stock code: 493)
“GOME Group”	GOME and its subsidiaries
“GOME Supplier(s)”	supplier(s) of the GOME Group who transferred or will transfer its (their) trade receivables (being trade payables of the GOME Group) to the Group for the purpose of obtaining commercial factoring loan(s) from the Group
“GOME Xinda”	GOME Xinda Commercial Factoring Co., Ltd.* (國美信達商業保理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors (other than Mr. Li Liangwen who will retire as independent non-executive Director at the forthcoming annual general meeting of the Company) established to advise the Independent Shareholders in respect of the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions
“Independent Shareholders”	all Shareholders other than the Shareholders with a material interest in transactions contemplated under the Revised Factoring Service Framework Agreement

DEFINITIONS

“Latest Practicable Date”	6 May 2019, being the latest practicable date before printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Wong”	Mr. Wong Kwong Yu (黃光裕先生), the husband of Ms. Du
“Ms. Du”	Ms. Du Juan (杜鵑女士), a controlling shareholder of the Company holding approximately 61.20% interest in the issued share capital of the Company
“Ms. Zeng”	Ms. Zeng Chanzhen (曾嬋貞女士), the mother of Mr. Wong
“New Factoring Service Framework Agreement”	the factoring service framework agreement entered into between the Company and Swiree dated 15 March 2019 in respect of the provision of factoring services by the Group to the GOME Suppliers
“Opus Capital” or “Independent Financial Adviser”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and 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 transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps for those transactions
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Revised Factoring Service Framework Agreement”	the New Factoring Service Framework Agreement, as amended and supplemented by the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened and held on Monday, 27 May 2019, the notice of which is set out on pages 44 to 45 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving, among other things, the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 15 April 2019 entered into between the Company and Swiree to amend and supplement the New Factoring Service Framework Agreement
“Swiree”	Swiree Capital Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Ms. Du
“%”	per cent.

* *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



國美金融科技有限公司
Gome Finance Technology Co., Ltd.
(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

Executive Directors:

Ms. Chen Wei
Mr. Ding Donghua
Mr. Chung Tat Fun

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Ms. Wei Qiuli

*Head office and principal place of business in
Hong Kong:*

Independent Non-executive Directors:

Mr. Zhang Liqing
Mr. Li Liangwen
Mr. Hung Ka Hai Clement
Mr. Wan Jianhua

Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 May 2019

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION:
FRAMEWORK AGREEMENT FOR
PROVISION OF CONNECTED FACTORING LOANS
AND
(2) NOTICE OF SGM**

I. INTRODUCTION

Reference are made to (i) the announcement of the Company dated 15 March 2019 in relation to, among other things, the New Factoring Service Framework Agreement, the DZPTY Factoring Service Agreement and the respective transactions contemplated thereunder; and (ii) the announcement of the Company dated 15 April 2019 in relation to, among other things, the Revised Factoring Service Framework Agreement and the transactions contemplated thereunder.

As disclosed in the Company's announcement dated 15 April 2019, the purpose of the Revised Factoring Service Framework Agreement (i.e. the New Factoring Service Framework Agreement as amended and supplemented by the Supplemental Agreement) is to provide an expanded framework to regulate the provision of connected commercial factoring loans by the Group to the GOME Suppliers who

LETTER FROM THE BOARD

are deemed connected persons of the Company as well as other connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du. Apart from the DZPTY Factoring Loan granted under the DZPTY Factoring Service Agreement, the transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps for those transactions are subject to approval by the Independent Shareholders at the SGM.

The purpose of this circular is to provide you with, among other things, (i) further information on the transactions contemplated under the Revised Factoring Service Framework Agreement, (ii) the recommendation of the Independent Board Committee to the Independent Shareholders, (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps for those transactions, (iv) the notice of SGM; and (v) other information as required under the Listing Rules.

II. REVISED FACTORING SERVICE FRAMEWORK AGREEMENT

The principal terms of the Revised Factoring Service Framework Agreement are as follows:

- Parties:** (i) the Company
(ii) Swiree
- Term:** From the date of the SGM up to and including 31 December 2021 (both days inclusive).
- Subject:** Pursuant to the Revised Factoring Service Framework Agreement, members of the Group may grant commercial factoring loans to the GOME Suppliers and/or connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du (i.e. the Connected Factoring Loan Borrowers) from time to time, which are conditional upon transfer of the relevant accounts receivable of such GOME Suppliers (being trade payables of the GOME Group) and/or the relevant accounts receivable of such connected persons to the Group. With reference to the factoring loans granted by the Group in the year ended 31 December 2018, the borrower was typically granted factoring loan for a principal amount representing approximately 90% of the amount of the accounts receivable to be transferred by such borrower to the Group. Such ratio is determined with reference to various factors, including the prevailing market practice, the applicable interest rate and other pertinent terms of the loan. Taking into consideration the aforesaid factors, it is currently expected that the principal amount of the factoring loans to be granted to a borrower under the Revised Factoring Service Framework Agreement will represent approximately 90 to 98% of the amount of the accounts receivable to be transferred by such borrower to the Group. The Connected Factoring Loan Borrowers shall pay interest and/or other charges (such as penalty interest, early repayment charge and costs incurred in relation to debt collection, if applicable) to the relevant members of the Group for the factoring services.

LETTER FROM THE BOARD

**Guiding principles for
providing the
Connected Factoring
Loans**

- (i) The members of the Group may from time to time and in view of their business demand enter into separate factoring agreements with the Connected Factoring Loan Borrowers (the “**Individual Factoring Agreement(s)**”), which shall comply with the terms and conditions as set out in the Revised Factoring Service Framework Agreement. Terms of an Individual Factoring Agreement shall be negotiated at arm’s length and determined by such member of the Group and the relevant Connected Factoring Loan Borrower based on normal commercial terms and with reference to the terms and conditions of comparable services offered by the Group to independent third parties with reference to the prevailing terms and conditions of other comparable factoring loans in the market within the knowledge of the Company, and shall be determined in accordance with the internal procedures of the Company (as described in the paragraph headed “Loan making processes” below). For reference only, an interest rate of 10.8% per annum was adopted for substantially all of the connected factoring loans granted to the GOME Suppliers during the year ended 31 December 2018. The transactions contemplated thereunder shall be fair and reasonable.
- (ii) Details of the terms of the Individual Factoring Agreements shall be determined in accordance with the conditions and principles set out in the Revised Factoring Service Framework Agreement and in case there is any conflict between the Revised Factoring Service Framework Agreement and any Individual Factoring Agreement, conditions and principles of the Revised Factoring Service Framework Agreement shall prevail.
- (iii) The aggregate principal amount of any outstanding Connected Factoring Loans which may be granted by the Group under the Individual Factoring Agreements entered/to be entered into pursuant to the Revised Factoring Service Framework Agreement are subject to the proposed annual caps set out under “Proposed annual caps” below.

LETTER FROM THE BOARD

- (iv) The Company will limit the aggregate revenue generated from the Connected Factoring Loans (including the DZPTY Factoring Loan) to not more than RMB9,000,000, RMB9,000,000 and RMB9,000,000 for each of the years ending 31 December 2019 (*Note: From 1 April 2019 to 31 December 2019, both days inclusive.*), 2020 and 2021, respectively (the “**Revenue Limit**”). The Revenue Limit is determined with reference to, among other matters, (a) the high turnover of the factoring loans which will generally mature within 90 days; (b) the estimated maximum average aggregate outstanding principal amount of factoring loans during the term of the Revised Factoring Service Framework Agreement of approximately 30% of the proposed annual caps, which is estimated by the Group’s management after taking into account point (a) above and the monthly fluctuations of the outstanding loan balance as observed by the Group in the years ended 31 December 2017 and 2018; (c) a notional interest rate of 12% per annum, taking into account the interest rate of 10.8% per annum adopted for substantially all of the connected factoring loans granted to the GOME Suppliers during the year ended 31 December 2018 and the actual interest rate of 12% per annum for the DZPTY Factoring Loan; and (d) certain buffer to cater for unforeseen circumstances such as a surge in demand for factoring loans and increase in interest rate. (*Note: For the avoidance of doubt, the Revenue Limit for the year ending 31 December 2019 does not include the revenue from the DZPTY Factoring Loan from 15 March 2019 to 31 March 2019 (both days inclusive), which amounted to approximately RMB0.3 million.*)

Historical transaction amounts

The highest outstanding principal amount of Connected Factoring Loans during the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019 are as follows:

For the year ended 31 December 2017	For the year ended 31 December 2018	For the three months ended 31 March 2019
RMB191,453,000	RMB51,542,000	RMB60,000,000 (<i>Note</i>)

Note: Representing the principal amount of the DZPTY Factoring Loan granted on 15 March 2019, details of which are set out in the Company’s announcement dated 15 March 2019.

