

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in GOME Retail Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbrokers, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

(1) CONTINUING CONNECTED TRANSACTIONS

AND

(2) NOTICE OF SGM

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



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 6 to 28 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 82 of this circular.

A notice convening the SGM to be held at 2:30 p.m. on Tuesday, 25 January 2022 at Canvas Room, 26/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 87 to 89 of this circular. A form of proxy for the SGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE SGM

Please refer to page 1 of this circular for the measures to be implemented at the SGM by the Company to safeguard the health and safety of the attendees and to prevent the spreading of COVID-19, including:

- (1) compulsory body temperature check;
- (2) compulsory wearing of surgical face mask; and
- (3) no serving of refreshments or drinks and no distribution of gifts.

Attendees who do not comply with the precautionary measures (1) and (2) above may, at the absolute discretion of the Company, be denied entry into the SGM venue. The Company wishes to advise the Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution at the SGM as an alternative to attend the SGM in person.

* For identification purpose only.

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PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing COVID-19 pandemic and the recent requirements for prevention and control of its spread (as provided in the guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html), the Company will implement necessary preventive measures at the SGM to protect the attendees from the risk of infection, including the following measures:

- (1) compulsory body temperature check will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.6 degrees Celsius, or is exhibiting flu-like symptoms may be denied entry into the SGM venue or required to leave the SGM venue;
- (2) attendees are required to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats. As such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding; and
- (3) no refreshments or drinks will be served and no gifts will be distributed.

Attendees who do not comply with the precautionary measures (1) and (2) above may, at the absolute discretion of the Company, be denied entry into the SGM venue, or required to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of the attendees' health and safety, the Company wishes to advise the Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions duly completed, the Shareholders may appoint the Chairman of the SGM as their proxy to vote on the relevant resolution at the SGM instead of attending the SGM in person.

The proxy form is attached to this circular and can be downloaded from the "Announcement" section of the Company's website <http://www.gome.com.hk/>. If you are not a registered Shareholder (that is, your Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Due to the evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the arrangements for the SGM. Shareholders should check the websites of the Company and the Stock Exchange for further announcement and update on the arrangements.

DEFINITIONS

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

“2019 Master Merchandise Purchase Agreement”	the agreement dated 12 November 2018 between GOME Appliance and Meixin Network in relation to the supply of general merchandise (including but not limited to electrical appliances and consumer electronics products) by Meixin Network to the Group;
“2019 Master Merchandise Supply Agreement”	the agreement dated 12 November 2018 between GOME Appliance and Meixin Network in relation to the supply of general merchandise (including but not limited to electrical appliances and consumer electronics products) by the Group to Meixin Network or its subsidiaries or affiliates;
“2022 Master Merchandise Purchase Agreement”	the agreement dated 26 November 2021 between GOME Appliance and GOME Fun in relation to the supply of general merchandise (including but not limited to electrical appliances and consumer electronics products) by GOME Fun or the Parent Group to the Group;
“2022 Master Merchandise Supply Agreement”	the agreement dated 26 November 2021 between GOME Appliance and GOME Fun in relation to the supply of general merchandise (including but not limited to electrical appliances and consumer electronics products) by the Group to GOME Fun or the Parent Group;
“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“Company”	GOME Retail Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange (stock code: 493);
“connected person(s)”	shall have the same meaning as ascribed to it under the Listing Rules;
“Controlling Shareholder” or “Mr. Wong”	Mr. Wong Kwong Yu (黃光裕先生), the controlling shareholder of the Company, who holds approximately 61.50% of the issued share capital of the Company as at the Latest Practicable Date;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“First 2022 Offline Display Services Agreement”	the agreement dated 26 November 2021 between GOME Holding, GOME Fun and GOME Appliance for the provision of offline display services by GOME Holding, GOME Fun or the Parent Group to the Group;
“First 2022 Services Agreement”	the agreement dated 26 November 2021 between GOME Holding, GOME Fun and GOME Appliance for the provision of services (including technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services) by GOME Holding, GOME Fun or the Parent Group to the Group;
“GOME Appliance”	國美電器有限公司 (GOME Appliance Company Limited*), a wholly-owned subsidiary of the Company;
“GOME Fun”	國美真快樂電子商務有限公司 (GOME Fun E-Commerce Co., Ltd.*), a company incorporated in the PRC with limited liability, a 60% non-wholly owned subsidiary of the Group;
“GOME Holding”	國美控股集團有限公司 (GOME Holding Group Company Limited*), a company established in the PRC, which is owned by the Controlling Shareholder;
“GOME Management”	GOME Management Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Controlling Shareholder;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee established by the Board, comprising all the independent non-executive Directors, namely Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao, to advise the Independent Shareholders in respect of Relevant CCT Agreements;

DEFINITIONS

“Independent Financial Adviser” or “Opus”	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 Relevant CCT Agreements and the relevant annual caps in relation thereto;
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the SGM for the relevant resolutions with respect to the Relevant CCT Agreements;
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Latest Practicable Date”	5 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Meixin Network”	美信網絡技術有限公司 (Meixin Network Technology Company Limited*), a company incorporated in the PRC with limited liability (together with its subsidiaries (if any)), a 60% non-wholly owned subsidiary of the Group;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“Parent Group”	a group of companies (other than the Group) controlled or more than 50% owned by the Controlling Shareholder;
“percentage ratio”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;

DEFINITIONS

“PRC”	the People’s Republic of China (for the purposes of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Relevant CCT Agreements”	refers to the (i) 2022 Master Merchandise Purchase Agreement, (ii) 2022 Master Merchandise Supply Agreement, (iii) First 2022 Services Agreement, (iv) Second 2022 Services Agreement, (v) First 2022 Offline Display Services Agreement and (vi) Second 2022 Offline Display Services Agreement, collectively;
“Second 2022 Offline Display Services Agreement”	the agreement dated 26 November 2021 between GOME Appliance, GOME Fun and GOME Holding for the provision of offline display services by the Group or GOME Fun to GOME Holding or the Parent Group;
“Second 2022 Services Agreement”	the agreement dated 26 November 2021 between GOME Appliance, GOME Fun and GOME Holding for the provision of services (including technical services, platform services and inbound marketing services) by the Group or GOME Fun to GOME Holding or the Parent Group;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held at 2:30 p.m. on Tuesday, 25 January 2022 at Canvas Room, 26/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong or any adjournment thereof (as the case may be), the notice of which is set out on pages 87 to 89 of this circular;
“SKU”	stock keeping unit;
“Shareholders”	shareholders of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE BOARD



GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

Executive Directors:

Mr. Zou Xiao Chun

Non-executive Director:

Mr. Zhang Da Zhong

Ms. Huang Xiu Hong

Mr. Yu Sing Wong

Independent Non-executive Directors:

Mr. Lee Kong Wai, Conway

Ms. Liu Hong Yu

Mr. Wang Gao

Registered Office:

Victoria Place

5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

Head office:

Suite 2915, 29th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

7 January 2022

To the Shareholders

Dear Sir or Madam,

(1) CONTINUING CONNECTED TRANSACTIONS

AND

(2) NOTICE OF SGM

INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2021 in relation to, among others, the Relevant CCT Agreements. The purposes of this circular are to provide you with, among other things, (i) further information on the Relevant CCT Agreements; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Relevant CCT Agreements; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Relevant CCT; and (iv) a notice of the SGM to consider and, if thought fit, to approve the Relevant CCT Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE RELEVANT CCT AGREEMENTS

As the 2019 Master Merchandise Purchase Agreement and the 2019 Master Merchandise Supply Agreement will expire on 31 December 2021, on 26 November 2021, the Group entered into, among others, the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement to enable the Group to continue its existing operations going forward. In addition, in order to meet the respective services needs of the Group and GOME Holding, the Group also entered into, among others, the (i) First 2022 Services Agreement, (ii) Second 2022 Services Agreement, (iii) First 2022 Offline Display Services Agreement, and (iv) Second 2022 Offline Display Services Agreement.

(A) 2022 Master Merchandise Purchase Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company, which is principally engaged in the retailing of electrical appliances and consumer electronics products; and
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group, which is principally engaged in the business of providing online retail services. The remaining 40% equity interests of GOME Fun is owned by the Controlling Shareholder. GOME Fun is hence an associate of the Controlling Shareholder and a connected subsidiary of the Company for the purpose of the Listing Rules.

Terms of the 2022 Master Merchandise Purchase Agreement and annual caps

Pursuant to the 2022 Master Merchandise Purchase Agreement, GOME Fun agreed to, and will procure any member of the Parent Group to, supply general merchandise (including electrical appliances, consumer electronics products, household appliances, food and wine, clothing, home decoration, daily necessities, mother care and baby goods and beauty and personal care products) to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Master Merchandise Purchase Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2024 shall not exceed RMB28 billion, RMB35 billion and RMB45 billion, respectively.

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Historical transaction amounts

The historical transaction amounts for the general merchandise purchased under the 2019 Master Merchandise Purchase Agreement for the two financial years ended 31 December 2019 and 2020 and the nine-month period ended 30 September 2021 are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the nine-month period ended 30 September 2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Annual caps	5,000.0	8,000.0	10,000.0
Transaction amounts	3,938.0	2,083.1	(Note 1) 3,227.5

Notes:

1. For the entire year ended 31 December 2021.
2. The significant decrease in actual transaction amounts for the year ended 31 December 2020 was mainly attributable to the outbreak of the COVID-19 pandemic which caused disruption to many industries in China, including the business of the Group, particularly the offline retail sector. As a result, the sales revenue of the Group for the year ended 31 December 2020 declined by approximately 25.8% as compared with the year ended 31 December 2019. The sales revenue for the six months ended 30 June 2020 also decreased by approximately 44.4% year-on-year due to severe outbreak of the pandemic.

Products supplied under the 2022 Master Merchandise Purchase Agreement will be paid either: (1) in advance as prepayment, (2) at the time of purchase, or (3) within 180 days from the receipt of the products.

Basis for determining the purchase price and annual caps of the 2022 Master Merchandise Purchase Agreement

The purchase price under the 2022 Master Merchandise Purchase Agreement will be based on the prevailing market rate of similar merchandise charged by GOME Fun or any member of the Parent Group to independent third parties.

The internal control unit of the procurement department of the Group will review the financial records of GOME Fun and members of the Parent Group including samples of invoices issued to independent third parties in relation to the supply of similar merchandise in the vicinity to ensure the terms offered by GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties. Such samples of invoices will be selected from approximately 30% - 50% of the number of independent third party clients of GOME Fun and the Parent Group and among which, 10% of the relevant invoices with respect to each of such independent third

LETTER FROM THE BOARD

parties will be reviewed. The Group will also obtain quotations from at least two independent suppliers (if available) to ensure the terms offered are not less favourable than that are available from independent third parties.

The proposed annual cap amounts of the 2022 Master Merchandise Purchase Agreement were determined after taking into consideration:

- i. the historical transaction amounts of merchandise supplied under the 2019 Master Merchandise Purchase Agreement to the Group;
- ii. the expected increase in demand for general merchandise by the Group's physical stores as they will carry a broader range of general merchandise including for example household appliances, food and wine, clothing, home decoration, daily necessities, mother care and baby goods and beauty and personal care products;
- iii. the expected growth in gross merchandise volume ("GMV") of the Group taking into account, among others, the rebound in consumption as global economy has started to recover from the COVID-19 pandemic (as disclosed in the 2021 interim report of the Company, the GMV of the Group grew by 24.4% as compared with the corresponding period last year, which is in line with the bounced back of the utilisation rate of annual cap for the nine-month period ended 30 September 2021 by approximately 32.3%), and future business expansion of the Group;
- iv. the plan of rapidly expanding the coverage of the Group's physical stores to the third to sixth-tier cities in the PRC to about 6,000 plus stores within the next three years (number of stores as at 30 June 2021: 3,895 stores, including 2,556 county-level stores), and the Group's estimate of the expected revenue that may be derived from each of these new stores based on the Group's experience of penetration into other similar-tier cities; and
- v. the non-electrical sales target of the Company of approximately RMB60.0 billion for the year ending 31 December 2022. To achieve such non-electrical sales target, GOME Appliance shall purchase 50% of such merchandise from GOME Fun and the Parent Group, which is approximate to the proposed annual cap for the year ending 31 December 2022 of RMB28.0 billion.

Having considered all of the factors in (ii) to (iii) which will lead to an organic growth from the existing stores and growth resulting from the number of stores to be opened, expected size of the stores and the population of the relevant cities driving the demand for the physical stores, the annual cap for 2023 under the 2022 Master Merchandise Purchase Agreement will be increased by 25% as compared to the annual cap of 2022 and the annual cap of 2024 will be increased by approximately 29% as compared to the annual cap of 2023.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2022 Master Merchandise Purchase Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

(B) 2022 Master Merchandise Supply Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company; and
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group.

Terms of the 2022 Master Merchandise Supply Agreement and annual caps

Pursuant to the 2022 Master Merchandise Supply Agreement, GOME Appliance agreed to, and will procure any member of the Group to, supply general merchandise (including electrical appliances, consumer electronics products and electrical accessories) to GOME Fun or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Master Merchandise Supply Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2024 shall not exceed RMB30 billion, RMB40 billion and RMB50 billion, respectively.

Historical transaction amounts

The historical transaction amounts for the general merchandise supplied under the 2019 Master Merchandise Supply Agreement for the two financial years ended 31 December 2019 and 2020 and the nine-month period ended 30 September 2021 are as follows:

	For the year ended 31 December 2019 RMB'million	For the year ended 31 December 2020 RMB'million	For the nine-month period ended 30 September 2021 RMB'million
Annual caps	10,000.0	15,000.0	20,000.0 (Note 1)
Transaction amounts	5,334.7	3,012.8	4,445.1

Notes:

1. For the entire year ended 31 December 2021.
2. Please refer to Note 2 above on page 8 for the reasons for under-utilization of the annual cap.

LETTER FROM THE BOARD

Products supplied under the 2022 Master Merchandise Supply Agreement will be paid either: (1) in advance as prepayment, (2) at the time of purchase, or (3) within 180 days from the receipt of the products.

Basis for determining the selling price and annual caps of the 2022 Master Merchandise Supply Agreement

The selling price under the 2022 Master Merchandise Supply Agreement will be based on the prevailing market rate of similar merchandise charged by GOME Appliance or the Group to independent third parties.

To ensure the terms offered by GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties, the internal control unit of the procurement department of the Group will (i) review the financial records of GOME Fun and members of the Parent Group in order to make reference to the price being paid by GOME Fun or members of the Parent Group (as the case may be) to independent third parties for similar products in the vicinity (if any); and (ii) review and benchmark prices offered under the 2022 Master Merchandise Supply Agreement with the prices offered by the Group to independent third party customers for similar products in the vicinity.

The proposed annual cap amounts of the 2022 Master Merchandise Supply Agreement were determined after taking into consideration:

- i. the historical transaction amounts of merchandise supplied under the 2019 Master Merchandise Supply Agreement;
- ii. the expected growth in transaction amounts taking into account, among others, the rebound in consumption as global economy has started to recover from the COVID-19 pandemic. The actual transaction amounts for the nine-month period ended 30 September 2021 has recorded a rebound by approximately 1.5 times from the year ended 31 December 2020;
- iii. the expected trend of customers of the Group becoming more used to using the Group's online platform to purchase electrical appliances and general merchandise, including for example AV and small appliances (i.e. including small kitchen appliances, hair dryers and electronic iron, etc.);
- iv. the expected continued increase in the number of online shoppers in the PRC leading to a continued growth in the online business and hence leading to an increase in demand from GOME Appliance;
- v. the consequential increase in online transaction volume as a result of the increase in online browsers of the GOME Fun platform due to the brand penetration into third to sixth-tier cities where the Group will open its new stores; and

LETTER FROM THE BOARD

- vi. the sales target of GOME Fun, which will be approximately RMB40 billion for the year ending 31 December 2022. Such sales target mainly includes electrical appliances and consumer electronic products, as well as general merchandises.

Having considered all the above factors which will drive the demand for e-commerce business, the annual caps are set as to RMB30 billion, RMB40 billion and RMB50 billion for the three years ending 31 December 2024, representing an increase of 33.3% from 2022 to 2023 and 25% from 2023 to 2024.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2022 Master Merchandise Supply Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

(C) First 2022 Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Appliance, a wholly-owned subsidiary of the Company.

Terms of the First 2022 Services Agreement and annual caps

Pursuant to the First 2022 Services Agreement, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, provide services including the following:

- technical and platform services – provision of GOME Fun’s online platform for the sale of the Group’s products;
- software services – provision of supply chain distribution software system in respect of the sharing and joint development platform;
- supply chain member services – provision of data in respect of the sales volume of the top retailers selling the Group’s products at the online platform;

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- value-added services – including the provision of big data services, cloud services and agent operation services;
- inbound marketing services – provision of referral services pursuant to which the relevant member of the Parent Group will recommend and refer the Group’s products to its customers; and
- agent operation services – including customer attraction, commissioning and operation services,

to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2022, 2023 and 2024 shall not exceed RMB8 billion, RMB12 billion and RMB15 billion, respectively.