LETTER FROM THE BOARD

Proposed annual caps

The maximum daily balance of the aggregate outstanding principal amount of the Connected Factoring Loans which may be granted by the Group during the term of the Revised Factoring Service Framework Agreement is subject to the following proposed annual caps:

For the year ending	For the year ending	For the year ending
31 December 2019 (<i>Note 1</i>)	31 December 2020 (<i>Note 2</i>)	31 December 2021 (<i>Note 2</i>)
RMB290,000,000	RMB230,000,000	RMB230,000,000

Notes:

1. From 1 April 2019 to 31 December 2019, both days inclusive.
2. The proposed annual caps for the years ending 31 December 2020 and 2021 are RMB60 million less than that for the year ending 31 December 2019. Such difference represents the principal amount of the DZPTY Factoring Loan granted under the DZPTY Factoring Service Agreement, which will be fully repaid in 2019 according to its terms. The Group has not entered into any definitive agreement with DZPTY for the granting of factoring loan(s) during the years ending 31 December 2020 and/or 2021. As the DZPTY Factoring Loan granted in March 2019 is relatively large in size, the Company expects that the maximum daily balance of the aggregate outstanding principal amount of the Connected Factoring Loans for the years ending 31 December 2020 and 2021 will be less than that for the year ending 31 December 2019 in the absence of such DZPTY Factoring Loan in 2020 and 2021. In the event that the Group grants any factoring loan(s) to DZPTY during the year(s) ending 31 December 2020 and/or 2021, such factoring loan(s) shall be within the proposed annual cap(s) for such year(s).

The above proposed annual caps for the Connected Factoring Loans are determined principally by reference to the following factors:

- (a) the historical transaction amounts in respect of the Connected Factoring Loans for the years ended 31 December 2017 and 2018 as set out under “Historical transaction amounts” above, and that no Connected Factoring Loan (other than the DZPTY Factoring Loan as disclosed in the Company’s announcement dated 15 March 2019) was granted to any Connected Factoring Loan Borrowers from 1 January 2019 up to the Latest Practicable Date and the Group did not, and does not expect to, grant any new Connected Factoring Loan from the Latest Practicable Date up to the date of the SGM;
- (b) the demand from the GOME Suppliers on commercial factoring services (in respect of their accounts receivable from the GOME Group) as estimated by the Group based on the updated information available to the Group, as well as a sufficient buffer to cater for any surge in demand for factoring loans from the GOME Suppliers (in respect of their accounts receivable from the GOME Group);
- (c) the expanded scope of the Revised Factoring Service Framework Agreement to cover factoring loans that may be granted to persons who are not GOME Suppliers but are connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du. In particular, there are opportunities to expand the Group’s commercial factoring business by tapping into the demand for factoring loans from

LETTER FROM THE BOARD

connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du who are engaged in a broad range of industries and businesses such as trading, retail and logistics;

- (d) the DZPTY Factoring Loan in the total principal amount of RMB60,000,000 granted under the DZPTY Factoring Service Agreement which is repayable in full on or before 13 September 2019, details of which are set out under “DZPTY Factoring Service Agreement – One-off Transaction” in the Company’s announcement dated 15 March 2019;
- (e) the assumption that the size of the Group’s Connected Factoring Loan portfolio for the years ending 31 December 2019, 2020 and 2021 will be substantially the same; and
- (f) the historical revenue of the GOME Group which amounted to approximately RMB71,575 million and RMB64,356 million for the years ended 31 December 2017 and 31 December 2018 as disclosed in GOME’s annual report 2017 published on 27 April 2018 and GOME’s annual results announcement dated 29 March 2019, respectively, reflecting the large scale and relative stability of GOME Group’s operations, and based on which the Group’s management can estimate the level of demand for Connected Factoring Loans from the GOME Suppliers.

III. LOAN MAKING PROCESSES

The Group has established internal procedures and workflow in assessing, approving and monitoring loan applications, and loans granted, including but not limited to the Connected Factoring Loans.

All key management of the Group who are responsible for managing the Group’s financial service business (including the designated executive Director as mentioned below) are independent from the GOME Group, Mr. Wong and Ms. Du.

Further details of the procedures and workflow are explained below.

(i) Loan application and due diligence

The Business Department of the Group will approach potential customers (including the GOME Suppliers and other Connected Factoring Loan Borrowers). The GOME Group may introduce GOME Suppliers to the Group by helping with the arrangement of meetings, seminars and training sessions between the Group and the GOME Suppliers. Borrowers, other than those which are Connected Factoring Loan Borrowers, are required to apply for loans from the Group directly through the Business Department of the Group.

The borrowers which are Connected Factoring Loan Borrowers may also apply for the Connected Factoring Loans via the Group’s online lending platform.

The Business Department of the Group will collect: (1) information on a borrower and the guarantor (if applicable) including his/their identification card(s) or passport(s) and proof(s) of residential address (where the borrower(s)/guarantor(s) is/are individual(s)) or its/their business

LETTER FROM THE BOARD

licence(s) and constitutional document(s) (where the borrower(s)/guarantor(s) are entity(ies)), its/his/their proof(s) of social security account, telephone/mobile phone number, financial information, tax record(s) and other business or income source information, etc; (2) background check on a borrower's/guarantor's major shareholders, including, without limitation, as to whether such borrower is a Connected Factoring Loan Borrower; (3) information on the credit history of a borrower from the credit reference centres of the People's Bank of China or other institutions; and/or (4) information on the collateral/security, such as the accounts receivables to which the loan application relates and the underlying supply contract entered into by a borrower, depending on the types of the loan application. The Group will carry out the above due diligence work independently of the GOME Group, regardless of whether the borrower is a Connected Factoring Loan Borrower or not.

The Business Department will evaluate credit risk of the borrowers based on the above assessment and analysis of the loan applications and the internal risk review system as approved by the Board principally with reference to their financial performance, nature and size of business, the business relationship with the Group, credit policy, repayment history, repayment ability, value and recoverability of collateral or other security. The Business Department will then pass its due diligence findings and the key terms of a loan tentatively set by the Business Department including the principal amount, interest rate, security arrangements and tenure of the loans to the Risk Audit Department.

The Business Department will not accept a loan application if a borrower and/or the security do not meet the Group's requirements based on the results of its due diligence finding including the repayment history and default risk of a borrower.

(ii) Review and approval

The Risk Audit Department of the Group will review and analyse the report presented by the Business Department of the Group and may ask for further information and documents from the borrower if considered necessary. The Risk Audit Department may also review other records of the borrower, such as past loan applications and outstanding loans with the Group.

With regard to those borrowers and security for loans which meet the Group's basic requirements, the Risk Audit Department of the Group will tentatively assess the key terms of all loans including the Connected Factoring Loans. All loans will then be reviewed and confirmed by the Finance Department of the Group. If the amount of the loan exceeds a certain threshold, the Risk Audit Department will then present the report to the designated executive Director of the Board which sets out its recommendations on the key terms of the loans for the designated executive Director's review and approval.

(iii) Signing and closing

Once a loan application has been approved, a loan agreement will be entered into between the Group and the borrower.

LETTER FROM THE BOARD

After signing of the loan agreement and the meeting of other conditions, such as the transfer of an accounts receivable, the Finance Department of the Group will then be responsible for transferring the funds to the borrower.

(iv) Collection and recovery

The Group adopts a standardized collection and recovery procedure. The Finance Department of the Group is responsible for collecting the repayment funds from a borrower. However, if a borrower defaults or delays in repaying any of the outstanding sums, the Finance Department will inform the Business Department of the Group which will be responsible for following up and collecting the repayment funds from the borrower. In the case of a proposed extension of a loan, such proposal will be regarded as a new loan application subject to the due diligence and approval process described above. In accordance with the terms of the relevant loan agreement, the Group, among other remedies, will be entitled to charge default interest on the total outstanding balance of the principal amount of a loan and the interest payments accrued thereto. If a borrower fails to repay the loan including any part of the principal amount and/or accrued interest, the Group may initiate legal proceedings against such borrower to enforce the Group's right to recover the outstanding sums from such borrower after the Group have sought to recover the outstanding sums through other means but to no avail.

(v) Terms of a loan

The Group's policy for determining the principal amount of a loan (including a Connected Factoring Loan) is set out below:

- (a) Terms of a loan shall be determined in accordance with the Group's pricing policy (which covers the range of interest rates and the term and credit limit of a loan) applicable to both connected and unconnected loans as formulated by the Business Department and updated by the Business Department from time to time when there is any significant change in market interest rate or the Group's internal funding situation and in any event at least once a year, with reference to the terms of at least three comparable types of products offered by identified major competitors of the Group, such terms to which the Company may have access through publicly available sources and other market research by the Group, the credit risk of the borrower (which, among other factors, is to be assessed based on the business relationship between the borrower and the Group and the repayment history of the borrower as described in the paragraph headed "Loan application and due diligence" above), the trend of the premium of the market interest rate over the twelve month lending rate as published by the People's Bank of China from time to time, the interest rate cap of any private lending under the applicable PRC laws (being 24% per annum, or such other threshold as may be determined by the PRC Supreme Court from time to time) and the Group's funding cost as affected by the financial market liquidity;
- (b) The credit risk of the borrower as assessed by the Risk Audit Department of the Group, based on the system and guidelines approved by the designated executive Director; and

LETTER FROM THE BOARD

- (c) In the case of a Connected Factoring Loan, the terms shall be normal commercial terms which are negotiated on an arm's length basis in the ordinary and usual course of business and shall not be less favourable to the Company as compared to the terms of comparable transactions (in terms of similar credit risk and term) to be entered into by the Group with third parties which do not constitute connected transactions.