Basis of determining the service fee and annual caps of the First 2022 Services Agreement

The pricing basis for the services will be determined based on arm’s length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed “INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS” below.

Furthermore, the internal control unit of the procurement department of the Group will review the financial records of GOME Holding, GOME Fun and members of the Parent Group including samples of invoices issued to independent third parties in relation to the supply of similar services in the vicinity to ensure the terms offered by GOME

LETTER FROM THE BOARD

Holding, GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties. Such samples of invoices will be selected from approximately 30% to 50% of the number of independent third party clients of GOME Holding, GOME Fun and the Parent Group and among which, 10% of the relevant invoices with respect to each of such independent third parties will be reviewed. The Group will also obtain quotations from at least two independent suppliers (if available) to ensure the terms offered are not less favourable than that are available from independent third parties.

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the relevant services.

There have been no previous transactions in relation to the services contemplated under the First 2022 Services Agreement. The proposed annual cap amounts of the First 2022 Services Agreement were determined after taking into consideration:

- i. the expected demand for technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services by the Group for the three years ending 31 December 2024 taking into account, among others, the relevant service fees as follows:
 - (a) the technical services fee in respect of the platform provided by GOME Fun expected to be approximately 2.98% on the basis of the actual transaction amount;
 - (b) the platform services fee in respect of the online shopping platform service provided by GOME Fun with the fixed services fee of RMB320 monthly regarding every store launched on the platform of GOME Fun;
 - (c) the software services fee in respect of the supply chain distribution service with the fixed usage fee of RMB6,800 annually for GOME Appliance or the relevant member of the Group (as the case may be) receiving the software services;
 - (d) the supply chain member services fee in respect of the online shopping platform usage service with the fixed usage fee of RMB699 monthly for each supplier;
 - (e) the value-added services fee in respect of the value-added services such as big data services, cloud services and agent operation services with the expected fixed services fee of approximately RMB6,800 annually for GOME Appliance or the relevant member of the Group (as the case may be) receiving the value-added services;

LETTER FROM THE BOARD

- (f) the inbound marketing services fee in respect of the electrical appliance referral services expected to be approximately 5% on the basis of the turnover of GOME Appliance or the relevant member of the Group (as the case may be) deriving from such referral services;
 - (g) the agent operation services fee in respect of the client attraction, commissioning and operation services expected to be approximately 20% on the basis of the profit after tax of GOME Appliance or the relevant member of the Group (as the case may be) receiving the agent operation services; and
- ii. the expected transactions between the Group and the subsidiaries and affiliates of GOME Management in respect of the services contemplated under the First 2022 Services Agreement arising in connection with the management entrustment framework agreement dated 11 October 2021 entered into between the Company and GOME Management (the “**Entrustment Agreement**”), whereby the Group will cooperate closely with the subsidiaries and affiliates of GOME Management in order to form a closed-loop eco-system for the Group strategically and create better synergies. For details of the Entrustment Agreement, please refer to the announcements of the Company dated 11 October 2021 and 16 November 2021, respectively.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the First 2022 Services Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

(D) Second 2022 Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules.

LETTER FROM THE BOARD

Terms of the Second 2022 Services Agreement and annual caps

Pursuant to the Second 2022 Services Agreement, GOME Appliance and GOME Fun agreed to, and will procure any member of the Group to, provide services (including technical and platform services in respect of the provision of GOME Fun's online platform for the sale of GOME Holding's or the Parent Group's products and inbound marketing services in respect of the referral of customers to GOME Holding or members of the Parent Group using GOME Fun's online platform) to GOME Holding or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2024 shall not exceed RMB10 billion, RMB15 billion and RMB20 billion, respectively.

Basis of determining the service fee and annual caps of the Second 2022 Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed "INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS" below.

Furthermore, to ensure the terms offered by GOME Holding or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties, the internal control unit of the procurement department of the Group will (i) review the financial records of GOME Holding and members of the Parent Group in order to make reference to the fee being paid by GOME Holding or members of the Parent

LETTER FROM THE BOARD

Group (as the case may be) to independent third parties for similar services in the vicinity (if any); and (ii) review and benchmark fees offered under the Second 2022 Services Agreement with the fees offered by the Group to independent third party customers for similar services in the vicinity.

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the relevant services.

There have been no previous transactions in relation to the services contemplated under the Second 2022 Services Agreement. The proposed annual cap amounts of the Second 2022 Services Agreement were determined after taking into consideration:

- i. the expected demand for technical services, platform services and inbound marketing services by GOME Holding for the three years ending 31 December 2024 taking into account, among others, the relevant services income as follows:
 - (a) the technical services income in respect of the online shopping platform services with approximately 0.96%-2.56% on the basis of actual transaction amount;
 - (b) the platform services income in respect of the online shopping platform services with the fixed services fee of RMB320 monthly regarding every store launched on the platform;
 - (c) the inbound marketing services income in respect of the inbound marketing services expected to be approximately 70% on the basis of the technical services fee; and
- ii. the expected transactions between the Group and the subsidiaries and affiliates of GOME Management in respect of the services contemplated under the Second 2022 Services Agreement arising in connection with the Entrustment Agreement whereby the Group will cooperate closely with the subsidiaries and affiliates of GOME Management in order to form a closed-loop eco-system for the Group strategically and create better synergies.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Second 2022 Services Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

(E) First 2022 Offline Display Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Appliance, a wholly-owned subsidiary of the Company.

Terms of the First 2022 Offline Display Services Agreement and annual caps

Pursuant to the First 2022 Offline Display Services Agreement, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, showcase and display at the Parent Group's offline platforms the products of GOME Appliance or any member of the Group, and provide ancillary services (including security, cashier and product introduction services) pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Offline Display Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2024 shall not exceed RMB800 million, RMB1,500 million and RMB2,500 million, respectively.

Basis of determining the service fee and annual caps of the First 2022 Offline Display Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

LETTER FROM THE BOARD

For details of the internal control methods and procedures in determining the prices, please refer to the section headed “INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS” below.

Furthermore, the internal control unit of the procurement department of the Group will review the financial records of GOME Holding, GOME Fun and members of the Parent Group including samples of invoices issued to independent third parties in relation to the supply of similar offline display services in the vicinity to ensure the terms offered by GOME Holding, GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties. Such samples of invoices will be selected from approximately 30% to 50% of the number of independent third party clients of GOME Holding, GOME Fun and the Parent Group and among which, 10% of the relevant invoices with respect to each of such independent third parties will be reviewed. The Group will also obtain quotations from at least two independent suppliers (if available) to ensure the terms offered are not less favourable than that are available from independent third parties.

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the offline display services.

There have been no previous transactions in relation to the offline display services contemplated under the First 2022 Offline Display Services Agreement. The proposed annual cap amounts of the First 2022 Offline Display Services Agreement were determined after taking into consideration:

- i. the expected demand for offline display services by the Group for the three years ending 31 December 2024 taking into account, among others, the service fee expected to be approximately 5%-7% on the basis of the turnover of GOME Appliance or the relevant member of the Group (as the case may be) receiving the offline display services; and
- ii. the business development plan of GOME Eco-net Technology Holding Limited (國美生態科技控股有限公司) (“GOME Home (國美家)”, a member of the Parent Group) which includes the expansion of retail network by opening new stores in 300 cities with an aggregate gross floor area of three million square meters per year in the coming three years and the increase in the average number of business operation days and hence the expected increase in the scale of the offline display services to be provided to GOME Appliance and the Group, which is in line with the expected growth in revenue of GOME Home roughly estimated to be RMB2,886 million, RMB12,816 million and RMB15,360 million respectively for the three years ending 31 December 2024.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the First 2022 Offline Display Services Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

(F) Second 2022 Offline Display Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules.

Terms of the Second 2022 Offline Display Services Agreement and annual caps

Pursuant to the Second 2022 Offline Display Services Agreement, GOME Appliance and GOME Fun agreed to, and will procure any member of the Group to, showcase and display at the Group's offline platforms the products of GOME Holding or any member of the Parent Group, and provide ancillary services (including security, cashier and product introduction services) pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending 31 December 2024 shall not exceed RMB1 billion, RMB2 billion and RMB3 billion, respectively.

Basis of determining the service fee and annual caps of the Second 2022 Offline Display Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and

LETTER FROM THE BOARD

- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed “INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS” below.

Furthermore, to ensure the terms offered by GOME Holding or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties, the internal control unit of the procurement department of the Group will (i) review the financial records of GOME Holding and members of the Parent Group in order to make reference to the fee being paid by GOME Holding or members of the Parent Group (as the case may be) to independent third parties for similar services in the vicinity (if any); and (ii) review and benchmark fees offered under the Second 2022 Offline Display Services Agreement with the fees offered by the Group to independent third party customers for similar services in the vicinity.

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the offline display services.

There have been no previous transactions in relation to the offline display services contemplated under the Second 2022 Offline Display Services Agreement. The proposed annual cap amounts of the Second 2022 Offline Display Services Agreement were determined after taking into consideration:

- i. the expected demand for offline display services by GOME Holding for the three years ending 31 December 2024 taking into account, among others, the service fee expected to be approximately 5%-7% on the basis of the turnover of GOME Holding or the relevant member of the Parent Group (as the case may be) receiving the offline display services; and
- ii. the Group’s development plan in relation to GOME Commercial Capital and No. 9 Xiangjiang pursuant to which, GOME Holding intends to (among other things) display electrical appliances and consumer electronic products through an interconnection of different scenes from offline stores to online platform, achieve a leading model of online and offline connection, and give consumers a unique shopping experience. For details, please refer to the circular of the Company dated 13 August 2021.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Second 2022 Offline Display Services Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the continuing connected transactions of the Group are being conducted in a fair and reasonable manner, and are in line with the prevailing market rates, the Group adopts the following internal control methods and procedures:

- (a) The relevant management personnel of the Company will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are being conducted in accordance with the terms of the relevant agreement and they will also regularly, on a monthly basis, update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing policy of the Group:
 - (i) to determine the prevailing market rate, the Group will obtain quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar products previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties. In addition, the management team of the Group will from time to time (on a regular monthly basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products/services compared to similar products/services in the market and the reference price of each type of transactions in the market;
 - (ii) the management team of the Group will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the sales of the products/provision of the services;
 - (iii) the Company also conducts regular quarterly reviews of the sales, costs of sales and expenses of the products/services and ensures the transactions are within the annual caps;
 - (iv) the Group will also work closely with customers/suppliers with a view to obtaining information on the demand and inventory situation, and the Company would then adjust or negotiate the prices of the products/services as and when necessary to ensure price fairness.
- (b) The Company will conduct periodic half-yearly audit reviews of the continuing connected transactions of the Company, to consider the (i) effective implementation of the pricing policies and the payment methods, evaluation of balances of annual caps; and (ii) management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where any weaknesses are identified, the Company will take measures to address them as soon as practicable.

LETTER FROM THE BOARD

- (c) The independent non-executive directors of the Company will review the transactions contemplated under the continuing connected transactions of the Company pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps of the continuing connected transactions in accordance with Listing Rule 14A.56.

REASONS FOR ENTERING INTO THE RELEVANT CCT AGREEMENTS

Supply and purchase services

GOME Fun is a non-wholly owned subsidiary of the Group. As it is owned as to 40% by the Controlling Shareholder, it is an associate of the Controlling Shareholder and a connected subsidiary of the Company and the transactions between the Group and GOME Fun become connected transactions for the Company for the purpose of the Listing Rules.

The Group is currently an all-round retail eco-system sharing platform focusing on retail and home services in the PRC, with the range of general merchandise covering household appliances, food and wine, clothing, home decoration, daily necessities, mother care and baby goods and beauty and personal care products. GOME Fun is an important component of the Group's online platform, engaging in online retail business and local life services. Each of the Group and GOME Fun has its own procurement channels and suppliers. Prior to the Group's strategic transformation, the Group's retail business focuses primarily on electrical appliances and electronic products, and the proportion of general merchandise was relatively low. As the Group undergoes strategic transformation, the scope of the Group's procurement will expand and increase the proportion of merchandise other than electrical appliances and electronic products. Whereas GOME Fun, as opposed to its previous strategy of focusing on general merchandise, will procure more electrical appliances and electronic products to achieve a balanced development. As the retail strategy of the Group evolves, online and offline retails will integrate and the range of merchandise will also complement each other more comprehensively.

The 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement were entered into to improve the efficiency of the Group's procurement of products and enable the Group and GOME Fun to source products from their own or the other party's suppliers and make such products available to both the online and offline retail platforms of the Group to allow the Group (through GOME Appliance, its wholly-owned subsidiary, and GOME Fun) to capture the demand of all potential customers online and offline. Hence, the products which are the subject of each of the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement include the full range of products currently and to be offered by the relevant subsidiary. It is expected that GOME Appliance will be supplying mainly electrical appliances under the 2022 Master Merchandise Supply Agreement; while GOME Fun will be supplying mainly general merchandise under the 2022 Master Merchandise Purchase Agreement. As such, the products supplied by/to GOME Fun to/from GOME Appliance may be of the same but under different brand names.

LETTER FROM THE BOARD

The products carried by the Group's offline retail stores and the online platform are the same. This strategy is in line with many other international retailers. The same product will be supplied from the same ultimate manufacturer. GOME Appliance will, based on the method explained above, be able to source the product at the lowest price. The prices charged under the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement will not be higher than the price charged by independent suppliers on similar terms for the same or similar products.

Apart from ensuring the Group could capture all potential customers through its online and offline platform, the other main purpose of the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement is to ensure that the Group (whether through GOME Appliance, its wholly-owned subsidiary, or GOME Fun) obtains the relevant products at the lowest cost possible (on similar terms) and on normal or better commercial terms as before placing any order of goods, the merchandising department of the Group would source for a supplier to provide the best terms available for the Group. Then, it would use the subsidiary that could negotiate the best terms and also preferred by the supplier (e.g. small goods suppliers usually prefer GOME Fun while large electrical appliances goods suppliers usually prefer GOME Appliance) to enter into the relevant supply agreements. Hence, the relevant product is sourced at the lowest cost (on similar terms) to the Group as a whole, and before making a purchase, the relevant subsidiary is subject to the internal controls set out in the section above headed "INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS".

Through the above procedures, the relevant subsidiary will be able to obtain the best term under the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement available to it for the purchase of the relevant product. As such, the pricing of the products will be fair and reasonable and on normal commercial terms or better. The arrangement will minimise the occurrence of shortage of products and lower purchase costs and is essential for the operation and development of the Group.

General services

With the Group's strategic transformation, in order to improve operating efficiency and expand its business scale, the Group aims to empower the Group and promote commodity trading by utilising the relevant resources, services and other support of GOME Fun and other sharing and joint development platform companies, so as to enhance the Group's brand influence and improve its sales and profitability. Therefore, the Group enters into the First 2022 Service Agreement pursuant to which, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, provide services (including technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services) to GOME Appliance or any member of the Group pursuant to their requests from time to time.

Also, as the businesses of GOME Holding cover home decoration, home furnishing, logistics and warehousing, supply of wine, etc., and some of which are rapidly expanding, the rich experiences of GOME Appliance, GOME Fun and other members of the Group in online and offline operation and sales can provide various support (including store opening, marketing, system services, etc.) to GOME Holding to promote the relevant transactions, expand the business scale and enhance its reputation. Therefore, the Group enters into the Second 2022 Service Agreement pursuant to which, GOME Appliance and GOME Fun agreed to, and will procure any member of the Group to, provide services (including technical services, platform services and inbound marketing services) to GOME Holding or any member of the Parent Group pursuant to their requests from time to time.

LETTER FROM THE BOARD

Offline display services

Offline platform is the platform on which the Group displays its products and provides life services. As the Group transforms into an all-round retail eco-system sharing platform, in order to provide its customers with shopping experiences of better quality and high cost performance, the offline platforms will integrate with GOME Fun whereby all online products will be displayed on offline platforms so as to give family users an online and offline full-scene shopping experience. Therefore, the Group enters into the First 2022 Offline Display Services Agreement and Second 2022 Offline Display Services Agreement pursuant to which, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, provide offline display services to GOME Appliance or any member of the Group pursuant to their requests from time to time, and GOME Appliance and GOME Fun agreed to, and will procure any member of the Group to, provide services (including technical services, platform services and inbound marketing services) to GOME Holding or any member of the Parent Group pursuant to their requests from time to time.

INFORMATION ON THE PARTIES TO THE RELEVANT CCT AGREEMENTS

The Company is a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange.