IV. INTERNAL CONTROL AND RISK MANAGEMENT POLICY OF THE GROUP

Overview

The Group has set up different departments with sufficient and appropriate segregation of duties and authorities in all the business processes. The Board and/or the designated executive Director will be closely involved in the policy setting and management process to ensure an effective supervision and proper business conducts.

The responsibilities of the departments involving in the key loan making processes are as follows:

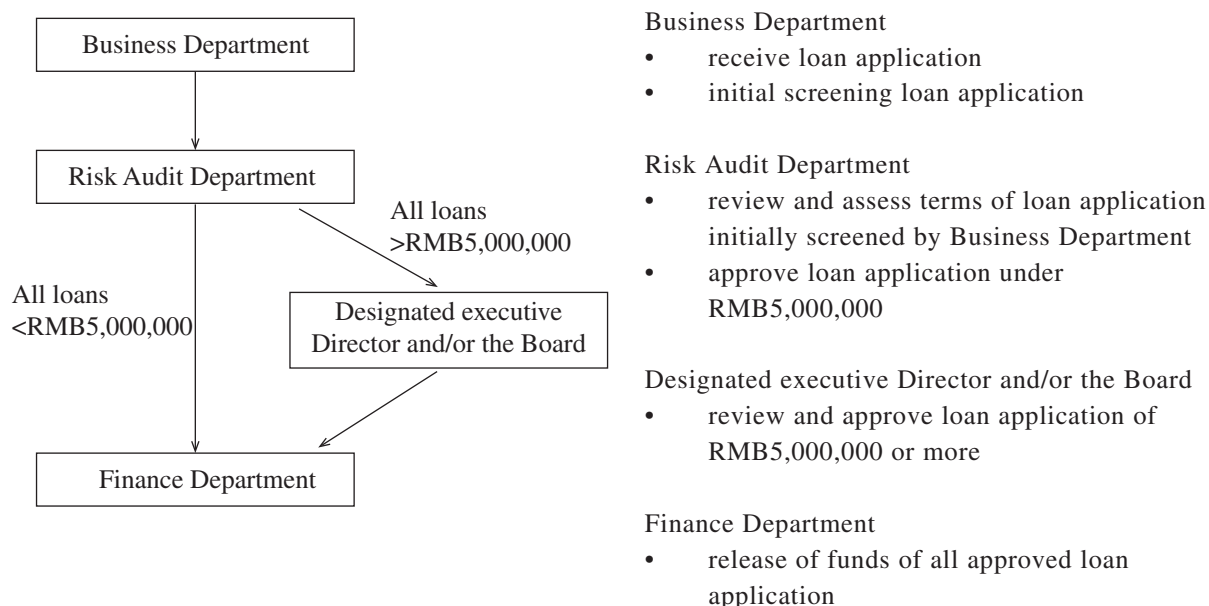
Department/Personnel	Roles
Business Department	<ul style="list-style-type: none">– liaising with and contacting the borrowers– initial screening and due diligence– collection of overdue loans– monitoring collection of the loans and carrying out necessary follow up work
Risk Audit Department	<ul style="list-style-type: none">– reviewing loan applications and assessing the terms of each loan and any security arrangement– formulating credit control/risk management policy to be reviewed by the Board– recommending on the credit control/risk management policy– approving loan applications within the approved thresholds
Finance Department	<ul style="list-style-type: none">– releasing of funding to borrowers– monitoring collection of the loans and carrying out necessary follow up work
Designated executive Director and/or Board	<ul style="list-style-type: none">– setting the interest rates terms and credit limit applicable to different types of loans– approving credit control/risk management/loan approval policy

LETTER FROM THE BOARD

- approving larger loan applications beyond the approval threshold of the Finance Department
- Audit Committee
- reviewing the internal audit function and the continuing connected transactions

In addition, the Company will keep track of the amounts of accounts receivables and the credit periods based on which the principal amounts of the factoring loans and the tenure of the factoring loans are determined.

Set out below is a chart showing the reporting hierarchy within the Group in respect of loan approval:



Individual loan threshold and annual caps

If a Connected Factoring Loan that is equal to or exceeds the internal threshold, i.e. currently RMB5,000,000, set by the designated executive Director from time to time (applicable to all loans including both connected and unconnected loans) (the “**Threshold**”), the Risk Audit Department will submit such connected loan application to the designated executive Director (who is not connected with the GOME Group, Mr. Wong and/or Ms. Du) for review and checking. The designated executive Director will obtain the latest available unutilized proposed annual cap amount for the relevant connected loan from the Finance Department to ensure that such limit will not be exceeded if such connected loan is granted. After the designated executive Director has conducted the above checks and confirmed that the granting of such connected loan will not result in the proposed annual cap amount being exceeded, the designated executive Director will then approve such loan application. If after conducting the above checks, the designated executive Director considers that the granting of such connected loan may result in the proposed annual cap amount being exceeded, the designated executive Director will reject such connected loan application.

LETTER FROM THE BOARD

In respect of a Connected Factoring Loan that is below the Threshold, the same procedures apply, except that such connected loan will be reviewed and approved by the Risk Audit Department.

After a Connected Factoring Loan is approved, the Finance Department will be responsible for second reviewing and checking that the amounts of such connected loans, if granted, are within the proposed annual cap amount before releasing the relevant funds to the relevant loan applicants. As such, the Group will not grant any connected loan, if granting such loan will lead to any of the proposed annual cap amounts being exceeded.

Revenue Limit

The Group intends to further expand its commercial factoring business with both connected and unconnected borrowers and the Revenue Limit is in place to prevent the Group from placing undue reliance on the Connected Factoring Loans in business development in future.

The Group will designate an executive Director (who is not connected with the GOME Group, Mr. Wong and/or Ms. Du) to monitor the Revenue Limit imposed on the amount of Connected Factoring Loans and ensure that such limit is not exceeded.

The Finance Department will prepare a schedule showing the indicative maximum amount of new Connected Factoring Loans which can be made each month without exceeding the Revenue Limit based on the actual factoring loans made. The monthly schedule shall include, among other things, (i) the actual total outstanding principal amount of connected factoring loans as at the latest practicable date for the purpose of preparing the monthly schedule; (ii) the total revenue of the Group that would be recorded in the current financial year based on the actual connected factoring loan portfolio up to the latest practicable date for the purpose of preparing the monthly schedule; and (iii) the maximum amount for connected factoring loans that can be granted by the Group in the following month without exceeding the Revenue Limit.

The designated executive Director will be responsible for reviewing the above schedule and determining the quota for the making of connected factoring loans that month principally based on the actual connected factoring loans made and the indicative amounts set out in the monthly schedule described above. The Business Department and the Risk Audit Department will then be informed of the quota limits. The Business Department will not be allowed to grant any Connected Factoring Loans over their allocated quota. If the granting of a Connected Factoring Loan may result in the Revenue Limit being exceeded, such Connected Factoring Loan application will be rejected.

Annual review by the independent non-executive directors and auditors

The independent non-executive Directors will conduct annual review of the continuing connected transactions under the Revised Factoring Service Framework Agreement as required under Rule 14A.55 of the Listing Rules and confirm in the Company's annual report whether the Revenue Limit has been exceeded during the year under review and whether such transactions have

LETTER FROM THE BOARD

been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement(s) governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For compliance with Rule 14A.56 of the Listing Rules, the Company will also engage its external auditors to conduct an annual review of the continuing connected transactions under the Revised Factoring Service Framework Agreement to ensure that, among others, the transaction amounts are within the annual caps and the Revenue Limit and the transactions are in accordance with the terms of the agreement(s) governing the transactions.

Directors' view

Based on the above, the Directors consider that the internal control procedures are adequate and sufficient to ensure that the proposed annual caps and the Revenue Limit will not be exceeded.

V. REASONS AND BENEFITS

The Board expects that the Group will continue to provide commercial factoring loans to the Connected Factoring Loan Borrowers going forward as the revenue generated from the Connected Factoring Loans can provide an additional source of income for the Group. The Board also believes that the demand for factoring loans from connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du represent an opportunity for the Group to expand its commercial factoring business and achieve better economies of scale. The Revised Factoring Service Framework Agreement can provide a framework to regulate the provision of commercial factoring loans by the Group to the Connected Factoring Loan Borrowers for the three years ending 31 December 2021 for compliance with Rules 14A.34 and 14A.51 of the Listing Rules.