With a consistent focus on the “Home • Living” strategy and based on the development philosophy from the user-based, platform-based, technology-driven and closed-loop mindsets, the Group further promoted the development of the online platform as well as the offline local lifestyle service platform, supply chain platform, logistic platform and informatisation. Leveraging on marketing with entertainment features, low price, quality service and technology as its core business strategy, the Group strives to meet the all-round consumption and service needs of family users, so that families could enjoy better products and services at lower prices, and have a better quality of life.

GOME Fun is principally engaged in providing online retail services and is owned as to 60% by the Group and as to 40% by the Controlling Shareholder.

GOME Holding is principally engaged in industrial investment, strategic investment and new business investment and is 100% ultimately owned by the Controlling Shareholder.

LISTING RULES IMPLICATIONS

As (i) GOME Holding is owned by the Controlling Shareholder and is a connected person of the Company, and (ii) GOME Fun is owned as to 60% by the Group and 40% by the Controlling Shareholder, GOME Fun is an associate of the Controlling Shareholder and a connected subsidiary of the Company, transactions between the Group and each of GOME Holding and GOME Fun constitutes connected transaction for the Company.

LETTER FROM THE BOARD

As the highest applicable percentage ratios (other than profits ratio) in respect of the annual caps under each of the Relevant CCT Agreements are respectively expected to exceed 5% on an annual basis, the transactions contemplated under these agreements will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

At the Board meeting held to approve the Relevant CCT Agreements, each of Mr. Zou Xiao Chun (who is a Director originally nominated in 2010 by the Controlling Shareholder's associate), Ms. Huang Xiu Hong (who is the sister of the Controlling Shareholder) and Mr. Yu Sing Wong (who holds senior management roles in various companies controlled by the Controlling Shareholder and/or its associate) is considered to be interested in the transactions contemplated under the Relevant CCT Agreements, and have abstained from voting at the Board meeting in respect of the resolutions proposed to approve such agreements. Save as disclosed, none of the Directors was required to abstain from voting on the relevant Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on the Relevant CCT Agreements and the transactions contemplated respectively thereunder (including the annual caps). Opus has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be held to consider and, if thought fit, approve the Relevant CCT Agreements and the transactions contemplated thereunder (including the annual caps).

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll, except where the chairman of the SGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all resolutions proposed at the SGM shall be voted by poll.

As at the Latest Practicable Date, the Controlling Shareholder holds 20,471,044,115 Shares, representing approximately 60.64% of the issued share capital of the Company. The Controlling Shareholder shall abstain from voting on the proposed resolutions to approve the Relevant CCT Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders is required to abstain from voting on the resolutions in respect of the Relevant CCT Agreements to be proposed at the SGM.

An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

FORM OF PROXY

A form of proxy for the SGM is enclosed herewith. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournment thereof should you so wish.

CLOSURE OF SHAREHOLDERS' REGISTER

For the purpose of determining the list of shareholders who are entitled to attend and vote at the SGM, the shareholders' register of the Company will be closed on Tuesday, 25 January 2022. No transfer of shares of the Company will be registered on this day. In order to qualify to attend and vote at the SGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 24 January 2022.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 29 to 30 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the Relevant CCT Agreements and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser as set out on pages 31 to 82 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Relevant CCT Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the terms of the Relevant CCT Agreements and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms or better and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM in respect of the approval of the Relevant CCT Agreements and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the Relevant CCT Agreements and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, on normal commercial terms or better and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole and therefore recommends you to vote in favour of the ordinary resolution to be proposed at the SGM.

GENERAL INFORMATION

Your attention is drawn to the appendix headed “General Information” to this circular.

Yours faithfully
By order of the Board
GOME Retail Holdings Limited
ZHANG Da Zhong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in respect of approving the Relevant CCT Agreements and the transactions contemplated thereunder (including the annual caps therefor).



GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

7 January 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 7 January 2022 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Relevant CCT Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Group and its Shareholders as a whole, and how the Independent Shareholders should vote at the SGM, after taking into account the recommendation of the Independent Financial Adviser.

Opus Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in connection with each of the Relevant CCT Agreements and the transactions contemplated thereunder. Details of the advice from the Independent Financial Adviser, together with the reasons for its opinion, the key assumptions made and the factors taken into consideration in forming its opinion, are set out in its letter on pages 31 to 82 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the letter from the Board set out on pages 6 to 28 of the Circular and the general information set out in the appendix of the Circular.

Having considered the information as set out in the letter from the Board, the terms and conditions of the Relevant CCT Agreements and the transactions contemplated thereunder, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as set out in its letter of advice, we are of the view that the terms of the Relevant CCT Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the approval of Relevant CCT Agreements and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully
For and on behalf of the
Independent Board Committee

Mr. Lee Kong Wai, Conway
Independent
Non-executive Director

Ms. Liu Hong Yu
Independent
Non-executive Director

Mr. Wang Gao
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Opus to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Relevant CCT Agreements and their respective annual caps, which has been prepared for the purpose of inclusion in this circular.



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

7 January 2022

*To: The Independent Board Committee and the Independent Shareholders
of GOME Retail Holdings Limited*

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the (i) the 2022 Master Merchandise Purchase Agreement; (ii) the 2022 Master Merchandise Supply Agreement; (iii) the First 2022 Services Agreement; (iv) the Second 2022 Services Agreement; (v) the First 2022 Offline Display Services Agreement; and (vi) the Second 2022 Offline Display Services Agreement (collectively, the “**Relevant CCT Agreements**”) and the transactions contemplated thereunder (including their respective annual caps) (“**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 7 January 2022 (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 otherwise defined or the context requires otherwise.

On 26 November 2021, the Group entered into, among others, the following Relevant CCT Agreements in respect of the Continuing Connected Transactions of the Company for the three financial years from 1 January 2022 to 31 December 2024:

- (i) the 2022 Master Merchandise Purchase Agreement for the supply of general merchandise (including but not limited to electrical appliances and consumer electronics products) by GOME Fun or the Parent Group to the Group (“**Merchandise Purchase Transaction**”);

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- (ii) the 2022 Master Merchandise Supply Agreement for the supply of general merchandise (including but not limited to electrical appliances and consumer electronics products) by the Group to GOME Fun or the Parent Group (“**Merchandise Supply Transaction**”);
- (iii) the First 2022 Services Agreement for the provision of services (including technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services) by GOME Holding, GOME Fun or the Parent Group to the Group (“**First 2022 Services**”);
- (iv) the Second 2022 Services Agreement for the provision of services (including technical services, platform services and inbound marketing services) by the Group or GOME Fun to GOME Holding or the Parent Group (“**Second 2022 Services**”);
- (v) the First 2022 Offline Display Services Agreement for the provision of offline display services by GOME Holding, GOME Fun or the Parent Group to the Group (“**First 2022 Offline Display Services**”); and
- (vi) the Second 2022 Offline Display Services Agreement for the provision of offline display services by the Group or GOME Fun to GOME Holding or the Parent Group (“**Second 2022 Offline Display Services**”).

As (i) GOME Holding is owned by the Controlling Shareholder and is a connected person of the Company, and (ii) GOME Fun is owned as to 60% by the Group and 40% by the Controlling Shareholder, GOME Fun is an associate of the Controlling Shareholder and a connected subsidiary of the Company, transactions between the Group and each of GOME Holding and GOME Fun constitute connected transactions for the Company.

As the highest applicable percentage ratios (other than profits ratio) in respect of the annual caps under each of the Relevant CCT Agreements are respectively expected to exceed 5% on an annual basis, the transactions contemplated under these agreements will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, each of Mr. Zou Xiao Chun (who is a Director originally nominated in 2010 by the Controlling Shareholder’s associate), Ms. Huang Xiu Hong (who is the sister of the Controlling Shareholder) and Mr. Yu Sing Wong (who holds senior management roles in various companies controlled by the Controlling Shareholder and/or its associate), is considered to be interested in the transactions contemplated under the Relevant CCT Agreements, and have abstained from voting at the Board meeting in respect of the resolutions proposed to approve such agreements. Save as disclosed, none of the Directors was required to abstain from voting on the relevant Board resolutions.

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As at the Latest Practicable Date, the Controlling Shareholder holds 20,471,044,115 Shares, representing approximately 60.64% of the issued share capital of the Company. The Controlling Shareholder shall abstain from voting on the proposed resolutions to approve the Relevant CCT Agreements and the transactions contemplated thereunder. Save for the above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the other Shareholders is required to abstain from voting on the resolutions in respect of the Relevant CCT Agreements to be proposed at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao, has been established to advise the Independent Shareholders as to whether the terms of the Relevant CCT Agreements and the relevant annual caps in relation to the Continuing Connected Transactions thereunder are entered into in the ordinary and usual course of business of the Company, 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. We, Opus, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We were appointed as the independent financial advisor to advise the independent board committee and the independent shareholders of the Company in respect of the: (i) major and connected transaction in relation to leasing agreement; (ii) proposed issue of shares under specific mandate; (iii) connected transaction in relation to disposal of a subsidiary; and (iv) application for whitewash waiver. Details of such transactions and our independent advisory letter are set out in the circular of the Company dated 13 August 2021 (the “**Previous Transaction**”). The Previous Transaction is independent of the transactions contemplated under the Relevant CCT Agreements.

As at the Latest Practicable Date, saved for aforementioned, we did not have any relationship with, or interest in, the Group, GOME Fun, GOME Holding, or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to the date of this appointment, save for the Previous Transaction, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable to us in connection with the Previous Transaction and the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any other fees or benefits from the Group, GOME Fun, GOME Holding, or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

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BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's interim report (the "**2021 Interim Report**") for the six months ended 30 June ("**1H**") 2021;
- (ii) the Company's annual reports for the four years ended 31 December ("**FY**") 2017 (the "**2017 Annual Report**"), 2018 (the "**2018 Annual Report**"), 2019 (the "**2019 Annual Report**") and 2020 (the "**2020 Annual Report**");
- (iii) the 2019 Master Merchandise Purchase Agreement;
- (iv) the 2019 Master Merchandise Supply Agreement;
- (v) the 2022 Master Merchandise Purchase Agreement;
- (vi) the 2022 Master Merchandise Supply Agreement;
- (vii) the First 2022 Services Agreement;
- (viii) the Second 2022 Services Agreement;
- (ix) the First 2022 Offline Display Services Agreement;
- (x) the Second 2022 Offline Display Services Agreement; and
- (xi) other information as set out in the Circular.

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 material 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.

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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 consider 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.

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 Relevant CCT Agreements and the transactions contemplated thereunder (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 in respect of the terms of the Relevant CCT Agreements and the transactions contemplated thereunder (including the annual caps), we have taken into consideration the following principal factors and reasons:

1. Background of the Continuing Connected Transactions

As stated in the Letter from the Board, as the 2019 Master Merchandise Purchase Agreement and the 2019 Master Merchandise Supply Agreement will expire on 31 December 2021, on 26 November 2021, the Group entered into, among others, the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement to enable the Group to continue its existing operations going forward. In addition, in order to meet the respective services needs of the Group and GOME Holding, the Group also entered into, among others, the (i) First 2022 Services Agreement, (ii) Second 2022 Services Agreement, (iii) First 2022 Offline Display Services Agreement, and (iv) Second 2022 Offline Display Services Agreement.

2. Information on the parties to the Relevant CCT Agreements

2.1 *The Company*

The Company is a company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange.

With a consistent focus on the “Home • Living” strategy and based on the development philosophy from the user-based, platform-based, technology-driven and closed-loop mindsets, the Group further promoted the development of the online platform as well as the offline local lifestyle service platform, supply chain platform, logistics platform and informatisation. Leveraging on marketing with entertainment features, low price, quality service and technology as its core business strategy, the Group strives to meet the all-round consumption and service needs of family users, so that families could enjoy better products and services at lower prices, and have a better quality of life.

2.2 *GOME Fun*

GOME Fun is principally engaged in providing online retail services and is owned as to 60% by the Group and as to 40% by the Controlling Shareholder.

2.3 *GOME Holding*

GOME Holding is principally engaged in industrial investment, strategic investment and new business investment and is 100% ultimately owned by the Controlling Shareholder.

3. Reasons for and benefits of entering into the Relevant CCT Agreements

Business overview of the Group

The Group is principally engaged in the operation and management of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full-category of online sales network in the PRC through self-operated and platform models. In accordance with the 2019 Annual Report, for FY2018, the Group recorded a revenue of approximately RMB64,356.0 million, including: (i) approximately RMB60,412.1 million, which represented approximately 93.9% of the total revenue of the Group, was attributable to the offline sale of electrical appliances and consumer electronic products; and (ii) approximately RMB3,944.0 million, which represented approximately 6.1% of the total revenue of the Group, was derived from the online sale of electrical appliances and consumer electronic products. As for FY2019, the Group recorded a revenue of approximately RMB59,482.8 million, including: (i) approximately RMB57,427.0 million, which represented approximately 96.5% of the total revenue of the Group, was derived from the offline sale of electrical appliances and consumer electronic products; and (ii) approximately RMB2,055.8 million, which represented approximately

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3.5% of the total revenue of the Group was attributable to the online sale of electrical appliances and consumer electronic products. As a result, with the vast majority of the Group's revenue was attributable to the offline sector, the business of the Group was then adversely affected by the outbreak of the COVID-19 pandemic (“**Pandemic**”), resulting in a decline in the overall revenue and a loss incurred by the Group. As stated in the 2020 Annual Report, the barrier between online and offline business will be eliminated gradually as all business activities will be focused on fulfilling users' needs. With the integration of online and offline platforms, products with similar quality will be sold at the same price with similar shopping experience. Hence, no reporting segment in terms of online and offline breakdown is available for FY2020 according to the 2020 Annual Report. As a result, during FY2020, the Company has adopted a new approach of opening up its own supply chain to third-party e-commerce platforms by introducing strategic partnership with Pinduoduo and JD.com with an intention to increase its market share. The Group is able to provide stringent selected high-quality products in all categories to consumers while bringing abundant customer traffic and resources to merchants, so as to share resources, reduce costs, enhance efficiency and achieve win-win cooperation and mutual development for the Company, its customers and merchants.

With the purpose to understand the reasons and benefits of entering into the Relevant CCT Agreements, the fairness and reasonableness of the proposed respective annual caps, we understand from the Management that the sales target of GOME Appliance is set to be approximately RMB306.0 billion, we have obtained and reviewed the respective business plan accordingly and the breakdown is summarised as below:

Sales channels	Sales target (RMB billion)	Approximate percentage
GOME Fun	40	13.1%
Offline platform	130	42.5%
Third party platform	36	11.7%
Community marketing	20	6.5%
Sharing and joint development	70	22.9%
Fintech	10	3.3%
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Total	306	100.0%

In regards to the sales target of GOME Fun, it is mainly based on the target set by the Management with an intention to achieve 10.0% of the revenue recorded by JD.com. For FY2020, JD.com has recorded a revenue of approximately RMB400.9 billion from the electronics and home appliances segment according to the respective annual report. As a result, the sales target of GOME Fun are set to be approximately RMB40.0 billion, representing approximately 13.1% of the total sales target of GOME Appliance in the electrical appliance market. Among the sales target of approximately RMB130.0 billion to be generated from the offline platform, we understand that it is mainly based on three elements, namely: (i) approximately RMB92.8 billion is derived from the reinstallation of

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existing stores; (ii) approximately RMB26.7 billion is attributable to newly opened city stores; and (iii) approximately RMB10.0 billion is generated from newly opened flagship stores. The Management is intended to open up 200 stores for each city stores and flagship stores during the upcoming years. Regarding the third party platform with the sales target of approximately RMB36.0 billion, the Management planned to engage six external platforms, which approximately RMB6.0 billion will be contributed from each external platforms. In terms of community marketing, the Management targeted to allocate 1,850 stores for this program, and the expected annualised sales target to be generated from the community marketing platform will be approximately RMB20.0 billion. The Management targeted a total revenue of approximately RMB230.0 billion for the sharing and joint development channel, after considering the relevant sales commission to be charged by the internet key opinion leader and marketing promoters, the sharing and joint development channel is expected to generate approximately RMB70.0 billion of revenue.

Strategic transformation

In order to further understand the reasons and benefits of entering into the Relevant CCT Agreements, the fairness and reasonableness of the proposed respective annual caps, it is indispensable to assess the strategic transformation (the “**Strategic Transformation**”) of the Group throughout the years. With reference to the 2017 Annual Report, the Company implemented the “Home • Living” market extension strategy to create an all-in-one omni-channel shopping experience platform to evolve into a one-stop home solution provider, going beyond the traditional home appliance retailer field. The Company has further expanded its home coverage by adding products and services including electrical appliances, home decoration, household products and home services. During FY2018 as disclosed in the 2018 Annual Report, the Company has integrated three terminals, namely the 國美 App* (the “**GOME APP**”), physical stores and 美店* (the “**ME Shop**”), to become a “Home • Living” provider of one-stop home solutions, service solutions and supply chain services.

In FY2020, the Company has completed its first phase of strategic development under the “Home • Living” strategy, and started the second phase in-depth development in a more refined manner. In particular, the Company accelerated the development of its dual-platform new retail ecosystem powered by technology, intelligence and innovation, and established the “Social + Business + Sharing” GOME ecosystem with a focus on online operation by integrating online and offline platforms and utilising the strength of proprietary operation and third party external supply chain. The GOME APP has then been completely revamped and restructured with new functions such as the addition of the 1.0 entertainment module including “Video Shopping Guide”, “Meixin” and “Short Video + Livestreaming + Matches”. The coverage of mini program was further expanded, and the grid-based community expansion was completed with the implementation of close-knit operation. The revamped GOME APP was finally launched to the market in January 2021, under the new name of 真快樂App* (the “**GOME Fun APP**”).

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Group's asset-light operation model

With reference to the circular of the Previous Transaction, with the purpose to execute its “Home • Living” strategy consistently and based on the model of local retail to develop high-frequency, dual platforms with online and offline interaction for multi scenarios and actively pursuing the online and offline digital transformation, the Group has obtained approximately 20 years of lease on three properties, namely (i) GOME Commercial Capital; (ii) No. 9 Xiangjiang; and (iii) Pengrun Building, as the transaction was structured allowing the Group to settle upfront with consideration shares, which prevented the Group from any cash flow outlay and also external borrowings during the coming years. Such financial resources was therefore able to be utilised towards continual investment for Strategic Transformation and growth of the Group.

Furthermore, we noted that while maintaining its asset-light model consistently, the Group still managed to expand the offline network during the period from FY2015 to FY2020, as disclosed in their respective annual report, the total number of stores of the Group has increased significantly by approximately 179.7% from 1,223 in FY2015 to 3,421 in FY2020. The number of rented stores increased by approximately 183.6% from 1,192 in FY2015 to 3,380 in FY2020, which accounted for approximately 98.8% of the total stores.

Offline store network

During the process of the Strategic Transformation, the Company has developed a dual-platform structure based on the “information and operation driven online platform” and the “community centered platform for offline store network” since August 2020. The Company has so far completed the construction of the digital omni-channel dual platforms under the model of “online + offline, self-operated + third party platforms”. The “GOME Fun” (真快樂) online platform and the “GOME Home” (國美家) offline local lifestyle service platform have formed the core of this strategy.

As stated in the 2020 Annual Report, as at 31 December 2020, the total number of stores operating under the Group reached 3,421 and spanned 1,298 cities. With 1,373 newly-opened stores and 554 closed stores, the net increase in store number during 2020 was 819 stores, representing an increase of approximately 31.5% regarding the number of stores from 2019 to 2020. As at 30 June 2021, the total number of stores has increased to 3,895 stores, covered in 1,420 cities.

The Pandemic has significantly changed the consumption pattern of customers, one of the strategic focuses of the Group is to expand the business to tap into the trillion consumption markets (in terms of RMB) in tier 3 or lower cities in order to maintain a sustainable development, therefore, during the year of 2020, the Group continued to improve its logistics service capabilities and increased its efforts in rural market expansion to promote consumption upgrading in rural areas. Among the total number of

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cities accessed by the Group in 2020, only 425 of them are tier 1-2 cities, while the rest of 873 cities are tier 3-6 cities. In the future, the Group will continue to expand the offline store network on the lower-tier market in the form of self-operating and franchising through grid-based planning.

Future target and prospects

In the recent years, the Group has already completed the online and offline digital transformation and upgrading, and has built the online and offline dual-platform model. During 1H2021, the Company has been consistently focusing on the second phase of the “Home • Living” strategy. The Group has established six platforms including: (i) online platform; (ii) offline platform; (iii) supply chain platform; (iv) logistics platform; (v) big-data and cloud platform; as well as (vi) sharing and joint development platform. The six platforms complement each other and create a closed-loop retail ecosystem.

We noted from the announcements of the Company dated 11 October 2021 and 16 November 2021 (collectively, the “**Entrustment Announcements**”) that, the Company entered into the management entrustment framework agreement (the “**Entrustment Agreement**”) in respect of the strategic cooperation between the Group and the target companies set forth below, which is in substance a form of entrusted management through the procuring of management services by the target companies below from the Group, and the aim is to enhance the operational efficiency, expand the business scale, broaden the brand influence and improve the profitability of the following target companies:

- (i) the GOME Eco-net Technology Holding Limited* (國美生態科技控股有限公司), which is principally engaged in the management of commercial complexes and food and retail entities, the provision of business operation and technical services, and technology development (the “**GOME Home**”);
- (ii) Hainan Haisi Enterprise Management Co., Ltd.* (海南海思企業管理有限公司), which is principally engaged in the provision of supply chain and retail resources integration services (the “**Sharing and Joint Development**”);
- (iii) Hainan Beizhi Enterprise Management Co., Ltd.* (海南貝智企業管理有限公司), which is principally engaged in the provision of design, construction and 3D modeling services and the sale of home construction materials and building information modeling (“**BIM**”) software (the “**Home Decoration**”);
- (iv) Rocket Gain Investments Limited (迅贏投資有限公司*), which is principally engaged in the provision of logistics services including warehouse management, delivery, installation and after-sales for large and medium-sized parcels (the “**Anxun Logistics**”); and

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- (v) Zhongmaixiu (Ningbo) Technology Co., Ltd.* (眾買秀(寧波)科技有限公司), which is principally engaged in the provision of private wine cellars and shared warehouses and the trading of collectibles including wine, tea leaves and tobacco (the “**GOME Collections**”).

Such entrustment plan as mentioned above could enable the full connection and integration of the respective system, thus generating strong traffic to the GOME Fun online platform and creating synergies, which is expected to boost the Group’s traffic significantly and bring in considerable operating revenue at the same time. The Group shall be upgraded from a supply chain-driven company to a platform-based company with supply chain capacity, which is advantageous to the surge and optimisation of the Group’s overall market valuation.

In the future, the Management believes that the barrier between online and offline business will be eliminated gradually as all business activities will be focused on fulfilling users’ needs. The Group will uphold the core value of new retail to “create and share fun and enjoyable sales and shopping experience”, utilise the unique strength to upgrade the business models and facilitate the development of a digital and platform-based retail ecosystem with entertaining features to fully release the huge potential of a “New GOME”.

Industry Outlook

In order to evaluate the fairness and reasonableness of the proposed annual caps under the Relevant CCT Agreements, as discussed with the Management, they are of the view that in the long term, both offline and online retail of electrical appliances and consumer electronic products and general merchandises in the PRC will keep the current momentum and undergo a rapid growing stage. We have carried out our independent work to verify the growth of the aforesaid market. Based on data published by the National Bureau Statistics of China, PRC’s total retail sales of social consumer goods from January to September 2021 reached RMB31,805.7 billion, representing a year-on-year growth rate of approximately 16.4% from RMB27,332.4 billion during the same period of the previous year. PRC’s online retail sales from January to September 2021 reached RMB9,187.1 billion, representing a year-on-year growth rate of 18.5%. Among PRC’s online retail sales, the sales of clothing goods and consumer goods have recorded an increase by approximately 15.6% and 14.5% respectively. In recent years, the e-commerce industry has been booming, with the e-commerce demand unleashed in the rural market, further narrowing the consumption gap across the geographical network. This has provided a strong boost to the dual circulation development paradigm in the PRC. According to the China Internet Network Information Center (the “CNNIC”), the number of mobile internet users in China had reached approximately 1.0 billion as at 1H2021, representing an increase of approximately 20.9 million users from FY2020. As at 1H2021, the proportions of Chinese netizens accessing the internet through mobile phones, desktop computers, laptop computers, televisions and tablet computers were

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approximately 99.6%, 34.6%, 30.8%, 25.6% and 24.9%, respectively. As further stated by the CNNIC, the user size of online shopping in China had reached approximately 812.0 million as at 1H2021, representing an increase of approximately 29.7 million from 1H2020.

According to Asian Development Bank, the gross domestic product growth rate is expected to be approximately 8.1% and 5.5% in 2021 and 2022 respectively, while consumption will be the main engine of economic growth, which will benefit the retail sales of social consumer goods. Furthermore according to Everbright Securities, the PRC government has been improving the regulation of e-commerce against monopoly to ensure a level playing field for different platforms and protect consumers' interests. The policies include: (i) removal of the restriction that the merchants can only operate on one e-commerce platform; (ii) limitation on low price dumping; (iii) platforms compatibilities; and (iv) protection of consumers' privacy and data. Those policies help to provide a healthy competition environment for the industry. Therefore, we expect that the number of internet and mobile users, online and mobile retail consumers and online and mobile retail sales values in the coming years will continue to increase, which in turn indicates that there is still large potential for the e-commerce market to grow in the PRC. In addition, we agree with the Management that the trend of purchasing behaviour in higher value items such as electrical appliances and consumer electronics products will continue to grow.

Supply and purchase services

As stated in the Letter from the Board, GOME Fun is a non-wholly owned subsidiary of the Group. As it is owned as to 40% by the Controlling Shareholder, it is an associate of the Controlling Shareholder and a connected subsidiary of the Company and the transactions between the Group and GOME Fun become connected transactions for the Company for the purpose of the Listing Rules.

The Group is currently an all-round retail eco-system sharing platform focusing on retail and home services in the PRC, with the range of general merchandise covering household appliances, food and wine, clothing, home decoration, daily necessities, mother care and baby goods and beauty and personal care products. GOME Fun is an important component of the Group's online platform, engaging in online retail business and local life services. Each of the Group and GOME Fun has its own procurement channels and suppliers. Prior to the Group's Strategic Transformation, the Group's retail business focuses primarily on electrical appliances and electronic products, and the proportion of general merchandise was relatively low. As the Group undergoes Strategic Transformation, the scope of the Group's procurement will expand and increase the proportion of merchandise other than electrical appliances and electronic products. Whereas GOME Fun, as opposed to its previous strategy of focusing on general

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merchandise, will procure more electrical appliances and electronic products to achieve a balanced development. As the retail strategy of the Group evolves, online and offline retails will integrate and the range of merchandise will also complement each other more comprehensively.

The 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement were entered into to improve the efficiency of the Group's procurement of products and enable the Group and GOME Fun to source products from their own or the other party's suppliers and make such products available to both the online and offline retail platforms of the Group to allow the Group (through GOME Appliance, its wholly-owned subsidiary, and GOME Fun) to capture the demand of all potential customers online and offline. Hence, the products which are the subject of each of the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement include the full range of products currently and to be offered by the relevant subsidiary. It is expected that GOME Appliance will be supplying mainly electrical appliances under the 2022 Master Merchandise Supply Agreement; while GOME Fun will be supplying mainly general merchandise under 2022 Master Merchandise Purchase Agreement. As such, the products supplied by/to GOME Fun to/from GOME Appliance may be of the same but under different brand names.

The products carried by the Group's offline retail stores and the online platform are the same. This strategy is in line with many other international retailers. The same product will be supplied from the same ultimate manufacturer. GOME Appliance will, based on the method explained above, be able to source the product at the lowest price. The prices charged under the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement will not be higher than the price charged by independent suppliers on similar terms for the same or similar products.

Apart from ensuring the Group could capture all potential customers through its online and offline platform, the other main purpose of the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement is to ensure that the Group (whether through GOME Appliance, its wholly-owned subsidiary, or GOME Fun) obtains the relevant products at the lowest cost possible (on similar terms) and on normal or better commercial terms as before placing any order of goods, the merchandising department of the Group would source for a supplier to provide the best terms available for the Group. Then, it would use the subsidiary that could negotiate the best terms and also preferred by the supplier (e.g. small goods suppliers usually prefer GOME Fun while large electrical appliances goods suppliers usually prefer GOME Appliance) to enter into the relevant supply agreements. Hence, the relevant product is sourced at the lowest cost (on similar terms) to the Group as a whole, and before making a purchase, the relevant subsidiary is subject to the internal controls set out in the section headed "INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS" under the Letter from the Board.

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Through the above procedures, the relevant subsidiary will be able to obtain the best term under the 2022 Master Merchandise Purchase Agreement and the 2022 Master Merchandise Supply Agreement available to it for the purchase of the relevant product. As such, the pricing of the products will be fair and reasonable and on normal commercial terms or better. The arrangement will minimise the occurrence of shortage of products and lower purchase costs and is essential for the operation and development of the Group.

General services

With the Group's Strategic Transformation, in order to improve operating efficiency and expand its business scale, the Group aims to empower the Group and promote commodity trading by utilising the relevant resources, services and other support of GOME Fun and other sharing and joint development platform companies, so as to enhance the Group's brand influence and improve its sales and profitability. Therefore, the Group enters into the First 2022 Service Agreement pursuant to which, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, at the request of GOME Appliance or any member of the Group from time to time, provide services (including technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services) to GOME Appliance or the Group.

Also, as the businesses of GOME Holding cover home decoration, home furnishing, logistics and warehousing, wine industry, etc., and some of which are rapidly expanding, the rich experiences of GOME Appliance, GOME Fun and other members of the Group in online and offline operation and sales can provide various support (including store opening, marketing, system services, etc.) to GOME Holding to promote the relevant transactions, expand the business scale and enhance its reputation. Therefore, the Group entered into the Second 2022 Service Agreement pursuant to which, GOME Appliance and GOME Fun agreed to, and will procure other members of the Group to, at the request of GOME Holding from time to time, provide services (including technical services, platform services and inbound marketing services) to GOME Holding.

Offline display services

Offline platform is the platform on which the Group displays its products and provides life services. As the Group transforms into an all-round retail eco-system sharing platform, in order to provide its customers with shopping experiences of better quality and high cost performance, the offline platforms will integrate with GOME Fun whereby all online products will be displayed on offline platforms so as to give family users an online and offline full-scene shopping experience. Therefore, the Group enters into the First 2022 Offline Display Services Agreement and Second 2022 Offline Display Services Agreement pursuant to which, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, at the request of GOME Appliance or any member of the Group from time to time, provide offline display services to GOME Appliance or the Group; and GOME Appliance and GOME Fun agreed to, and will procure other members of the Group to, at the request of GOME Holding from time to time, provide services (including technical services, platform services and inbound marketing services) to GOME Holding.

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Based on the above, in particular, (i) the evolution of the retail strategy of the Group amid the Strategic Transformation; (ii) save for the negative impact incurred by the Pandemic, the historical growth of the retail market for electrical appliances, consumer electronic products and general merchandise still maintained an upward trend as a whole; (iii) the expected solid growth of the retail market for electrical appliances, consumer electronic products and general merchandise as a whole considering the retail market is gradually recovering from the Pandemic; and (iv) the strong momentum will continue throughout the second half of 2021 based on the growth engine as discussed above, we agree with the Board that it is timely and appropriate to extend the terms of the 2019 Master Merchandise Purchase Agreement and the 2019 Master Merchandise Supply Agreement up to 31 December 2024. We are also of the view that the entering into of the Relevant CCT Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group.

4. Principal terms of the Relevant CCT Agreements

4.1 2022 Master Merchandise Purchase Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company, which is principally engaged in the retailing of electrical appliances and consumer electronics products; and
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group, which is principally engaged in the business of providing online retail services. The remaining 40% equity interests of GOME Fun is owned by the Controlling Shareholder. GOME Fun is hence an associate of the Controlling Shareholder and a connected subsidiary of the Company for the purpose of the Listing Rules.

Terms of the 2022 Master Merchandise Purchase Agreement and annual caps:

Pursuant to the 2022 Master Merchandise Purchase Agreement, GOME Fun agreed to, and will procure any member of the Parent Group to, supply general merchandise (including electrical appliances, consumer electronics products, household appliances, food and wine, clothing, home decoration, daily necessities, mother care and baby goods and beauty and personal care products) to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Master Merchandise Purchase Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years FY2024 shall not exceed RMB28 billion, RMB35 billion and RMB45 billion, respectively.

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According to the 2022 Master Merchandise Purchase Agreement, we noted that the supply of general merchandise is based on market approach, which is determined by the prevailing market rate of similar merchandise charged by GOME Fun or any member of the Parent Group to independent third parties. According to the internal control procedures set out in the section below headed “5. Internal control policy for Continuing Connected Transactions”, with the consideration of (i) the relevant management personnel of the Company will regularly, on a monthly basis, update the market price conducted under the relevant continuing connected transaction; (ii) the Group will obtain quotations from at least two independent suppliers of similar products to set the reference market price; (iii) the Management will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the provision of the services; and (iv) the Group’s internal control procedures to be discussed below, we are of the view that the basis for price determination under the 2022 Master Merchandise Purchase Agreement is fair and reasonable.