The Directors (including the independent non-executive Directors after considering the advice and recommendation of the Independent Financial Adviser as set out in "Letter from the Independent Financial Adviser" in this circular) consider that the Revised Factoring Service Framework Agreement is entered into in the ordinary course of business of the Group and the terms of the Revised Factoring Service Framework Agreement and the proposed annual caps thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

VI. INFORMATION ON THE PARTIES INVOLVED

The Group

The Group is principally engaged in the provision of financial services, including the provision of commercial factoring services, financial leasing services, pawn business and consulting services in the PRC and money lending services in Hong Kong.

GOME Xinda is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in the commercial factoring business in the PRC.

LETTER FROM THE BOARD

Swiree

Swiree is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Du, the spouse of Mr. Wong (who is the controlling shareholder of GOME). Swiree is a controlling shareholder of the Company and was interested in approximately 61.20% of the issued share capital of the Company as at the Latest Practicable Date.

DZPTY

DZPTY is a company established in the PRC with limited liability and is wholly-owned by Ms. Zeng, the mother of Mr. Wong. It is principally engaged in the e-commerce sale of electronic products, apparels and prepacked food products in the PRC. DZPTY is wholly-owned by Ms. Zeng who is the mother of Mr. Wong, and is an associate of Ms. Du, a controlling shareholder of the Company. DZPTY is therefore a connected person of the Company.

VII. LISTING RULES IMPLICATIONS

Whilst the GOME Suppliers do not fall into the categories of connected persons of the Company as described in Rules 14A.07(1) to (5) of the Listing Rules, the Stock Exchange has deemed the provision of Connected Factoring Loans to the GOME Suppliers to be continuing connected transactions of the Company under Rule 14A.20 of the Listing Rules on the ground that benefit may be conferred on the GOME Group from the granting of the commercial factoring loans by the Group to the GOME Suppliers involving the transfer of the relevant trade receivables of such GOME Suppliers (being trade payables of the GOME Group) to the Group.

In addition, as the provision of the Connected Factoring Loans to the GOME Suppliers and the provision of the Connected Factoring Loans to connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du will be regulated under the same framework set out in the Revised Factoring Service Framework Agreement, these transactions constitute a single series of connected transactions which are related to each other and are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Based on the proposed annual caps of the transactions contemplated under the Revised Factoring Service Framework Agreement and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transactions contemplated under the Revised Factoring Service Framework Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Connected Factoring Loan that would cause the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for all Connected Factoring Loans (on an aggregated basis) to exceed 5% shall be granted by the Group prior to the date of the SGM.

Ms. Wei Qiuli, a non-executive Director, is a senior management of GOME and has abstained from voting on the relevant Board resolutions for approving the Revised Factoring Service Framework Agreement and the transactions contemplated thereunder. Save for Ms. Wei, none of the other Directors has or is deemed to have any material interest in the Revised Factoring Service Framework Agreement or

LETTER FROM THE BOARD

the transactions contemplated thereunder, and therefore none of them was required to abstain from voting on the relevant resolutions of the Board approving such agreement and the transactions contemplated thereunder.

VIII. RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders on the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including members of the Independent Board Committee whose opinion and recommendations are contained in the “Letter from the Independent Board Committee” in this circular, having been advised in this regard by the Independent Financial Adviser) consider that (i) the transactions contemplated under the Revised Factoring Service Framework Agreement are conducted on normal commercial terms which are no less favourable to the Company than those available from independent third parties, are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Revised Factoring Service Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including members of the Independent Board Committee whose opinion and recommendations are contained in the “Letter from the Independent Board Committee” in this circular, having been advised in this regard by the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions.

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution to be proposed at the SGM.

IX. SGM

The SGM will be held at Forum Room II, Basement 2, The Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 27 May 2019 at 3:00 pm (or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 2:30 p.m.). A notice to convene the SGM is set out on pages 44 to 45 of this circular.

At the SGM, an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions.

A form of proxy for use at the SGM is enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

LETTER FROM THE BOARD

Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suite 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The proposed resolution at the SGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Swiree, which holds 1,653,073,872 Shares representing approximately 61.2% of the issued share capital of the Company as at the Latest Practicable Date, is a party to the Revised Factoring Service Framework Agreement and has material interest in the ordinary resolution to be proposed at the SGM for approving the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions and shall abstain from voting on the resolution at the SGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders has a material interest in the relevant resolution to be proposed at the SGM and is required to abstain from voting on the relevant resolution at the SGM.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 21 May 2019.

X. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out on pages 39 to 43 of this circular.

Yours faithfully,
By Order of the Board
Gome Finance Technology Co., Ltd.
Chen Wei
Executive Director



國美金融科技有限公司
Gome Finance Technology Co., Ltd.
(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

To the Independent Shareholders

8 May 2019

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION:
FRAMEWORK AGREEMENT FOR
PROVISION OF CONNECTED FACTORING LOANS**

We refer to the circular of the Company (the “**Circular**”) dated 8 May 2019 and of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions are fair and reasonable as far as the Independent Shareholders are concerned and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions. The details of such transactions and proposed annual caps are set out in the “Letter from the Board” on pages 5 to 19 of the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and the Independent Board Committee in this regard.

Details of the advice and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in rendering its advice are set out in the “Letter from the Independent Financial Adviser” on pages 22 to 38 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

Having taken into account the transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps for those transactions and the advice of the Independent Financial Adviser, we are of the opinion that (i) the transactions contemplated under the Revised Factoring Service Framework Agreement are conducted on normal commercial terms which are no less favourable to the Company than those available from independent third parties, are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

of the Company and the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Revised Factoring Service Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolution to be proposed at the SGM to approve the Revised Factoring Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for those transactions.

Yours faithfully,

For and on behalf of the Independent Board Committee

Gome Finance Technology Co., Ltd.

Zhang Liqing Hung Ka Hai Clement Wan Jianhua

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps for the purpose of inclusion in this circular.



18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

8 May 2019

To: the Independent Board Committee and the Independent Shareholders of Gome Finance Technology Co., Ltd.

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENT FOR PROVISION OF CONNECTED FACTORING LOANS

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Revised Factoring Service Framework Agreement and the proposed annual caps thereunder for the nine months ending 31 December 2019 and the years ending 31 December 2020 and 2021 (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 May 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

References are made to the Announcements. As the 2016 Factoring Service Framework Agreement would expire on 31 March 2019, the Company and Swiree entered into the New Factoring Service Framework Agreement on 15 March 2019 to renew the framework for the provision of connected commercial factoring loans by the Group to the GOME Suppliers which are conditional upon transfer of the relevant accounts receivable of such GOME Suppliers (being trade payables of the GOME Group) to the Group. The New Factoring Service Framework Agreement has a term commencing from 1 April 2019 up to and including 31 December 2021 (both days inclusive).

On the same day, GOME Xinda (a wholly-owned subsidiary of the Company) and DZPTY entered into the DZPTY Factoring Service Agreement, pursuant to which the Group agreed to provide commercial factoring loan(s) to DZPTY subject to the terms and conditions thereunder. Subsequent to the entering into of the DZPTY Factoring Service Agreement, GOME Xinda has granted a one-off DZPTY Factoring Loan to DZPTY in the principal amount of RMB60,000,000 in response to an application submitted by DZPTY under the DZPTY Factoring Service Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 15 April 2019, the Company and Swiree entered into the Supplemental Agreement to expand the scope of the New Factoring Service Framework Agreement so as to provide an expanded framework to regulate the provision of connected commercial factoring loans by the Group to the GOME Suppliers who are deemed connected persons of the Company as well as other connected persons of the Company who are connected with the GOME Group, Mr. Wong and/or Ms. Du (the “**GOME Connected Person(s)**”), together with the GOME Suppliers, are collectively referred to in the Circular as the Connected Factoring Loan Borrower(s)). Apart from the one-off DZPTY Factoring Loan granted under the DZPTY Factoring Service Agreement, the transactions contemplated under the Revised Factoring Service Framework Agreement (including the Annual Caps) are subject to approval by the Independent Shareholders at the SGM.

Whilst the GOME Suppliers do not fall into the categories of connected persons of the Company as described in Rules 14A.07(1) to (5) of the Listing Rules, the Stock Exchange has deemed the provision of Connected Factoring Loans to the GOME Suppliers to be continuing connected transactions of the Company under Rule 14A.20 of the Listing Rules on the ground that benefit may be conferred on the GOME Group from the granting of the commercial factoring loans by the Group to the GOME Suppliers involving the transfer of the relevant trade receivables of such GOME Suppliers (being trade payables of the GOME Group) to the Group.