Based on the above observation, the pricing policy offered by GOME Fun for the Merchandise Purchase Transaction is no less favourable to the Group than those offered by the independent third party suppliers.

Historical transaction amounts

To assess the fairness and reasonableness of the annual caps for the 2022 Master Merchandise Purchase Agreement, we have reviewed the historical transaction amounts for the general merchandise purchased under the 2019 Master Merchandise Purchase Agreement for FY2019 and FY2020 and the nine months (“9M”) ended 30 September 2021, details of which are set out as follow:

Table 1: The annual caps and the historical actual transaction amounts of the 2019 Master Merchandise Purchase Agreement for FY2019, FY2020 and FY2021

	FY2019	FY2020	FY2021
	<i>RMB’</i>	<i>RMB’</i>	<i>RMB’</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Annual caps	5,000.0	8,000.0	10,000.0
Transaction amounts	3,938.0	2,083.1	3,227.5 (up to 9M2021)
Utilisation rate	78.8%	26.0%	32.3% (up to 9M2021)

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Products supplied under the 2022 Master Merchandise Purchase Agreement will be paid either: (1) in advance as prepayment, (2) at the time of purchase, or (3) within 180 days from the receipt of the products.

As illustrated above, the historical actual transaction amounts under the 2019 Master Merchandise Purchase Agreement recorded a decrease by approximately 47.1% from approximately RMB3,938.0 million for FY2019 to approximately RMB2,083.1 million for FY2020 but in turn bounced back to approximately RMB3,227.5 million for 9M2021, representing an increase by approximately 54.9%. The utilisation rates for the existing annual caps for FY2019 and FY2020 were approximately 78.8% and 26.0% respectively. The historical actual transaction amounts of the Merchandise Purchase Transaction for 9M2021 represents approximately 32.3% of the existing annual cap of RMB10,000.0 million for FY2021. Should the historical actual transaction amount of the Merchandise Purchase Transaction for 9M2021 be annualised, the projected transaction amount for FY2021 would reach approximately RMB4,303.3 million and the utilisation rate would thereby increase to 43.0%.

Based on our discussion with the Management, the main reason for the significant decrease in the actual transaction amounts of the Merchandise Purchase Transaction in FY2020 as compared with FY2019 was mainly attributable to the outbreak of the Pandemic, which caused disruption to many industries in the PRC, including the business of the Group, particularly the offline retail sector. As a result, the sales revenue of the Group for FY2020 was approximately RMB44,119.1 million, declined by approximately 25.8% as compared with RMB59,482.8 million for FY2019. The sales revenue for the 1H2020 also decreased by approximately 44.4% year-on-year due to severe outbreak of the Pandemic, the consolidated gross profit margin of overall business was also decreased from approximately 17.9% for FY2019 to approximately 12.2% for FY2020 due to the sales of bulky home appliances being seriously affected by the Pandemic. Nevertheless, the actual transaction amounts of the Merchandise Purchase Transaction for 9M2021 has recorded a rebound by approximately 0.5 times from FY2020, the annualised actual transaction amounts for FY2021 would then represent an increase by 1.1 times from FY2020. With reference to the 2021 Interim Report and noted that this is mainly attributable to the effective prevention and control of the Pandemic, social and economic development in various counties showed significant progress and the global economy has started to recover. Residents' income and employment condition have been improving steadily, and it is expected to stimulate the rebound in consumption. Furthermore, we noted that the decrease in the actual transaction amount of the Merchandise Purchase Transaction for FY2020 was also attributable to the decrease of the total gross merchandise volume (“GMV”) by approximately 17.3% from FY2019 to FY2020 as disclosed in the 2020 Annual Report, As further

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disclosed in the 2021 Interim Report, the GMV of the Group grew by 24.4% as compared with the corresponding period last year, which is in line with the recovery of actual transaction amount for 9M2021 by approximately 32.3% as abovementioned.

In addition, based on the discussion with the Management, pursuant to the Strategic Transformation as abovementioned under the section headed “3. Reasons for and benefits of entering into the Relevant CCT Agreements”, the Group will continue to comprehensively promote the second phase of “Home • Living” strategy, open up the rich resources on the platform, strengthen online and offline operations, and meet consumers’ desire for a better lifestyle with innovative changes in technology, openness, entertainment, and sharing, and utilising scenarios and technology to become a redefined digital, social, and entertainment local retail service platform. As further disclosed in the 2021 Interim Report, subsequent to the restructuring of the GOME APP with new functions and revamped into the GOME Fun APP, the stock keeping unit (“SKU”) exceeded 600,000 during 1H2021. The online platform is positioned as “online shopping mall + local daily life services” with “special promotions such as bidding and group buying with entertaining activities” as its marketing initiatives, and provides its merchants with displays of full range of product categories, services and SKUs through “One Store One Webpage”, “One Merchant One Webpage”, “One Group One Webpage” and “One Media One Webpage” systems. Therefore the Group is expected to increase the purchase amount in order to facilitate the flexibility to the Group for implementing such corporate strategy and future business expansion. In light of the above, we are of the view that although the historical utilisation rates were low, which in turn was affected by the Pandemic, the further implementation of the Strategic Transformation, the joint development and integration of the Group’s business platform and resources provides a sound basis for a substantial increase in the relevant annual caps.

In connection with the implementation of the Strategic Transformation, we have performed the following independent due diligence work:

- (i) we have reviewed the corporate documents published by the Company including but not limited to, the 2017 Annual Report, 2018 Annual Report, 2019 Annual Report, 2020 Annual Report and the Entrustment Announcements with the purpose to understand the Strategic Transformation undertaken by the Group throughout the recent years;
- (ii) we have performed our own desktop research and have reviewed relevant news articles and industry reports with a purpose to achieve a thorough understanding in relation to the Strategic Transformation throughout the recent years, we have then held discussion with the responsible officers at different departments of the Company to reinforce our knowledge gained from such desktop research;

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- (iii) we have then held discussion with the Management with the purpose to verify whether our understandings towards the Strategic Transformation is consistent with the implementation of which by the Management;
- (iv) we understand that the Company has held an internal presentation conference in October 2021 in respect of the second phase of the “Home • Living” strategy, we have then obtained the relevant meeting agenda and document from the Company and noted that it has stated the detailed explanation on the Strategic Transformation, with the relevant sales target stated for FY2022 and the proposed methodology to achieve such target. We also noted from the meeting document that the Company intended to establish a closed-loop retail ecosystem with those six major platforms as mentioned under the subsection headed “Future target and prospects” above, in particular, the closed-loop retail ecosystem would be able to satisfy the diversified demand of customers with a wide range of products and services which are better in quality and at a competitive prices against its industry peers; and
- (v) based on the independent work done above, we have given a presentation on the Continuing Connected Transactions to the Board and the Independent Board Committee in a meeting held on 26 November 2021. During the meeting, we have set out our view and analysis on the reasons and benefits of entering into the Relevant CCT Agreements, and have highlighted, among others, our assessment on the Strategic Transformation. The Board and the Independent Board Committee were both satisfied with our presentation and no further queries were raised thereafter.

Basis for determining the purchase price and annual caps of the 2022 Master Merchandise Purchase Agreement

The purchase price under the 2022 Master Merchandise Purchase Agreement will be based on the prevailing market rate of similar merchandise charged by GOME Fun or any member of the Parent Group to independent third parties.

The internal control unit of the procurement department of the Group will review the financial records of GOME Fun and members of the Parent Group including samples of invoices issued to independent third parties in relation to the supply of similar merchandise in the vicinity to ensure the terms offered by GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties. Such samples of invoices will be selected from approximately 30% – 50% of the number of independent third party clients of GOME Fun and the Parent Group and among which, 10% of the relevant invoices with respect to each of such independent third parties will be reviewed. The Group will also obtain quotations from at least two independent suppliers (if available) to ensure the terms offered are not less favourable than that are available from independent third parties.

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As disclosed in the Letter from the Board, the table below sets out the proposed annual caps of the 2022 Master Merchandise Purchase Agreement for FY2022, FY2023 and FY2024.

Table 2: The proposed annual caps of the 2022 Master Merchandise Purchase Agreement for FY2022, FY2023 and FY2024

	FY2022	FY2023	FY2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual caps	28,000.0	35,000.0	45,000.0

The proposed annual cap amounts of the 2022 Master Merchandise Purchase Agreement were determined after taking into consideration:

- (i) the historical transaction amounts of merchandise supplied under the 2019 Master Merchandise Purchase Agreement to the Group;
- (ii) the expected increase in demand for general merchandise by the Group's physical stores as they will carry a broader range of general merchandise including for example household appliances, food and wine, clothing, home decoration, daily necessities, mother care and baby goods and beauty and personal care products;
- (iii) the expected growth in GMV of the Group taking into account, among others, the rebound in consumption as global economy has started to recover from the Pandemic (as disclosed in the 2021 Interim Report, the GMV of the Group grew by 24.4% as compared with the corresponding period last year, which is in line with the bounced back of the utilisation rate of annual cap for 9M2021 by approximately 32.3%), and future business expansion of the Group;
- (iv) the plan of rapidly expanding the coverage of the Group's physical stores to the third to sixth-tier cities in the PRC to about 6,000 plus stores within the next three years (number of stores as at 30 June 2021: 3,895 stores, including 2,556 county-level stores), and the Group's estimate of the expected revenue that may be derived from each of these new stores based on the Group's experience of penetration into other similar-tier cities; and
- (v) the non-electrical sales target of the Company of approximately RMB60.0 billion for FY2022. To achieve such non-electrical sales target, GOME Appliance shall purchase 50% of such merchandise from GOME Fun and the Parent Group, which is approximate to the proposed annual cap for FY2022 of RMB28.0 billion.

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As stated in the Letter from the Board, having considered all of the factors in (ii) to (iii) which will lead to an organic growth from the existing stores and the growth resulting from the number of stores to be opened, expected size of the stores and the population of the relevant cities driving the demand for the physical stores, the annual cap for FY2023 under the 2022 Master Merchandise Purchase Agreement, will be increased by 25% as compared to the annual cap of FY2022 and the annual cap of FY2024 will be increased by 29% as compared to the annual cap of FY2023.

According to the discussion with the Management, in light of the rapidly expanding business plan following by the Strategic Transformation, we understand from the Management that they have determined the proposed annual cap for FY2022 after arm's length negotiation, taking into account the non-electrical sales target of the Company for FY2022, which is approximately RMB60.0 billion as proposed by the Management, such non-electrical sales target for FY2022 of approximately RMB60.0 billion mainly include, among others, (i) approximately RMB5.8 billion for GOME True Selection* (國美真選); (ii) approximately RMB20 billion for GOME Store* (國美百貨); (iii) approximately RMB24.5 billion for Aiyouwei* (哎呦喂定制); (iv) approximately RMB3 billion for Paitu Custom (派途定制); (v) approximately RMB8.0 billion for Kitchen Space* (廚空間); (vi) approximately RMB3.0 billion for GOME Collections* (國美窖藏); and (vii) approximately RMB900 million for Voice Enlightenment* (聲音啟蒙). The Company has estimated that, in order to achieve such non-electrical sales target mentioned above, GOME Appliance shall purchase 50% of such merchandise from GOME Fun and the Parent Group, which is approximate to the proposed annual cap for FY2022 of RMB28.0 billion. We are of the view that the proposed annual cap for FY2022 under 2022 Master Merchandise Purchase Agreement is fair and reasonable. In relation to the estimated sales target, in particular, the non-electrical sales target regarding the Merchandise Purchase Transaction, we have obtained and reviewed from the Management's computation worksheets (the "**Caps Computation**") including the sales target meeting documents (the "**Meeting Documents**") indicating the non-electrical sales target of the Company for FY2022, which formed the basis for the proposed annual cap in respect of the Merchandise Purchase Transaction. We note that the Caps Computation has stated: (i) the relevant sales channel; (ii) the type of fee for the relevant service; (iii) the calculated base figure; and (iv) the charging rate for the relevant service.

During the course of review on the Caps Computation, we understand that the key assumptions adopted in the proposed annual cap computation for FY2022 under the 2022 Master Merchandise Purchase Agreement were determined with the consideration of: (i) the calculated base figure is based on the non-electrical sales target of the Company for FY2022 as abovementioned; and (ii) the charging rate for the relevant service mainly refers to the historical service charging rate under the 2019 Master Merchandise Purchase Agreement. Furthermore, as for the proposed annual cap computation for FY2023 and FY2024 under the 2022 Master Merchandise Purchase Agreement, the Company will make reference to the market growth trend and business growth trend which is in line with the expected growth in GMV of the Group (i.e. approximately 24.4% for 1H2021 and 32.3% for 9M2021).

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With the background of the Strategic Transformation as abovementioned under the section headed “3. Reasons for and benefits of entering into the Relevant CCT Agreements”, having considered the basis on which the annual caps are determined as described above, we are of the view that the annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

4.2 2022 Master Merchandise Supply Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company; and
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group.

Terms of the 2022 Master Merchandise Supply Agreement and annual caps:

Pursuant to the 2022 Master Merchandise Supply Agreement, GOME Appliance agreed to, and will procure other members of the Group to, supply general merchandise (including electrical appliances, consumer electronics products and electrical accessories) to GOME Fun or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the 2022 Master Merchandise Supply Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending FY2024 shall not exceed RMB30 billion, RMB40 billion and RMB50 billion, respectively.

According to the 2022 Master Merchandise Supply Agreement, we noted that the supply of general merchandise is based on market approach, which is determined by the prevailing market rate of similar merchandise charged by GOME Appliance or the Group to independent third parties. According to the internal control procedures set out in the section below headed “5. Internal control policy for Continuing Connected Transactions”, with the consideration of (i) the relevant management personnel of the Company will regularly, on a monthly basis, update the market price conducted under the relevant continuing connected transaction; (ii) the Group will make reference to the quotations provided to at least two independent customers of similar products to set the reference market price; (iii) the management team of the Group will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the provision of the products; and (iv) the Group’s internal control procedures to be discussed below, we are of the view that the basis for price determination under the 2022 Master Merchandise Supply Agreement is fair and reasonable.

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Based on the above observation, the pricing policy offered by GOME Appliance for the Merchandise Supply Transaction is no less favourable to the Group than those offered to the independent third party customers.

Historical transaction amounts

To assess the reasonableness of the annual caps for the 2022 Master Merchandise Supply Agreement, we have reviewed the historical transaction amounts for the general merchandise supplied under the 2019 Master Merchandise Supply Agreement for FY2019 and FY2020 and 9M2021, details of which are set out as follow:

Table 3: The annual caps and the historical actual transaction amounts of the 2019 Master Merchandise Supply Agreement for FY2019, FY2020 and FY2021

	FY2019 <i>RMB'</i> <i>million</i>	FY2020 <i>RMB'</i> <i>million</i>	FY2021 <i>RMB'</i> <i>million</i>
Annual caps	10,000.0	15,000.0	20,000.0
Transaction amounts	5,334.7	3,012.8	4,445.1 (up to 9M2021)
Utilisation rate	53.3%	20.1%	22.2% (up to 9M2021)

Products supplied under the 2022 Master Merchandise Supply Agreement will be paid either: (1) in advance as prepayment, (2) at the time of purchase, or (3) within 180 days from the receipt of the products.

As illustrated above, the historical actual transaction amounts under the 2019 Master Merchandise Supply Agreement recorded a decrease by approximately 43.5% from approximately RMB5,334.7 million for FY2019 to approximately RMB3,012.8 million for FY2020 but in turn bounced back to approximately RMB4,445.1 million for 9M2021, representing an increase by approximately 47.5%. The utilisation rates for the existing annual caps for FY2019 and FY2020 were approximately 53.3% and 20.1% respectively. The historical actual transaction amounts of the Merchandise Supply Transaction for 9M2021 represents approximately 22.2% of the existing annual cap of RMB20,000.0 million for FY2021. Should the historical actual transaction amount of the Merchandise Supply Transaction for 9M2021 be annualised, the projected transaction amount for FY2021 would reach approximately RMB5,926.8 million and the utilisation rate would thereby increase to 29.6%.

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Based on our discussion with the Management, similar to the Merchandise Purchase Transaction, the main reason for the significant decrease in the actual transaction amounts of the Merchandise Supply Transaction in FY2020 as compared with FY2019 was mainly attributable to the outbreak of the Pandemic that caused disruption to many industries in China, including the business of the Group. As a result, the sales revenue of the Group for FY2020 was approximately RMB44,119 million, a decline by 25.8% as compared with RMB59,483 million for FY2019. The sales revenue for the 1H2020 decreased by approximately 44.4% year-on-year due to severe outbreak of the Pandemic, the consolidated gross profit margin of overall business also decreased from approximately 17.9% for FY2019 to approximately 12.2% for FY2020 due to the sales of bulky home appliances being seriously affected by the Pandemic. Nevertheless, the actual transaction amounts of the Merchandise Supply Transaction for 9M2021 has recorded a rebound by approximately 1.5 times from FY2020, the annualised actual transaction amounts for FY2021 would then represent an increase by approximately 2.0 times from FY2020. With reference to the 2021 Interim Report, we noted that this is mainly attributable to the effective prevention and control of the Pandemic, social and economic development in various counties showed significant progress and the global economy has started to recover. Residents' income and employment condition have been improving steadily, and it is expected to stimulate the rebound in consumption.