In addition, as the provision of the Connected Factoring Loans to the Connected Factoring Loan Borrowers will be regulated under the same framework set out in the Revised Factoring Service Framework Agreement, these transactions constitute a single series of connected transactions which are related to each other and are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Based on the Annual Caps and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the transactions contemplated under the Revised Factoring Service Framework Agreement are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Ms. Wei Qiuli, a non-executive Director, is a senior management of GOME and has abstained from voting on the relevant Board resolutions for approving the Revised Factoring Service Framework Agreement and the transactions contemplated thereunder. Save for Ms. Wei, none of the other Directors has or is deemed to have any material interest in the Revised Factoring Service Framework Agreement or the transactions contemplated thereunder, and are not required to abstain from voting on the relevant resolutions of the Board approving such agreement and the transactions contemplated thereunder.

Swiree, which holds 1,653,073,872 Shares representing approximately 61.2% of the issued share capital of the Company as at the Latest Practicable Date, is a party to the Revised Factoring Service Framework Agreement and has material interest in the ordinary resolution to be proposed at the SGM for approving the Revised Factoring Service Framework Agreement and the transactions contemplated thereunder (including the Annual Caps for those transactions) and shall abstain from voting on the resolution at the SGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders has a material interest in the relevant resolution to be proposed at the SGM and is required to abstain from voting on the relevant resolution at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising of Mr. Zhang Liqing, Mr. Hung Ka Hai Clement and Mr. Wan Jianhua, being all the independent non-executive Directors (other than Mr. Li Liangwen who will retire as independent non-executive Director at the forthcoming annual general meeting of the Company), has been formed to advise the Independent Shareholders in connection with the transactions contemplated under the Revised Factoring Service Framework Agreement (including the Annual Caps).

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether: (i) the Revised Factoring Service Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are entered into by the Group in its ordinary and usual course of business; (ii) the terms of the transactions contemplated under the Revised Factoring Service Framework Agreement (including the Annual Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (iii) the Independent Shareholders should vote in favour of the relevant resolution to be proposed at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company, GOME Group, Swiree, the GOME Connected Persons or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, GOME Group, Swiree, Mr. Wong, Ms. Du or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, amongst other things: (i) the Revised Factoring Service Framework Agreement; (ii) the Announcements; (iii) the Company's annual report for the year ended 31 December 2018 (“**FY2018**”); (iv) certain internal records and procedures of the Group; and (v) other information set out in the Circular. We have also discussed with the Management (as defined below) with respect to the bases of determining the Annual Caps.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We also have not considered the taxation implication on the Group as a result of the transactions contemplated under the Revised Factoring Service Framework Agreement.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the transactions contemplated under the Revised Factoring Service Framework Agreement (including the Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, *inter alia*, the following principal factors and reasons:

1. Information on the parties involved

The Group is principally engaged in the provision of financial services, including the provision of commercial factoring services, financial leasing services, pawn business and consulting services in the PRC and money lending services in Hong Kong. For FY2018 and the financial year ended 31 December 2017, the Group recorded revenue of approximately RMB69.0 million and RMB73.8 million respectively.

GOME Xinda is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in the commercial factoring business in the PRC.

Swiree is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Du, the spouse of Mr. Wong (who is the controlling shareholder of GOME). Swiree is a controlling shareholder of the Company and was interested in approximately 61.20% of the issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

GOME, a company listed on the Main Board of the Stock Exchange (stock code: 493), is principally engaged in the operation and management of a network of electrical appliances and consumer electronic products retail stores and electronic products on-line sales in the PRC.

2. Background of and reasons for and benefits of the entering into of the Revised Factoring Service Framework Agreement

Prior to entering into the Revised Factoring Service Framework Agreement, the Group has been providing commercial factoring loans to the GOME Suppliers (the “**Previous Connected Factoring Loans**”), including connected factoring loans involving trade payables of the GOME Group pursuant to the 2016 Factoring Service Framework Agreement which are deemed to be continuing connected transactions of the Company under the Listing Rules, and other unconnected factoring loans involving the trade payables of independent third parties which are not continuing connected transactions of the Company under the Listing Rules.

The transactions in relation to the Connected Factoring Loans are regulated by the framework set out in the 2016 Factoring Service Framework Agreement which expired on 31 March 2019. The Company was required to enter into the New Factoring Service Framework Agreement to cover the transactions in respect of the provision of the Connected Factoring Loans for the nine months ending 31 December 2019 and the years ending 31 December 2020 and 2021 for compliance with Rules 14A.34 and 14A.51 of the Listing Rules in light of the expiry of the 2016 Factoring Service Framework Agreement.

The Supplemental Agreement was entered into by the Company to expand the scope of the New Factoring Service Framework Agreement so as to provide an expanded framework to regulate the provision of commercial factoring loans by the Group to the Connected Factoring Loan Borrowers.

As stated in the Letter from the Board, the Board expects that the Group will continue to provide commercial factoring loans to the Connected Factoring Loan Borrowers going forward as the revenue generated from the Connected Factoring Loans can provide an additional source of income for the Group. The Board also believes that the demand for factoring loans from the GOME Connected Persons represent an opportunity for the Group to expand its commercial factoring business and achieve better economies of scale. The Revised Factoring Service Framework Agreement can provide a framework to regulate the provision of commercial factoring loans by the Group to the Connected Factoring Loan Borrowers for the nine months ending 31 December 2019 and the years ending 31 December 2020 and 2021 for compliance with Rules 14A.34 and 14A.51 of the Listing Rules.

In view of the above, we are of the view that the Company’s entering into of the Revised Factoring Service Framework Agreement is in the ordinary and usual course of business of the Group and has a clear and sound rationale.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Revised Factoring Service Framework Agreement

- Parties:**
- (i) The Company
 - (ii) Swiree
- Term:** From the date of the SGM up to and including 31 December 2021 (both days inclusive).
- Subject:** Members of the Group may grant commercial factoring loans to the Connected Factoring Loan Borrowers from time to time, which are conditional upon transfer of the relevant accounts receivable of such GOME Suppliers (being trade payables of the GOME Group) and/or the relevant accounts receivable of such connected persons to the Group. The Connected Factoring Loan Borrowers shall pay interest and/or other charges (such as penalty interest, early repayment charge and costs incurred in relation to debt collection, if applicable) to the relevant members of the Group for the factoring services.
- Guiding Principles for providing Connected Factoring Loans**
- (i) The members of the Group may from time to time and in view of their business demand enter into separate factoring agreements with the Connected Factoring Loan Borrowers (the “**Individual Factoring Agreement(s)**”), which shall comply with the terms and conditions as set out in the Revised Factoring Service Framework Agreement. Terms of an Individual Factoring Agreement shall be negotiated at arm’s length and determined by such member of the Group and the relevant Connected Factoring Loan Borrower based on normal commercial terms and with reference to the terms and conditions of comparable services offered by the Group to independent third parties with reference to the prevailing terms and conditions of other comparable factoring loans in the market within the knowledge of the Company, and shall be determined in accordance with the internal procedures of the Company (as described in the paragraph headed “III. Loan making processes” in the Letter from the Board). For reference only, an interest rate of 10.8% per annum was adopted for substantially all of the Connected Factoring Loans granted to the GOME Suppliers during the year ended 31 December 2018. The transactions contemplated thereunder shall be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) Details of the terms of the Individual Factoring Agreements shall be determined in accordance with the conditions and principles set out in the Revised Factoring Service Framework Agreement and in case there is any conflict between the Revised Factoring Service Framework Agreement and any Individual Factoring Agreement, conditions and principles of the Revised Factoring Service Framework Agreement shall prevail.
- (iii) The aggregate principal amount of any outstanding Connected Factoring Loans which may be granted by the Group under the Individual Factoring Agreements entered/to be entered into pursuant to the Revised Factoring Service Framework Agreement are subject to Annual Caps.
- (iv) The Company will limit the aggregate revenue generated from the Connected Factoring Loans (including the DZPTY Factoring Loan) to not more than RMB9,000,000, RMB9,000,000 and RMB9,000,000 for each of the years ending 31 December 2019 (Note: From 1 April 2019 to 31 December 2019, both days inclusive.), 2020 and 2021, respectively (the “**Revenue Limit**”). The Revenue Limit is determined with reference to, among other matters, (a) the high turnover of the factoring loans which will generally mature within 90 days; (b) the estimated maximum average aggregate outstanding principal amount of factoring loans during the term of the Revised Factoring Service Framework Agreement of approximately 30% of the Annual Caps, which is estimated by the Management after taking into account point (a) above and the monthly fluctuations of the outstanding loan balance as observed by the Group in the years ended 31 December 2017 and 2018; (c) a notional interest rate of 12% per annum, taking into account the interest rate of 10.8% per annum adopted for substantially all of the Connected Factoring Loans granted to the GOME Suppliers during the year ended 31 December 2018 and the actual interest rate of 12% per annum for the DZPTY Factoring Loan; and (d) certain buffer to cater for unforeseen circumstances such as a surge in demand for factoring loans and increase in interest rates. *(Note: For the avoidance of doubt, the Revenue Limit for the year ending 31 December 2019 does not include the revenue from the DZPTY Factoring Loan from 15 March 2019 to 31 March 2019 (both days inclusive), which amounted to approximately RMB0.3 million.)*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the factoring loans granted by the Group in the year ended 31 December 2018, the borrower was typically granted factoring loan for a principal amount representing approximately 90% of the amount of the accounts receivable to be transferred by such borrower to the Group. Such ratio is determined with reference to various factors, including the prevailing market practice, the applicable interest rate and other pertinent terms of the loan. Taking into consideration the aforesaid factors, it is currently expected that the principal amounts of the factoring loans to be granted under the Revised Factoring Service Framework Agreement will represent approximately 90 to 98% of the amount of the accounts receivable to be transferred to the Group.

We have reviewed the Supplemental Agreement in conjunction with the New Factoring Service Framework Agreement. We understand that the terms of the Individual Factoring Agreement shall be negotiated at arm's length and determined by such member of the Group and the relevant Connected Factoring Loan Borrower based on normal commercial terms and with reference to the terms and conditions of comparable services offered by the Group to independent third parties with reference to the prevailing terms and conditions of other comparable factoring loans in the market within the knowledge of the Company, and shall be determined in accordance with the internal procedures of the Company.

As discussed with the Management, the Revenue Limit is for the purpose of preventing the Group from placing undue reliance on the Connected Factoring Loans in business development in the future. We compared the Revenue Limit to the total revenue of the Group recorded in the two preceding financial years:

Table 1: Revenue Limit as percentage of the Group's total revenue in the two years ended 31 December 2017 and 2018

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Total revenue	69,004	73,807
Revenue Limit as percentage of total revenue	13.04%	12.19%

Source: the Company's annual report for FY2018

Considering the potential risk on the operations of the Group if the commercial factoring services provided by the Group are overly reliant on the Connected Factoring Loans, we consider the imposition of the Revenue Limit is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Given the Revenue Limit would merely represent about 12.19% and 13.04% of the total revenue of the Group for the two years ended 31 December 2017 and 2018, respectively, we consider the Revenue Limit is sufficient to ensure that the Company will not be overly reliant on the Connected Factoring Loans.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, and in particular, (i) the terms of an Individual Factoring Agreement shall be negotiated at arm's length; (ii) the Revenue Limit established protects the potential risk on the operations of the Group; (iii) the established pricing policy as set out below; and (iv) the Company's internal control measures and our review of such measures to be discussed below, we consider the abovementioned guiding principles for providing Connected Factoring Loans and other principal terms of the Revised Factoring Service Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company the Shareholders as a whole.

4. Internal control and risk management policy of the Group

As stated in the Letter from the Board, the Company has established internal control procedures and workflow in assessing, approving and monitoring loan applications, and loans granted, including but not limited to the Connected Factoring Loans. Such internal control procedures and workflow help to ensure effective risk management and compliance with the relevant laws and regulations by the Group.

All key Management personnel who are responsible for managing the Group's financial service business (including the designated executive Director as mentioned below) are independent from the GOME Group, Mr. Wong and Ms. Du.

The Group has established its own credit policies and credit approval procedures for loan applications. As stated in the Letter from the Board, the Business Department will evaluate the credit risk of the borrower based on its assessment and analysis of the loan applications and the internal risk review system as approved by the Board, principally with reference to their financial performance, nature and size of business, the business relationship with the Group, credit policy, repayment history, repayment ability, value and recoverability of collateral or other security. The Business Department will then pass its due diligence findings and the key terms of a loan tentatively set by the Business Department including the principal amount, interest rate, security arrangements and tenure of the loans to the Risk Audit Department.

The Business Department will not accept a loan application if a borrower and/or the security do not meet the Group's requirements based on the results of its due diligence finding including the repayment history and default risk of a borrower.

The Risk Audit Department will review and analyse the report presented by the Business Department and may ask for further information and documents from the borrower if considered necessary. The Risk Audit Department may also review other records of the borrower, such as past loan applications and outstanding loans with the Group.

With regards to those borrowers and security for loans which meet the Group's basic requirements, the Risk Audit Department will tentatively assess the key terms of all loans including the Connected Factoring Loans. All loans will then be reviewed and confirmed by the Finance Department. If the amount of the loan exceeds a certain threshold, the Risk Audit Department will then present the report to the designated executive Director of the Board which sets out its recommendations on the key terms of the loans for the designated executive Director's review and approval.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If a Connected Factoring Loan that is equal to or exceeds the internal threshold, i.e. currently RMB5,000,000, (the “**Threshold**”) set by the designated executive Director from time to time (applicable to all loans including both connected and unconnected factoring loans), the Risk Audit Department will submit such connected loan application to the designated executive Director for review and checking. The designated executive Director will obtain the latest available unutilised Annual Caps amount for the relevant connected loan from the Finance Department to ensure that such limit will not be exceeded if such connected loan is granted. After the designated executive Director has conducted the above checks and confirmed that the granting of such connected loan will not result in the Annual Caps amount being exceeded, the designated executive Director will approve such loan application. If after conducting the above checks, the executive Director considers that the granting of such connected loan may result in the Annual Caps amount being exceeded, the designated executive Director will reject such connected loan application.

In respect of a Connected Factoring Loan that is below the Threshold, the same procedures apply, except that such connected loan will be reviewed and approved by the Risk Audit Department. After a Connected Factoring Loan is approved, the Finance Department will be responsible for second reviewing and checking that the amounts of such connected loans, if granted, are within the proposed annual cap amount before releasing the relevant funds to the relevant loan applicants. As such, the Group will not grant any connected loan, if granting such loan will lead to any of the proposed annual cap amounts being exceeded.

We have reviewed a copy of the Group’s credit policies and credit approval procedures. We have also reviewed 2 sets of approval documents by the designated executive Director for Connected Factoring Loan which is equal or exceed the Threshold and 3 sets of documents by the Risk Audit Department for Connected Factoring Loan below the Threshold and noted that the approval process on each sample was performed with appropriate approval process.

In addition, the Company will keep track of the amounts of the accounts receivable and the credit periods based on which the principal amounts of the factoring loans and the tenure of the factoring loans are determined. We have carried out a review on 2 sets of record tracking documents (i.e. the loan books) as at 31 March 2019, which recorded detailed information of both the Connected Factoring Loans (with loan drawdown dates starting from December 2016 to March 2019) and unconnected factoring loans (with loan drawdown dates starting from February 2018 to March 2019), and are satisfied that the Company kept an extensive record of both connected and unconnected factoring loans and the associated accounts receivable.

The Revenue Limit is in place to prevent the Group from placing undue reliance on the Connected Factoring Loans in business development in future. The Group will designate an executive Director (who is not connected with the GOME Group, Mr. Wong and/or Ms. Du) to monitor the Revenue Limit imposed on the amount of Connected Factoring Loans and ensure that such limit is not exceeded. The Finance Department will prepare a schedule showing the indicative maximum amount of new Connected Factoring Loans which can be made each month without exceeding the Revenue Limit based on the actual factoring loans made. The monthly schedule shall include, among other things, (i) the actual total outstanding principal amount of Connected Factoring Loans as at the Latest Practicable Date for the purpose of preparing the monthly schedule; (ii) the total revenue of the Group that would be recorded in the current financial year based on the actual connected factoring loan portfolio up to the Latest

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Practicable Date for the purpose of preparing the monthly schedule; and (iii) the maximum amount for Connected Factoring Loans that can be granted by the Group in the following month without exceeding the Revenue Limit.

The designated executive Director will be responsible for reviewing the above schedule and determining the quota for the making of Connected Factoring Loans that month principally based on the actual Connected Factoring Loans made and the indicative amounts set out in the monthly schedule described above. The Business Department and the Risk Audit Department will then be informed of the quota limits. The Business Department will not be allowed to grant any Connected Factoring Loans over their allocated quota. If the granting of a Connected Factoring Loan may result in the Revenue Limit being exceeded, such Connected Factoring Loan application will be rejected.

The control, including but not limited to the schedule prepared by the Finance Department on the Revenue Limit is subject to multiple levels of review and close monitoring from the designated executive Director and various departments of the Group such as the Finance Department, the Business Department and the Risk Audit Department. Moreover, given the Business Department and the Risk Audit Department will be promptly informed of the quota limits, any loan application will be rejected if the granting of such Connected Factoring Loan may result in the Revenue Limit being exceeded. We consider the internal control measures in relation to the monitoring of the Revenue Limit to be sufficient and effective.

We have further enquired the Management on the delinquency rate of all the Previous Connected Factoring Loans and noted that none of the factoring loans was written-off from the Group's book nor recorded as a bad debt.

Based on the above, we consider that the above internal control measures and risk management function adopted by the Company are appropriate and provide reasonable assurance that the interests of the Company in respect of the provision of Connected Factoring Loans to the Connected Factoring Loan Borrowers will be safeguarded.