Basis for determining the selling price and annual caps of the 2022 Master Merchandise Supply Agreement

The selling price under the 2022 Master Merchandise Supply Agreement will be based on the prevailing market rate of similar merchandise charged by GOME Appliance or the Group to independent third parties.

To ensure the terms offered by GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties, the internal control unit of the procurement department of the Group will (i) review the financial records of GOME Fun and members of the Parent Group in order to make reference to the price being paid by GOME Fun or members of the Parent Group (as the case may be) to independent third parties for similar products in the vicinity (if any); and (ii) review and benchmark prices offered under the 2022 Master Merchandise Supply Agreement with the prices offered by the Group to independent third party customers for similar products in the vicinity.

As disclosed in the Letter from the Board, the table below sets out the proposed annual caps of the 2022 Master Merchandise Supply Agreement for FY2022, FY2023 and FY2024.

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Table 4: The proposed annual caps of the 2022 Master Merchandise Supply Agreement for FY2022, FY2023 and FY2024

	FY2022	FY2023	FY2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual caps	30,000.0	40,000.0	50,000.0

The proposed annual cap amounts of the 2022 Master Merchandise Supply Agreement were determined after taking into consideration:

- (i) the historical transaction amounts of merchandise supplied under the 2019 Master Merchandise Supply Agreement;
- (ii) the expected growth in transaction amounts taking into account, among others, the rebound in consumption as global economy has started to recover from the Pandemic. The actual transaction amounts for 9M2021 has recorded a rebound by approximately 1.5 times from FY2020;
- (iii) the expected trend of customers of the Group becoming more used to using the Group's online platform to purchase electrical appliances and general merchandise, including for example AV and small appliances (i.e. including small kitchen appliances, hair dryers and electronic iron, etc.);
- (iv) the expected continued increase in the number of online shoppers in the PRC leading to a continued growth in the online business and hence leading to an increase in demand from GOME Appliance;
- (v) the consequential increase in online transaction volume as a result of the increase in online browsers of the GOME Fun platform due to the brand penetration into the third to sixth-tier cities where the Group will open its new stores; and
- (vi) the sales target of GOME Fun, which will be approximately RMB40 billion for FY2022. Such sales target mainly includes electrical appliances and consumer electronic products, as well as general merchandises.

As stated in the Letter from the Board, having considered all the above factors which will drive the demand for e-commerce business, the annual caps are set as to RMB30 billion, RMB40 billion and RMB50 billion for the three years ending FY2024, representing an increase of approximately 33.3% from FY2022 to FY2023 and approximately 25.0% from FY2023 to FY2024.

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According to the discussion with the Management, we understand from the Management that they have determined the proposed annual cap for FY2022 after arm's length negotiation, taking into account the GOME Fun sales target, which will be approximately RMB40 billion for FY2022 proposed by the Management, such sales target mainly includes the electrical appliances and consumer electronic products, as well as the general merchandises. In order to achieve the online sales target of GOME Fun mentioned above, GOME Appliance will maintain the stable supply of the electrical appliances and consumer electronic products to GOME Fun, considering the proposed annual cap for FY2022 under the 2022 Master Merchandise Supply Agreement of RMB30 billion is far below the online sales target of GOME Fun. Furthermore, in relation to the sales target of GOME Fun, with reference to the 2020 Annual Report, the GMV of the GOME Fun APP is expected to increase by nearly 4 times year-on-year, with monthly active users ("MAU") consistently at 40 million. Since the launch of GOME Fun APP in January 2021, the Company has strengthened its efforts in entertaining-oriented marketing model. The core strategy of which is to facilitate transactions driven by social network where merchants and customers may sell and buy products and services on the platform in an entertaining way. Looking forward, the Company is intended to fully promote the new model and mechanism of entertaining retailing to enable merchants and customers to sell and buy quality products and services and share their experience on the GOME Fun APP platform, and facilitate the platform and merchants to acquire natural customer traffic at lower cost in a more efficient and sustainable manner, and improve the user stickiness and repurchase rate, thereby enhancing the GMV and profit of the platform. We are of the view that if GOME Fun APP is able to achieve a similar range of historical growth rate in GMV and also with the increase in MAU, which would provide a sound basis to set the annual cap with an increment of approximately 50.0% from FY2021 to FY2022 and an increase of approximately 33.3% from FY2022 to FY2023 and approximately 25.0% from FY2023 to FY2024. According to 2021 Interim Report, for 1H2021, the GMV of the Group grew by approximately 24% as compared with 1H2020. During 1H2020, the GOME APP in digitalized local retail, the GMV from the Group's community plus GOME APP grew by approximately 70% as compared with the corresponding period last year. As the GOME Fun APP was launched in January 2021 as discussed under the subsection headed "Strategic transformation", no relevant historical growth rate of MAU is available. We are of the view that such proposed annual cap for FY2022 under the 2022 Master Merchandise Supply Agreement is fair and reasonable.

In addition, we also noted that the respective proposed annual caps under the 2022 Master Merchandise Supply Agreement is higher than the corresponding annual caps under the 2022 Master Merchandise Purchase Agreement. As such, we consider that such arrangement is fair and reasonable as it reflects and provides support to Company's plan to generate more income from the 2022 Master Merchandise Supply Agreement than paying for outgoing expenses under the 2022 Master Merchandise Purchase Agreement.

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In relation to the estimated sales target, in particular, the sales target of GOME Fun, we have obtained and reviewed the Caps Computation including the Meeting Documents indicating the sales target of GOME Fun for FY2022, which formed the basis for the formulation of the proposed annual cap in respect of the Merchandise Supply Transaction. We note that the Caps Computation has stated: (i) the relevant sales channel; (ii) the type of fee for the relevant service; (iii) the calculated base figure; and (iv) the charging rate for the relevant service.

During the course of review on the Caps Computation, we understand that the key assumptions adopted in the proposed annual cap computation for FY2022 under the 2022 Master Merchandise Supply Agreement were determined with the consideration of: (i) the calculated base figure is based on the GOME Fun sales target for FY2022 proposed by the Management as abovementioned; and (ii) the charging rate for the relevant service mainly refers to the historical service charging rate under the 2019 Master Merchandise Supply Agreement. Furthermore, as for the proposed annual cap computation for FY2023 and FY2024 under the 2022 Master Merchandise Supply Agreement, the Company has made reference to the market growth trend and business growth trend which we noted that is in line with the expected growth in transaction amounts as abovementioned.

With the background of the Strategic Transformation as abovementioned under the section headed “3. Reasons for and benefits of entering into the Relevant CCT Agreements”, having considered the basis on which the annual caps are determined as described above, we are of the view that the annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

4.3 First 2022 Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Appliance, a wholly-owned subsidiary of the Company.

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Terms of the First 2022 Services Agreement and annual caps:

Pursuant to the First 2022 Services Agreement, GOME Holding and GOME Fun agreed to, and will procure any member of the Parent Group to, provide services including the following:

- technical and platform services – provision of GOME Fun’s online platform for the sale of the Group’s products;
- software services – provision of supply chain distribution software system in respect of the sharing and joint development platform;
- supply chain member services – provision of data in respect of the sales volume of the top distributors/retailers selling the Group’s products at the online platform;
- value-added services – including the provision of big data services, cloud services and agent operation services;
- inbound marketing services – provision of referral services pursuant to which the relevant member of the Parent Group will recommend and refer the Group’s products to its customers; and
- agent operation services – including client attraction, commissioning and operation services,

to GOME Appliance or any member of the Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending FY2022, FY2023 and FY2024 shall not exceed RMB8 billion, RMB12 billion and RMB15 billion, respectively.

According to the First 2022 Services Agreement, we noted that the service provided by GOME Holdings and GOME Fun to GOME Appliance or the Group is based on market approach, which is determined by the prevailing market rate of similar or comparable services offered by GOME Holding and GOME Fun to independent third parties. According to the internal control procedures set out in the section below headed “5. Internal control policy for Continuing Connected Transactions”, with the consideration of (i) the relevant management personnel of the Company will regularly, on a monthly basis, update the market price conducted under the relevant continuing connected transaction; (ii) the Group will obtain quotations from at least two independent suppliers of similar services to set the reference market price; (iii) the Management will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the provision

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of the services; and (iv) the Group's internal control procedures to be discussed below, we are of the view that the basis for price determination under the First 2022 Services Agreement is fair and reasonable.

Based on the above observation, the pricing policy offered by GOME Holding and GOME Fun for the First 2022 Service are no less favourable to the Group than those offered by the independent third party suppliers.

Basis for determining the service fee and annual caps of the First 2022 Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed "INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS" in the Letter from the Board.

Furthermore, the internal control unit of the procurement department of the Group will review the financial records of GOME Holding, GOME Fun and members of the Parent Group including samples of invoices issued to independent third parties in relation to the supply of similar services in the vicinity to ensure the terms offered by GOME Holding, GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties. Such samples of invoices will be selected from approximately 30% to 50% of the number of independent third party clients of GOME Holding, GOME Fun and the Parent Group and among which, 10% of the relevant invoices with respect to each of such independent third parties will be reviewed. The Group will also obtain quotations from at least two independent suppliers (if available) to ensure the terms offered are not less favourable than that are available from independent third parties.

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As disclosed in the Letter from the Board, the table below sets out the proposed annual caps of the First 2022 Services Agreement for FY2022, FY2023 and FY2024.

Table 5: The proposed annual caps of the First 2022 Services Agreement for FY2022, FY2023 and FY2024

	FY2022	FY2023	FY2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual caps	8,000.0	12,000.0	15,000.0

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the relevant services.

There have been no previous transactions in relation to the services contemplated under the First 2022 Services Agreement. The proposed annual cap amounts of the First 2022 Services Agreement were determined after taking into consideration:

- (i) the expected demand for technical services, platform services, software services, supply chain member services, value-added services, inbound marketing services and agent operation services by the Group for the three years ending FY2024 taking into account, among others, the relevant service fees as follows:
 - (a) the technical services fee in respect of the platform provided by GOME Fun expected to be approximately 2.98% on the basis of the actual transaction amount;
 - (b) the platform services fee in respect of the online shopping platform service provided by GOME Fun with the fixed services fee of RMB320 monthly regarding every store launched on the platform of GOME Fun;
 - (c) the software services fee in respect of the supply chain distribution service with the fixed usage fee of RMB6,800 annually for GOME Appliance or the relevant member of the Group (as the case may be) receiving the software services;
 - (d) the supply chain member services fee in respect of the online shopping platform usage service with the fixed usage fee of RMB699 monthly for each supplier;

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- (e) the value-added services fee in respect of the value-added services such as big data services, cloud services and agent operation services with the expected fixed services fee of approximately RMB6,800 annually for GOME Appliance or the relevant member of the Group (as the case may be) receiving the value-added services;
 - (f) the inbound marketing services fee in respect of the electrical appliance referral services expected to be approximately 5% on the basis of the turnover of GOME Appliance or the relevant member of the Group (as the case may be) deriving from such referral services;
 - (g) the agent operation services fee in respect of the client attraction, commissioning and operation services expected to be approximately 20% on the basis of the profit after tax of GOME Appliance or the relevant member of the Group (as the case may be) receiving the agent operation services; and
- (ii) the expected transactions between the Group and the subsidiaries and affiliates of GOME Management in respect of the services contemplated under the First 2022 Services Agreement arising in connection with the Entrustment Agreement dated 11 October 2021 entered into between the Company and GOME Management, whereby the Group will cooperate closely with the subsidiaries and affiliates of GOME Management in order to form a closed-loop eco-system for the Group strategically and create better synergies.

According to our discussion with the Management, we understand from the Management that they have determined the proposed annual caps under the First 2022 Services Agreement with reference to, among others:

- (a) the technical services fee (技術服務費), mainly includes the sales of “One Store One Webpage” (一店一頁) from GOME Appliance through the platform provided by GOME Fun. GOME Fun shall charge the technical services fee of approximately 2.98% on the basis of the actual transaction amount incurred by GOME Appliance. “One Store One Webpage” is a system that the Company has created for its offline stores in regards to a designated webpage which facilitate the customers to get access to the online platform. This has facilitated the offline stores to carry out internet and digital operation and serve the customers with proximity to 3 to 8 kilometres through video promotion, professional shopping guide and concierge services. “One Store One Webpage” also allow users to visit physical stores online and enjoy real-time online services by in-store sales staff, orders can then be placed online to purchase products in the stores;

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- (b) the platform services fee (平台使用費), mainly charged by GOME Fun in respect of the online shopping platform service provided by GOME Fun with the fixed services fee of RMB320 monthly regarding every store owned by GOME Appliance which launched the platform of GOME Fun;
- (c) the software services fee (軟件服務費), mainly charged by Sharing and Joint Development in respect of the supply chain distribution service provided by their system software with the fixed usage fee of RMB6,800 annually for GOME Appliance or the relevant member of the Group (as the case may be) receiving the software services. Sharing and Joint Development plans to operate as an open platform for the integration of retail resources allocation and sales and distribution, with an aim to create a basic system (including supply chain, sales transactions, settlement, logistics and delivery, etc.) to enable third party merchants to set up new stores expeditiously;
- (d) the supply chain member services fee (供應鏈會員費), mainly charged by Qiaoqiao Technology* (瞧瞧科技) in respect of the online shopping platform usage service with the fixed usage fee of RMB699 monthly for each supplier. As a part of the Group's supply chain, Qiaoqiao Technology is a service sharing platform to connect individual business owners with suppliers through e-commerce infrastructure and operating system. To empower individual business owners to start a business on a social platform, it provides them with software services such as logistics, live streaming e-commerce and supply chain financing services. It also empowers factories/brand owners/distributors to build an independent and decentralised social platform sales network which enhances transaction process and increases market share. Offline platform practitioners can make use of software as a service tools to expand their sales network as well;
- (e) the value-added services fee (增值服務費), mainly charged by Sharing and Joint Development in respect of the value-added services such as big data services, cloud services and agent operation services with the expected fixed services fee of approximately RMB6,800 annually for GOME Appliance or the relevant member of the Group (as the case may be) receiving the value-added services;
- (f) the inbound marketing services fee (引流費), mainly charged by Home Decoration in respect of the electrical appliance referral services provided by Home Decoration expected to be approximately 5% on the basis of the turnover of GOME Appliance or the relevant member of the Group (as the case may be) deriving from such referral services. Home Decoration is a home decoration design company with internet attributes. It possesses a self-developed BIM system and can provide technical

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services to business customers. In addition, it also has a sales platform targeting individual customers which enables general customers to select and purchase their desired home decoration merchandise; and

- (g) the agent operation services fee (代運營費), mainly charged by GOME Home in respect of the client attraction, commissioning and operation services expected to be approximately 20% on the basis of the profit after tax of GOME Appliance or the relevant member of the Group (as the case may be) receiving the agent operation services. GOME Home mainly operates different types of physical retail stores which are opened to third party merchants and charges display or shelving fees, services fees (including service fees for integration of online and offline operations, such as digitalization of inline merchandise and usage fee for GOME Home's App or micro applications) on the third party merchants.

In relation to the relevant services provided by GOME Holding and GOME Fun, we have obtained and reviewed the Management's Caps Computation worksheets, which has stated: (i) the relevant sales channel; (ii) the type of fee for the relevant service; (iii) the calculated base figure; and (iv) the charging rate for the relevant service. Among the Caps Computation worksheets, we have also reviewed the services calculation documents (the "**Services Documents**") indicating the calculation method of the relevant service fee under the First 2022 Services Agreement, which formed the basis for the formulation of the proposed annual cap in respect of the First 2022 Services.

During the course of review on the Caps Computation, we understand that the key assumptions adopted in the proposed annual cap computation for FY2022, FY2023 and FY2024 under the First 2022 Services Agreement were determined with the consideration of: (i) the calculated base figure will be the expected transaction amount under the First 2022 Services Agreement as abovementioned; and (ii) the charging rate for the relevant service mainly refers to the service rate charged by Pinduoduo and JD.com to the Company for the similar service in the historical transaction between the Company and each of Pinduoduo and JD.com.