5. Pricing policy

As stated in the Letter from the Board, the Group's policy for determining the principal amount of a loan is set out below:

- (i) Terms of a loan shall be determined in accordance with the Group's pricing policy (which covers the range of interest rates and, the term and credit limit of a loan) applicable to both connected and unconnected factoring loans as formulated and updated by the Business Department and updated by the Business Department from time to time when there is any significant change in market interest rate or the Group's internal funding situation and in any event at least once a year, with reference to the terms of at least three comparable types of products offered by identified major competitors of the Group, such terms to which the Company may have access through publicly available sources and other market research by the Group, the credit risk of the borrower (which, among other factors, is to be assessed based on the business relationship between the borrower and the Group and the repayment history of the borrower), the trend of the premium of the market interest rate over the twelve month lending rate as published by the People's Bank of China from time to time, the interest rate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

cap of any private lending under the applicable PRC laws (being 24% per annum, or such other threshold as may be determined by the PRC Supreme Court from time to time) and the Group's funding cost as affected by the financial market liquidity;

- (ii) The credit risk of the borrower as assessed by the Risk Audit Department, based on the system and guidelines approved by the designated executive Director; and
- (iii) In the case of a Connected Factoring Loan, the terms shall be normal commercial terms which are negotiated on an arm's length basis in the ordinary and usual course of business and shall not be less favourable to the Company as compared to the terms of comparable transactions (in terms of similar credit risk and term) to be entered into by the Group with third parties which do not constitute connected transactions.

We have examined 3 different individual factoring agreements entered between the Group and 3 different independent third parties in FY2018 (the "**Independent Individual Factoring Agreements**") and noted that the interest rates ranged from between 11.00% to 13.76%. Upon further enquiry with the Management, we understand that the average interest rate of factoring loans provided from the Group to independent third parties in FY2018 is approximately 12.13%. We have also examined 3 individual factoring agreements entered between the Group and 3 different GOME Suppliers under the 2016 Factoring Service Framework Agreement (the "**Sample Connected Factoring Agreements**") and noted that an interest of 10.8% was charged to all three factoring loans. As discussed with the Management, the GOME Suppliers' accounts receivable pledged under the factoring loans were due from the GOME Group, which is a listed company in Hong Kong with healthy financial position, while the accounts receivable pledged under the Independent Individual Factoring Agreements were mostly due from private companies that were less established than the GOME Group. The Connected Factoring Loans also had a strong track record as none of the Connected Factoring Loans was written-off from the Group's book nor recorded as bad debt. As discussed with the Management, in the three preceding financial years, the Connected Factoring Loans were all classified as "Normal", which indicated that the loan borrowers are current in meeting commitments and full repayment of interest and principal is not in doubt. In comparison, some of the factoring loans provided from the Group to independent third parties were all classified between "Special mention" to "Loss" under the same loan classification system, which indicated that the borrowers are showing doubts in their repayment ability or unlikely to repay the principal or interests of the loan. As such, the Sample Connected Factoring Agreements were subject to less credit risk than the Independent Individual Factoring Agreements, and therefore slightly lower interest rate was charged on the Sample Connected Factoring Agreements. Considering the difference between the average interest rate of the Sample Connected Factoring Agreements and the Independent Individual Factoring Agreements was minimal, we consider the average interest rate charged to the GOME Suppliers fair and reasonable and comparable to the interest rate charged by the Group to the independent third parties.

During our inspection on the 3 Independent Individual Factoring Agreements and 3 Sample Connected Factoring Agreements, we note that the loans in all of the inspected agreements had the same duration of 1 year, and the repayment terms of the examined factoring agreements are all below 180 days. We consider each of the individual factoring agreement entered under the 2016 Factoring Service Framework Agreement were therefore all subject to similar terms other than the interest rates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have examined 3 market comparable companies which offer factoring loan service in the PRC in FY2018 (the “**Market Comparables**”) and noted the prevailing interest rates charged are as stated below:

Table 2: Annualised rates charged by the Market Comparables offering similar service as the Group

Market Comparable	Annualised Rate
JD Finance (京保貝)	9% to 14%
Alibaba Finance (網商貸)	8% to 12%
Suning Finance (信速融)	9.6%

Source: the Company’s market intelligence

We consider the Market Comparables to be major players in the market and represent normal market practice of factoring loan services in the PRC. We noted that the interest rate charged in the Sample Connected Factoring Agreements is within the range of the annualised rates charged by the Market Comparables.

In accordance with the applicable PRC laws, the interest rates (and other charges) charged for private lending in the PRC may not exceed a certain threshold as determined by the PRC Supreme Court. Accordingly, we have reviewed the PRC Supreme People’s Court on Several Questions Relating to the Application of Law in Cases of Borrowing and Lending in the Society, 《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》(法釋[2015]18號), which states that the portion of loan interest not exceeding 24% per annum is enforceable by the receiving party through a court action. Therefore, the interest rates for Connected Factoring Loans shall not exceed 24% per annum which is in accordance with the relevant provisions under the PRC laws.

Based the above, we consider the abovementioned pricing policy will ensure that the Connected Factoring Loans shall be conducted at terms no less favourable to the Group than those offered by the Group to independent third parties for providing similar services.

6. Annual review by the independent non-executive Directors and external auditors

As stated in the Letter from the Board, the independent non-executive Directors will conduct annual review of the continuing connected transactions under the Revised Factoring Service Framework Agreement as required under Rule 14A.55 of the Listing Rules and confirm in the Company’s annual report whether the Revenue Limit has been exceeded during the year under review and whether such transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement(s) governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For compliance with Rule 14A.56 of the Listing Rules, the Company will also engage its external auditors to conduct an annual review of the continuing connected transactions under the Revised Factoring Service Framework Agreement to ensure that, among others, the transaction amounts are within the annual caps and the Revenue Limit and the transactions are in accordance with the terms of the agreement(s) governing the transactions.

In light of the reporting requirements attached to the continuing connected transactions contemplated under the Revised Factoring Service Framework Agreement, in particular, (i) the restriction of the value of the continuing connected transactions contemplated under the Revised Factoring Service Framework Agreement by way of the Annual Caps and the Revenue Limit; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company of the terms and the Annual Caps and the Revenue Limit not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the transactions and assist to safeguard the interests of the Independent Shareholders.

7. Analysis on the Annual Caps

Set out below are the Annual Caps for the nine months ending 31 December 2019 and the two years ending 2020 and 2021 respectively.

	For the nine months ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Annual Caps	290	230	230

As stated in the Letter from the Board, the Annual Caps were determined by reference to various factors, particularly:

- (i) the historical transaction amounts in respect of the Connected Factoring Loans for the two years ended 31 December 2017 and 2018 as set out under “Historical transaction amounts” in the Letter from the Board, and that no Connected Factoring Loan (other than the one-off DZPTY Factoring Loan as disclosed in the Announcement) was granted to any Connected Factoring Loan Borrowers from 1 January 2019 up to the Latest Practicable Date and the Group did not, and does not expect to, grant any new Connected Factoring Loan from the Latest Practicable Date up to the date of the SGM;
- (ii) the demand from the GOME Suppliers on commercial factoring services (in respect of their accounts receivable from the GOME Group) as estimated by the Group based on the updated information available to the Group, as well as a sufficient buffer to cater for any surge in demand for factoring loans from the GOME Suppliers (in respect of their accounts receivable from the GOME Group);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the expanded scope of the Revised Factoring Service Framework Agreement to cover the Connected Factoring Loans that may be granted to the GOME Connected Persons. In particular, there are opportunities to expand the Group's commercial factoring business by tapping into the demand for factoring loans from the GOME Connected Persons who are engaged in a broad range of industries and businesses such as trading, retail and logistics;
- (iv) the DZPTY Factoring Loan in the total principal amount of RMB60,000,000 granted under the DZPTY Factoring Service Agreement which is repayable in full on or before 13 September 2019, details of which are set out under "DZPTY Factoring Service Agreement – One-off Transaction" in the Company's announcement dated 15 March 2019;
- (v) the assumption that the size of the Group's Connected Factoring Loan portfolio for the three years ending 31 December 2019, 2020 and 2021 will be substantially the same; and
- (vi) the historical revenue of the GOME Group which amounted to approximately RMB71,575 million and RMB64,356 million for the two years ended 31 December 2017 and 2018 as disclosed in GOME's annual report for the year ended 31 December 2017 published on 27 April 2018 and GOME's annual results announcement for FY2018 dated 29 March 2019, respectively, reflecting the large scale and relative stability of GOME Group's operations, and based on which the Management can estimate the level of demand for Connected Factoring Loans from the GOME Suppliers.

As discussed with the Management, the Annual Caps are calculated as follows:

Table 3: Calculation of the Annual Caps

Factors considered by the Management

	<i>(HK\$' million)</i>
(i) The Management's estimate of the demand from the GOME Suppliers	130
(ii) The Management's estimate of the demand from the GOME Connected Persons	100
(iii) The DZPTY Factoring Loan (only applicable for the nine months ending 31 December 2019)	<u>60</u>
Total (for the nine months ending 31 December 2019)	<u><u>290</u></u>
Total (for the two years ending 31 December 2020 and 2021)	<u><u>230</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) The Management's estimation on the demand of Connected Factoring Loan from the GOME Suppliers

As discussed with the Management, based on the historical record, the average of the top 5 largest loan size of the Previous Connected Factoring Loans was approximately RMB20.9 million. The Management expected there will be a maximum of 5 Connected Factoring Loans to be provided to GOME Suppliers for the same period. As such, the Management estimated the highest outstanding principal amount of Connected Factoring Loans to be provided to the GOME Suppliers to be at RMB130 million after careful consideration in including a sufficient buffer for any unexpected loan demand during the period under the Revised Factoring Service Framework Agreement.

(ii) The Management's estimation on the demand of Connected Factoring Loan from the GOME Connected Persons

As discussed with the Management, the Management expects the Connected Factoring Loans to be provided to the GOME Connected Persons to be at similar size to the total principal amount of the DZPTY Factoring Loan, being RMB60 million. In order to provide buffer for additional Connected Factoring Loans of a smaller principal amount to be provided to the GOME Connected Persons, the Management included an additional RMB40 million buffer to the estimation. As a result, the Management estimated the highest outstanding principal amount of Connected Factoring Loans to be provided to GOME Connected Person to be at RMB100 million.

(iii) The DZPTY Factoring Loan

The DZPTY Factoring Loan with the total principal amount of RMB60 million granted under the DZPTY Factoring Service Agreement is repayable in full on or before 13 September 2019. DZPTY is a company established in the PRC with limited liability and is wholly-owned by Ms. Zeng, the mother of Mr. Wong, who is a GOME Connected Person. As such, the DZPTY Factoring Loan shall be accounted for in the Annual Cap for the nine months ending 31 December 2019 only.

Based on the above, we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the transactions contemplated under the Revised Factoring Service Framework Agreement (including the Annual Caps) are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the transactions contemplated under the Revised Factoring Service Framework Agreement (including the Annual Caps).

Yours faithfully,
For and on behalf of
Opus Capital Limited

Koh Kwai Yim
Executive Director

Cheung On Kit Andrew
Director

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 17 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 10 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code were as follows:

Long position in Shares of the Company

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest ^(Note 2)
Mr. Chung Tat Fun ^(Note 1)	Beneficial owner	6,320,000	0.23%

Notes:

- (1) Mr. Chung Tat Fun, an executive Director of the Company, personally held 6,320,000 Shares.
- (2) Calculated on the basis of 2,701,123,120 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept under section 352 of the SFO, or required to be notified to the Company and the Stock Exchange in accordance with the Model Code.

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO, the interests or short positions of persons other than the Directors and chief executive of the Company in the Shares and underlying Shares of the Company were as follows:

Name of Substantial Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest ^(Note 5)
Swiree ^(Note 1)	Beneficial owner	1,653,073,872	61.20%
Ms. Du ^(Note 1)	Interest of controlled corporation	1,653,073,872	61.20%
Mr. Wong ^(Note 2)	Interest of spouse	1,653,073,872	61.20%
Richlane Ventures Limited (“ Richlane ”) ^(Note 3)	Beneficial owner	295,512,312	10.94%
Mr. Ko Chun Shun, Johnson (“ Mr. Ko ”) ^(Note 3)	Beneficial owner	5,000,000	0.19%
	Interest of controlled corporation	297,776,612	11.02%
Best Global Ventures Limited (“ Best Global ”) ^(Note 4)	Beneficial owner	137,756,156	5.10%
Gate Success Investments Limited (“ Gate Success ”) ^(Note 4)	Interest of controlled corporation	137,756,156	5.10%
Ms. Yu Nan ^(Note 4)	Interest of controlled corporation	137,756,156	5.10%

Notes:

- (1) Swiree was wholly and beneficially owned by Ms. Du. Ms. Du was deemed to be interested in all the Shares held by Swiree by virtue of the SFO.
- (2) Mr. Wong Kwong Yu, being the spouse of Ms. Du, was also deemed to be interested in all the Shares held by Swiree by virtue of the SFO.
- (3) Mr. Ko held 5,000,000 Shares directly. He also held 297,776,312 Shares indirectly, as to 2,264,000 Shares through Peninsula Resources Limited and 295,512,312 Shares through Richlane, both being companies wholly-owned by him.

- (4) Best Global was wholly and beneficially owned by Gate Success, which was wholly and beneficially owned by Ms. Yu Nan. Both Gate Success and Ms. Yu Nan were deemed to be interested in 137,756,156 Shares by virtue of the SFO.
- (5) Calculated on the basis of 2,701,123,120 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors had not been notified by any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

IV. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which would not expire or was not determinable within one year without payment of compensation (other than statutory compensation).

V. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, none of the Directors were in employment with the companies which had interests or short positions in the Shares or underlying Shares which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

VI. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered by the Company to have interests in businesses which compete, or might compete, directly or indirectly, with the businesses of the Group.

VII. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any assets which had been acquired, disposed of or leased to, or which were proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

VIII. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS OF THE GROUP

On 7 June 2017, GOME Xinda entered into a loan agreement with Beijing Baosheng Huifeng Business Consulting Co., Limited ("**Baosheng Huifeng**"), a company incorporated in the PRC with limited liability and owned as to 90% by Ms. Du Juan (controlling shareholder of the Company) and 10% by Mr. Ding Donghua (executive Director of the Company), pursuant to which GOME Xinda agreed to provide an unsecured non-interest loan for an amount of RMB720 million (the "**Consideration**") to Baosheng Huifeng solely for the purpose of acquiring the entire equity interest in Tianjin Guanchuang Mei Tong Electronic Commerce Limited. As at 31 December 2018, an aggregate amount of RMB576

million, representing 80% of the Consideration, had been advanced to Baosheng Huifeng to pay for the Consideration. Details of the above loan and acquisition are set out in the Company's announcement and circular dated 7 June 2017 and 29 June 2017 respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was significant in relation to the business of the Group.

IX. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

X. EXPERT

- (1) The following are the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Opus Capital	A corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (2) As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (3) As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.
- (4) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

XI. MISCELLANEOUS

- (1) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (2) The headquarters and principal place of business of the Company in Hong Kong is at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (3) The company secretary of the Company is Ms. Suen Yu May Sammi. She is admitted as a certified public accountant by Hong Kong Institute of Certified Public Accountants.

- (4) The Hong Kong share registrar of the Company is Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.

XII. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company’s principal place of business in Hong Kong at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours for a period of 14 days from the date of this circular (excluding Saturdays, Sundays and any public holidays):

- (a) the memorandum of association and bye-laws of the Company;
- (b) a copy of the New Factoring Service Framework Agreement;
- (c) a copy of the Supplemental Agreement;
- (d) a copy of the DZPTY Factoring Service Agreement;
- (e) the letter from the Independent Financial Adviser as set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- (f) the written consent of the Independent Financial Adviser referred to in the paragraph headed “X. EXPERT” in this Appendix; and
- (g) this circular.

NOTICE OF SGM



國美金融科技有限公司
Gome Finance Technology Co., Ltd.
(Incorporated in Bermuda with limited liability)
(Stock Code: 628)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Gome Finance Technology Co., Ltd. (the “Company”) will be held at Forum Room II, Basement 2, The Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Monday, 27 May 2019 at 3:00 pm (or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 2:30 p.m.) for the purposes of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Revised Factoring Service Framework Agreement (as defined in the Company’s circular dated 8 May 2019 (the “Circular”)), the transactions contemplated thereunder and the proposed annual caps for those transactions for each of the years ending 31 December 2019, 2020 and 2021 as stated in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to execute, perfect, deliver (including under seal where applicable) all such documents and deeds, and to do or authorise doing all such acts, matters and things, as he/she may in his/her absolute discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated under the Revised Factoring Service Framework Agreement.”

On behalf of the Board
Gome Finance Technology Co., Ltd.
Chen Wei
Executive Director

Hong Kong, 8 May 2019

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 2912, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

NOTICE OF SGM

Notes:

1. The resolution at the SGM will be taken by poll (except where the chairman, in good faith, decides to allow resolution(s) relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the SGM convened by the above notice is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who/which is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the SGM. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy must be deposited together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the offices of the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the SGM or any adjournment thereof (as the case may be).
4. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the SGM or any adjournment thereof (as the case may be) should the shareholder so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
6. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 21 May 2019.
7. If Typhoon Signal No.8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 7:30 a.m. on the date of the meeting, then the meeting will be postponed. The Company will post an announcement on the website of the Company at (www.gomejr.com) and HKExnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

As at the date of this Notice, the Company's executive Directors are Ms. Chen Wei, Mr. Ding Donghua and Mr. Chung Tat Fun; the non-executive Director is Ms. Wei Qiuli; and the independent non-executive Directors are Mr. Zhang Liqing, Mr. Li Liangwen, Mr. Hung Ka Hai Clement and Mr. Wan Jianhua.