With the background of the Strategic Transformation as abovementioned under the section headed "3. Reasons for and benefits of entering into the Relevant CCT Agreements", having considered the basis on which the annual caps are determined as described above, we are of the view that the annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

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4.4 Second 2022 Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules.

Terms of the Second 2022 Services Agreement and annual caps:

Pursuant to the Second 2022 Services Agreement, GOME Appliance and GOME Fun agreed to, and will procure other members of the Group to, provide services (including technical and platform services in respect of the provision of GOME Fun's online platform for the sale of GOME Holding's or the Parent Group's products and inbound marketing services in respect of the referral of customers to GOME Holding or members of the Parent Group using GOME Fun's online platform) to GOME Holding or any member of the Parent Group pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending FY2024 shall not exceed RMB10 billion, RMB15 billion and RMB20 billion, respectively.

According to the Second 2022 Services Agreement, we noted that the service provided by GOME Appliance and GOME Fun to GOME Holdings is based on market approach, which is determined by the prevailing market rate of similar or comparable services offered by the Group and GOME Fun to independent third parties. According to the internal control procedures set out in the section below headed "5. Internal control policy for Continuing Connected Transactions", with the consideration of (i) the relevant management personnel of the Company will regularly, on a monthly basis, update the market price conducted under the relevant continuing connected transaction; (ii) the Group will make reference to the quotations provided to at least two independent customers of similar services to set the reference market price; (iii) the Management will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the provision of the services; and (iv) the Group's internal control procedures to be discussed below, we are of the view that the basis for price determination under the Second 2022 Services Agreement is fair and reasonable.

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Based on the above observation, the pricing policy offered by GOME Appliance and GOME Fun for the Second 2022 Services are no less favourable to the Group than those offered to the independent third party customers.

Basis for determining the service fee and annual caps of the Second 2022 Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed "INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS" in the Letter from the Board.

Furthermore, to ensure the terms offered by GOME Holding or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties, the internal control unit of the procurement department of the Group will (i) review the financial records of GOME Holding and members of the Parent Group in order to make reference to the fee being paid by GOME Holding or members of the Parent Group (as the case may be) to independent third parties for similar services in the vicinity (if any); and (ii) review and benchmark fees offered under the Second 2022 Services Agreement with the fees offered by the Group to independent third party customers for similar services in the vicinity.

As disclosed in the Letter from the Board, the table below sets out the proposed annual caps of the Second 2022 Services Agreement for FY2022, FY2023 and FY2024.

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Table 6: The proposed annual caps of the Second 2022 Services Agreement for FY2022, FY2023 and FY2024

	FY2022	FY2023	FY2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual caps	10,000.0	15,000.0	20,000.0

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the relevant services.

There have been no previous transactions in relation to the services contemplated under the Second 2022 Services Agreement. The proposed annual cap amounts of the Second 2022 Services Agreement were determined after taking into consideration:

- (i) the expected demand for technical services, platform services and inbound marketing services by GOME Holding for the three years ending FY2024 taking into account, among others, the relevant services income as follows:
 - (a) the technical services income in respect of the online shopping platform services with approximately 0.96%-2.56% on the basis of actual transaction amount;
 - (b) the platform services income in respect of the online shopping platform services with the fixed services fee of RMB320 monthly regarding every store launched on the platform; and
 - (c) the inbound marketing services income in respect of the inbound marketing services expected to be approximately 70% on the basis of the technical services fee.
- (ii) the expected transactions between the Group and the subsidiaries and affiliates of GOME Management in respect of the services contemplated under the Second 2022 Services Agreement arising in connection with the Entrustment Agreement whereby the Group will cooperate closely with the subsidiaries and affiliates of GOME Management in order to form a closed-loop eco-system for the Group strategically and create better synergies.

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According to our discussion with the Management, the determination of the proposed annual caps under the Second 2022 Services Agreement was made with reference to, among others,

- (a) the technical services income (技術服務收入), mainly paid by GOME Holding in respect of the online shopping platform service provided by GOME Fun with approximately 0.96%-2.56% on the basis of actual transaction amount incurred by GOME Holding;
- (b) the platform services income (平台使用收入), mainly paid by GOME Holding in respect of the online shopping platform service provided by GOME Fun with the fixed services fee of RMB320 monthly regarding every store owned by GOME Holding which launched on the platform of GOME Fun; and
- (c) the inbound marketing services income (引流費返還), mainly paid by GOME Fun in respect of the inbound marketing services provided by GOME Appliance expected to be approximately 70% on the basis of the technical services fee.

In addition, we also noted that the respective proposed annual caps under the Second 2022 Services Agreement is higher than the corresponding annual caps under the First 2022 Services Agreement. As such, we consider that such arrangement is fair and reasonable as it reflects and provides support to Company's plan to generate more service fees from the Second 2022 Services Agreement than service fees payable under the First 2022 Services Agreement.

In relation to the relevant services provided by GOME Appliance and GOME Fun, we have obtained and reviewed from the Management's Caps Computation worksheets, which has stated: (i) the relevant sales channel; (ii) the type of fee for the relevant service; (iii) the calculated base figure; and (iv) the charging rate for the relevant service. Among the Caps Computation worksheets, we have also reviewed the Services Documents indicating the calculation method of the relevant services income under the Second 2022 Services Agreement, which formed the basis for the formulation of the proposed annual cap in respect of the Second 2022 Services.

During the course of review on the Caps Computation, we understand that the key assumptions adopted in the proposed annual cap computation for FY2022, FY2023 and FY2024 under the Second 2022 Services Agreement were determined with the consideration of: (i) the calculated base figure will be the expected transaction amount under the Second 2022 Services Agreement as abovementioned; and (ii) the charging rate for the relevant service mainly refers to the service rate charged by Pinduoduo and JD.com to the Company for the similar service in the historical transaction between the Company and each of Pinduoduo and JD.com.

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With the background of the Strategic Transformation as abovementioned under the section headed “3. Reasons for and benefits of entering into the Relevant CCT Agreements”, having considered the basis on which the annual caps are determined as described above, we are of the view that the annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

4.5 First 2022 Offline Display Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Appliance, a wholly-owned subsidiary of the Company.

Terms of the First 2022 Offline Display Services Agreement and annual caps:

Pursuant to the First 2022 Offline Display Services Agreement, GOME Holding and GOME Fun agreed to, and will procure any members of the Parent Group to, showcase and display at the Parent Group’s offline platforms products of GOME Appliance or any member of the Group, and provide ancillary services (including security, cashier and product introduction services) pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the First 2022 Offline Display Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending FY2024 shall not exceed RMB800 million, RMB1,500 million and RMB2,500 million, respectively.

According to the First 2022 Offline Display Services Agreement, we noted that the supply of offline display services is based on market approach, which is determined by the prevailing market rate of similar or comparable services offered by GOME Holding and GOME Fun to independent third parties. According to the internal control procedures set out in the section below headed “5. Internal control policy for Continuing Connected Transactions”, with the consideration of (i) the relevant management personnel of the Company will regularly, on a monthly basis, update the market price conducted under the relevant continuing connected transaction; (ii) the Group will obtain quotations from at least two independent suppliers of similar services to set the reference market price; (iii) the Management will, on a monthly basis, review, monitor and benchmark with the average industry

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prices in respect of the provision of the services; and (iv) the Group's internal control procedures to be discussed below, we are of the view that the basis for price determination under the First 2022 Offline Display Services Agreement is fair and reasonable.

Based on the above observation, the pricing policy offered by GOME Holding and GOME Fun for the First 2022 Offline Display Services are no less favourable to the Group than those offered by the independent third party suppliers.

Basis for determining the service fee and annual caps of the First 2022 Offline Display Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;
- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed "INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS" in the Letter from the Board.

Furthermore, the internal control unit of the procurement department of the Group will review the financial records of GOME Holding, GOME Fun and members of the Parent Group including samples of invoices issued to independent third parties in relation to the supply of similar offline display services in the vicinity to ensure the terms offered by GOME Holding, GOME Fun or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties. Such samples of invoices will be selected from approximately 30% to 50% of the number of independent third party clients of GOME Holding, GOME Fun and the Parent Group and among which, 10% of the relevant invoices with respect to each of such independent third parties will be reviewed. The Group will also obtain quotations from at least two independent suppliers (if available) to ensure the terms offered are not less favourable than that are available from independent third parties.

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As disclosed in the Letter from the Board, the table below sets out the proposed annual caps of the First 2022 Offline Display Services Agreement for FY2022, FY2023 and FY2024.

Table 7: The proposed annual caps of the First 2022 Offline Display Services Agreement for FY2022, FY2023 and FY2024

	FY2022	FY2023	FY2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual caps	800	1,500	2,500

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the offline display services.

There have been no previous transactions in relation to the offline display services contemplated under the First 2022 Offline Display Services Agreement. The proposed annual cap amounts of the First 2022 Offline Display Services Agreement were determined after taking into consideration:

- (i) the expected demand for offline display services by the Group for the three years ending FY2024 taking into account, among others, the service fee expected to be approximately 5%-7% on the basis of the turnover of GOME Appliance or the relevant member of the Group (as the case may be) receiving the offline display services; and
- (ii) the business development plan of GOME Home, a member of the Parent Group which includes the expansion of retail network by opening new stores in 300 cities with an aggregate gross floor area of three million square meters per year in the coming three years and the increase in the average number of business operation days and hence the expected increase in the scale of the offline display services to be provided to GOME Appliance and the Group, which is in line with the expected growth in revenue of GOME Home estimated to be RMB2,886 million, RMB12,816 million and RMB15,360 million respectively for the three years ending FY2024.

Based on our discussion with the Management, we understand from the Management that the First 2022 Offline Display Services mainly include, among others, the following services:

- (a) the security services fee (安保服務費), mainly includes the security guard and superintendent services provided by GOME Holding and GOME Fun to GOME Appliance, namely the employment of security staffs, the

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on-site monitoring services in the stores of GOME Home, and the temperature checking services at the entrance and exit in the stores of GOME Home as part of the preventive measures against the Pandemic;

- (b) the cashier services fee (收銀服務費), mainly includes the settlement services provided by GOME Holding and GOME Fun to GOME Appliance such as the sales transaction processing services, cash management services and the assistance services provided to the customers during the in-store check-out process; and
- (c) the product introduction services fee (導購服務費), mainly includes the shopping assistance services provided by GOME Holding and GOME Fun to GOME Appliance such as responding to queries raised by the customers in relation to the electronic appliance or other products, thereby to establish a services marketing relationship with the customers and to enhance the sales transaction process.

As set out above, GOME Holding and GOME Fun will procure other members of the Parent Group to provide offline display services to GOME Appliances or the Group for a period of three years from FY2022 to FY2024. We have obtained from the Company, by way of random sampling, three sets of price quotations/contract offered by the Parent Group to other independent third party customers in relation to providing offline display services during FY2019, FY2020 and 1H2021 and compared against the terms as set out above. Based on substantially the same size of the display facility and/or locations, we noted that the relevant price quotations/contract offered to other independent third party customers were similar or higher than the corresponding price quotations offered to the Group by GOME Holding and GOME Fun. Furthermore, we understand from the Management that the expected demand for offline display by the Group for the three years of FY2022, FY2023 and FY2024 with the growth rate of approximately 87.5% and 66.7% respectively.

With reference to the Entrustment Announcements, we noted that the revenue of GOME Home is based on its business development plan and internal estimate is roughly to be RMB2,886 million, RMB12,816 million and RMB15,360 million for the three years ending FY2024 respectively. The primary source of revenue of GOME Home is expected to include product display fee and system service fee. The estimated growth in revenue of GOME Home is primarily based on its plan for the total gross floor area of newly opened stores and the duration of operation since opening. GOME Home plans to open new stores in 300 cities with an aggregate gross floor area of three million square meters per year in the coming three years. Taking into account the number of newly opened stores in 2023, the increase in the average number of business operation days as well as the relatively low base numbers in 2022, it is estimated there will be a relatively large year-on-year growth in revenue, representing an increase of approximately 334%. For 2024, the

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year-on-year growth rate is estimated to decrease to approximately 20%, primarily because: (i) the base number for 2023 is relatively high; and (ii) as the opening of large-scale stores will be the priority, it is estimated that the opening of large-scale stores in the target cities will be completed in 2022 and 2023, and the opening of new stores in 2024 will primarily be smaller scale stores with a majority of them being franchised stores (whereby the revenue to be generated will be primarily brand usage fee and system usage fee), hence the revenue to be generated from these stores is expected to be lower than that of large-scale stores and self-operated stores. With the annual caps of the First 2022 Offline Display Services of RMB0.8 billion, RMB1.5 billion and RMB2.5 billion for the three years of FY2022, FY2023 and FY2024, which is representing a growth rate of approximately 87.5% and 66.7%, respectively, we are of the view that the annual caps are in line with the expansion plan of the retail network of GOME Home for the three years FY2024.

In relation to the business development plan of GOME Home as abovementioned, we understand from the Management that, as at 30 June 2021, the Group has stores with an aggregate gross floor area of approximately 5 million square meters. With the plan of opening additional stores with an aggregate gross floor area of approximately 3 million square meters per year for the next three years, the Group's stores, in term of aggregate gross floor area, will increase to approximately 8 million, 11 million and 14 million square meters for the next three years respectively.

In addition, we understand from our discussions with the Management, because for opening new stores, there will be a lead-up time required for pre-opening renovation and decoration works, that:

- (i) since most of the new stores will be targeted to open in the second half of 2022, the Management estimates the new stores to be opened in FY2022 will have, on an average, of approximately 90 business operation days for the full year;
- (ii) as the Group plans to speed up the new store opening process in FY2023, the Management estimates the new stores to be opened in FY2023 will have, on an average, of approximately 180 business operation days for the full year; and
- (iii) as the new store opening process is expected to gain more efficiency in FY2024, the Management estimates the new stores to be opened in FY2024 will have, on an average, of approximately 270 business operation days for the full year.

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Taking into consideration of the Company's business development plan in term of the opening of new stores in the next three years and the estimated average business operation days of the new stores to be opened in the next three years respectively, we consider that the increase in the annual caps of approximately 87.5% and 66.7% for FY2023 and FY2024 respectively is fair and reasonable.

In relation to the offline display services provided by GOME Holding and GOME Fun, we have obtained and reviewed from the Management's Caps Computation worksheets, which has stated: (i) the relevant sales channel; (ii) the type of fee for the relevant service; (iii) the calculated base figure; and (iv) the charging rate for the relevant service. Among the Caps Computation worksheets, we have also reviewed the Services Documents indicating the calculation method of the relevant offline display services fee under the First 2022 Offline Display Services Agreement, which formed the basis for the formulation of the proposed annual cap in respect of the First 2022 Offline Display Services.

During the course of review on the Caps Computation, we understand that the key assumptions adopted in the proposed annual cap computation for FY2022, FY2023 and FY2024 under the First 2022 Offline Display Services Agreement were determined with the consideration of: (i) the calculated base figure will be the expected transaction amount under the First 2022 Offline Display Services Agreement as abovementioned; and (ii) the charging rate for the relevant service mainly refers to the service rate charged by Pinduoduo and JD.com to the Company for the similar service in the historical transaction between the Company and each of Pinduoduo and JD.com.

With the background of the Strategic Transformation as abovementioned under the section headed "3. Reasons for and benefits of entering into the Relevant CCT Agreements", having considered the basis on which the annual caps are determined as described above, we are of the view that the annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

4.6 Second 2022 Offline Display Services Agreement

Date:

26 November 2021

Parties:

- (a) GOME Appliance, a wholly-owned subsidiary of the Company;
- (b) GOME Fun, a 60% non-wholly-owned subsidiary of the Group; and
- (c) GOME Holding, a company owned by the Controlling Shareholder and is a connected person of the Company for the purpose of the Listing Rules.

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Terms of the Second 2022 Offline Display Services Agreement and annual caps:

Pursuant to the Second 2022 Offline Display Services Agreement, GOME Appliance and GOME Fun agreed to, and will procure other members of the Group to, showcase and display at the Group's offline platforms the products of GOME Holding or any member of the Parent Group, and provide ancillary services (including security, cashier and product introduction services) pursuant to their requests from time to time, for a period of three years from 1 January 2022 to 31 December 2024, unless otherwise terminated in accordance with the terms of the Second 2022 Offline Display Services Agreement. The annual caps of the transaction amounts (excluding value-added tax) for the three years ending FY2024 shall not exceed RMB1 billion, RMB2 billion and RMB3 billion, respectively.

According to the Second 2022 Offline Display Services Agreement, we noted that the supply of offline display services is based on market approach, which is determined by the prevailing market rate of similar or comparable services offered by the Group and GOME Fun to independent third parties. According to the internal control procedures set out in the section below headed "5. Internal control policy for Continuing Connected Transactions", with the consideration of (i) the relevant management personnel of the Company will regularly, on a monthly basis, update the market price conducted under the relevant continuing connected transaction; (ii) the Group will make reference to the quotations provided to at least two independent customers of similar services to set the reference market price; (iii) the Management will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the provision of the services; and (iv) the Group's internal control procedures to be discussed below, we are of the view that the basis for price determination under the Second 2022 Offline Display Services Agreement is fair and reasonable.

Based on the above observation, the pricing policy offered by GOME Appliance and GOME Fun for the Second 2022 Offline Display Services are no less favourable to the Group than those offered to the independent third party customers.

Basis for determining the service fee and annual caps of the Second 2022 Offline Display Services Agreement

The pricing basis for the services will be determined based on arm's length negotiations between the parties and on normal commercial terms with reference to:

- i. the prevailing market rate and terms of similar or comparable services;
- ii. quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar

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services previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties;

- iii. the terms should be based on normal commercial terms in accordance with fair market principles; and
- iv. on normal commercial terms which are no less favourable to the Group than it has obtained from independent third parties.

For details of the internal control methods and procedures in determining the prices, please refer to the section headed “INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS” in the Letter from the Board.

Furthermore, to ensure the terms offered by GOME Holding or the Parent Group to the Group were similar and not less favorable than terms offered to the independent third parties, the internal control unit of the procurement department of the Group will (i) review the financial records of GOME Holding and members of the Parent Group in order to make reference to the fee being paid by GOME Holding or members of the Parent Group (as the case may be) to independent third parties for similar services in the vicinity (if any); and (ii) review and benchmark fees offered under the Second 2022 Offline Display Services Agreement with the fees offered by the Group to independent third party customers for similar services in the vicinity.

As disclosed in the Letter from the Board, the table below sets out the proposed annual caps of the Second 2022 Offline Display Services Agreement for FY2022, FY2023 and FY2024.

Table 8: The proposed annual caps of the Second 2022 Offline Display Services Agreement for FY2022, FY2023 and FY2024

	FY2022	FY2023	FY2024
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Annual caps	1,000.0	2,000.0	3,000.0

The service fee will be settled either (1) in advance as prepayment, (2) at the time of service provision, or (3) within 180 days from the receipt of the offline display services.

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There have been no previous transactions in relation to the offline display services contemplated under the Second 2022 Offline Display Services Agreement. The proposed annual cap amounts of the Second 2022 Offline Display Services Agreement were determined after taking into consideration:

- (i) the expected demand for offline display services by GOME Holding for the three years FY2024 taking into account, among others, the service fee expected to be approximately 5%-7% on the basis of the turnover of GOME Holding or the relevant member of the Parent Group (as the case may be) receiving the offline display services; and
- (ii) the Group's development plan in relation to GOME Commercial Capital and No. 9 Xiangjiang pursuant to which, GOME Holding intends to (among other things) display electrical appliances and consumer electronic products through an interconnection of different scenes from offline stores to online platform, achieve a leading model of online and offline connection, and give consumers a unique shopping experience.

Based on our discussion with the Management, we understand from the Management that the Second 2022 Offline Display Services mainly include, among others, the following services:

- (a) the security services income (安保服務收入), mainly includes the security guard and superintendent services provided by GOME Appliance and GOME Fun to GOME Holding, namely the employment of security staffs, the on-site monitoring services in the GOME Appliance stores, and the temperate checking services at the entrance and exit of the GOME Appliance stores as a part of the preventive measures against the Pandemic;
- (b) the cashier services income (收銀服務收入), mainly includes the settlement services provided by GOME Appliance and GOME Fun to GOME Holding such as the sales transaction processing services, cash management services and the assistance services provided to the customers during the in-store check-out process; and
- (c) the product introduction services income (導購服務收入), mainly includes the shopping assistance services provided by GOME Appliance and GOME Fun to GOME Holding such as responding to queries raised by the customers in relation to the electronic appliance or other products, thereby to establish a services marketing relationship with the customers and to enhance the sales transaction process.

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As set out above, GOME Appliance and GOME Fun will procure other members of the Group to provide offline display services to GOME Holdings for a period of three years from 1 January 2022 to 31 December 2024. We have obtained from the Company, by way of random sampling, three sets of price quotations/contract offered by the other members of the Group to other independent third party customers in relation to providing offline display services during FY2019, FY2020 and 1H2021 and compared against the terms as set out above. Based on substantially the same size of the display facility and/or locations, we noted that the relevant price quotations/contract offered to other independent third party customers were similar or higher than the corresponding price quotations offered to GOME Appliance and GOME Fun. Furthermore, we understand from the Management that the expected demand for offline display by GOME Appliance and GOME Fun for the three years of FY2022, FY2023 and FY2024 has the growth rate of 1 time and 0.5 time respectively.

As stated in the circular of the Previous Transaction, one of the main reason and benefit of entering into the transaction is that the Group will be able to develop and utilise GOME Commercial Capital and No. 9 Xiangjiang into a comprehensive display and experience center with products being displayed and sold through an interconnection of different scenes. This would give consumers a unique shopping experience of being able to inspect, test and gain first-hand knowledge of a great variety of products from different producers from all over the world at one single location. It would drive the integrated management of “online digitalization + offline gridization”, build consumption scenarios, realize immersive experience and import intellectual property attributes, innovate family consumption methods, and shape multi-dimensional social concepts. The Second 2022 Offline Display Services Agreement would therefore serve the same purpose as the Previous Transaction in terms of diversifying the Group’s income stream through rental proceeds. We are of the view that the entering into of the Second 2022 Offline Display Services Agreement is an example of the Group conducting its ordinary and usual course of business.

In addition, we also noted that the respective proposed annual caps under the Second 2022 Offline Display Services Agreement is higher than the corresponding annual caps under the First 2022 Offline Display Services Agreement. As such, we consider that such arrangement is fair and reasonable as it reflects and provides support to Company’s plan to generate more service fees from the 2022 Master Merchandise Supply Agreement than service fees payable under the 2022 Master Merchandise Purchase Agreement.

In relation to the offline display services provided by GOME Appliance and GOME Fun, we have obtained and reviewed from the Management’s Caps Computation worksheets, which has stated: (i) the relevant sales channel; (ii) the type of fee for the relevant service; (iii) the calculated base figure; and (iv) the charging rate for the relevant service. Among the Caps Computation worksheets, we have also reviewed the Services Documents indicating the calculation method of the

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relevant offline display services income under the Second 2022 Offline Display Services Agreement, which formed the basis for the formulation of the proposed annual cap in respect of the Second 2022 Offline Display Services.

During the course of review on the Caps Computation, we understand that the key assumptions adopted in the proposed annual cap computation for FY2022, FY2023 and FY2024 under the First 2022 Offline Display Services Agreement were determined with the consideration of: (i) the calculated base figure will be the expected transaction amount under the First 2022 Offline Display Services Agreement as abovementioned; and (ii) the charging rate for the relevant service mainly refers to the service rate charged by Pinduoduo and JD.com to the Company for the similar service in the historical transaction between the Company and each of Pinduoduo and JD.com.

With the background of the Strategic Transformation as abovementioned under the section headed “3. Reasons for and benefits of entering into the Relevant CCT Agreements”, having considered the basis on which the annual caps are determined as described above, we are of the view that the annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

Nevertheless, Independent Shareholders should note that the annual caps relate to future events and was determined by the Management based on assumption including the current estimate of the demand of the Continuing Connected Transactions. It does not represent a forecast of turnover to be generated from the transactions contemplated under the Relevant CCT Agreements. Consequently, we express no opinion as to how closely the actual transactions amounts in comparison to the annual caps.

5. Internal control policy for Continuing Connected Transactions

With reference to the Letter from the Board, the Group has adopted the following internal control methods and procedures in order to ensure that the Continuing Connected Transactions are being conducted in a fair and reasonable manner, and are in line with the prevailing market rates.

- (a) The relevant management personnel of the Company will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are being conducted in accordance with the terms of the relevant agreement and they will also regularly, on a monthly basis, update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing policy of the Group:
 - (i) to determine the prevailing market rate, the Group will obtain quotations from at least two independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market price, the Group will determine the prevailing market rate by

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reference to the average price of similar products previously purchased/supplied by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties. In addition, the management team of the Group will from time to time (on a regular monthly basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to ascertain the quality of the products/services compared to similar products/services in the market and the reference price of each type of transactions in the market;

- (ii) the management team of the Group will, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the sales of the products/provision of the services;
 - (iii) the Company also conducts regular quarterly reviews of the sales, costs of sales and expenses of the products/services and ensures the transactions are within the annual caps;
 - (iv) the Group will also work closely with customers/suppliers with a view to obtaining information on the demand and inventory situation, and the Company would then adjust or negotiate the prices of the products/services as and when necessary to ensure price fairness.
- (b) The Company will conduct periodic half-yearly audit reviews of the Continuing Connected Transactions, to consider the (i) effective implementation of the pricing policies and the payment methods, evaluation of balances of annual caps; and (ii) management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the Continuing Connected Transactions remain complete and effective and where any weaknesses are identified, the Company will take measures to address them as soon as practicable.
- (c) The independent non-executive directors of the Company will review the transactions contemplated under the Continuing Connected Transactions pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the above, we have obtained the internal control manual of the Group and understand that there are stringent controls in the transaction approval and implementation process. We have reviewed, including but not limited to: (i) monthly updates of market prices of the merchandise under the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement; (ii) quarterly review of the sales, cost of sales and expenses of the products under the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement; (iii) the Company's research on the demand and inventory situation of customers or suppliers; (iv) the Company's half-yearly audit reviews of the

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continuing connected transaction; and (v) the information on historical transaction prices of the products under the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement. In addition we have assessed the fairness and reasonableness of the pricing mechanism by obtaining and reviewing two sample collections of the related internal control procedures for each quarter during FY2019, FY2020 and FY2021 prepared by the Group under each of the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement. Such samples were collected randomly on a quarterly basis. Considering that (i) the total 48 samples were selected on a random basis which covered each of the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement; and (ii) such samples are selected during the period of FY2019, FY2020 and FY2021 as contemplated under the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement, we are therefore of the view that the samples we selected is sufficient and the sample coverage is representative. According to the samples collected, we noted that each procurement/supply contract was reviewed when appropriate, by the finance department and internal risk management department before the underlying contract was entered into. Besides, the prices were checked by the purchasing department independently with reference to the market price of similar products with reference quotations from at least two independent customers/suppliers as to make sure the price would not be higher than the price charged by independent suppliers on similar terms. We consider that the internal control procedures contained in the internal control manual of the Group are sufficient and effective to implement the Continuing Connected Transactions and are in the ordinary and usual course of business, on normal commercial terms or better. In addition, we have compared the Company's intelligence on the market prices of the relevant products under the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement to the actual transaction prices of the relevant products and ascertained that the Company has followed its pricing policy to ensure that the continuing connected transactions of the Group are being conducted in a fair and reasonable manner, and are in line with the prevailing market rates. The Management usually, on a monthly basis, review, monitor and benchmark with the average industry prices in respect of the sales and purchase of the products.

For the pricing policy of Continuing Connected Transactions, the prices will be determined according to market price. As set out in the Letter from the Board, in respect of market prices, the purchase department or sales department of the Company will make verbal or written enquiries with no less than two independent third party suppliers or service providers or customers for relevant products or services. When there are less than two independent third party suppliers or service providers or customers who can provide products or services meeting the requirements of the Company, the purchase department or sales department will make enquiries with one independent third party supplier or service provider or customer, and obtain market prices by consulting relevant industry professional websites, reports from industry professional authorities or relevant price information released. The Company will purchase at a price no higher than the lowest quote provided by the independent third party suppliers or service providers and will sell at a price no less than the highest quote provided to the independent third party customers.

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Furthermore, the Company had also engaged Ernst and Young, the independent auditors of the Company to report on the Group's continuing connected transactions in relation to the 2019 Master Merchandise Purchase Agreement and 2019 Master Merchandise Supply Agreement (the "**Historical Transactions**") in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors of the Company have advised nothing has come to their attention that causes them to believe that the continuing connected transactions:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) were not entered into, in accordance with the relevant agreements governing such transactions; and
- (iv) the relevant cap amounts have been exceeded during FY2019 and FY2020.

We have also obtained and reviewed the independent auditor's assurance reports on the Historical Transactions, and also noted that the relevant cap amounts have not been exceeded during FY2019 and FY2020. Based on the above, we are of the view that the implementation of the above internal control procedures can ensure that the pricing and terms of the Continuing Connected Transactions can be on normal commercial terms, fair and reasonable, and in particular, no less favourable to the Group than those offered by the independent third party suppliers and customers and that the relevant Continuing Connected Transactions are conducted as agreed in the Relevant CCT Agreements and in compliance with Chapter 14A of the Listing Rules. As disclosed in the Letter from the Board, we understand that the independent auditor of the Group will conduct an annual review on the pricing terms and annual caps of the continuing connected transactions in accordance with Listing Rule 14A.56.

In light of the above, we consider that: (i) the market approach adopted by the Group as the pricing policy for the Continuing Connected Transactions are fair and reasonable; (ii) for the pricing standards of the products and services under the Continuing Connected Transactions, the relevant prices are no less favourable than the market prices or those offered by/to independent third parties; and (iii) the Group has devoted reasonable human resources to ensure the internal control manual of the Group could be implemented sufficiently and effectively to ensure the terms of the Relevant CCT Agreements are on normal commercial terms or better and the annual caps will not be exceed, we are of the view that the pricing standards stipulated under the Relevant CCT Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

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OPINION AND RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (i) the entering into the Continuing Connected Transactions are in the ordinary course of business of the Company;
- (ii) the terms of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (iii) the determination of the proposed annual caps for each of the Continuing Connected Transactions are fair and reasonable;
- (iv) the pricing mechanism for the Continuing Connected Transactions contemplated under each of the Relevant CCT Agreements are fair and reasonable; and
- (v) the Company has implemented stringent internal control measures to govern the continuing connected transactions of the Group.

Having considered the above, we are of the view that the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Company on normal commercial terms, the terms of the Continuing Connected Transactions and the relevant proposed annual caps are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Continuing Connected Transactions to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Li Lan
Executive Director

Mr. Li Lan is an Executive Director of Opus and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 15 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purpose only*

1. 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 Group. 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.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware of, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to 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, were as follows:

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Mr. Wong ⁽¹⁾	Interest in controlled corporation	20,471,044,115	60.64
Ms. Du Juan ⁽²⁾	Interest in controlled corporation	20,471,044,115	60.64
Ever Ocean Investments Limited ⁽³⁾	Interest in controlled corporation	14,063,940,777	41.66
GOME Holdings Limited ⁽³⁾	Interest in controlled corporation	14,063,940,777	41.66

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
Power Charm Holdings Limited ⁽³⁾	Interest in controlled corporation	14,063,940,777	41.66
GOME Home Appliances (H.K.) Limited ⁽³⁾	Interest in controlled corporation	14,063,940,777	41.66
GOME Management Limited ⁽³⁾	Beneficial owner	14,063,940,777	41.66
Shinning Crown Holdings Inc. ⁽⁴⁾	Beneficial owner	4,454,979,938	13.20

Notes:

- (1) Of these 20,471,044,115 Shares, 14,063,940,777 Shares were held by GOME Management Limited, 4,454,979,938 Shares were held by Shinning Crown Holdings Inc. and 344,516,736 Shares were held by Shine Group Limited (all the above companies are 100% beneficially owned by Mr. Wong, the Controlling Shareholder), and 1,200,000,000 Shares were held by Element Assets Management Limited, 160,000,000 Shares were held by Hillwood Assets Management Limited, 246,706,664 Shares were held by Smart Captain Holdings Limited (all the above companies are 100% beneficially owned by Mr. Wong) in the capacity as trustee of a family trust established by Mr. Wong and 900,000 Shares were held by Ms. Du Juan.
- (2) Ms. Du Juan is the spouse of Mr. Wong. The aforesaid Shares that Mr. Wong and Ms. Du Juan are deemed to be interested refer to the same parcel of Shares.
- (3) All these companies are 100% beneficially owned by Mr. Wong. The Shares held by these companies refer to the same parcel of Shares.
- (4) Shinning Crown Holdings Inc. is 100% beneficially owned by Mr. Wong.

Save as disclosed above, the Company has not been notified of any other interest representing 5% or more of the share and recorded in the register required to be kept under Section 336 of the SFO as at the Latest Practicable Date.

3. DIRECTOR'S INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, no Director of the Company was interested in any business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, whether directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTOR'S INTERESTS IN CONTRACTS OR ARRANGEMENTS

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.

7. 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 2020, being the date to which the latest published audited consolidated financial statements of the Group were made.

8. EXPERT AND CONSENT

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

Name	Qualification
Opus Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2020 (the date to which the latest published audited consolidated 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 or disposed of by, or leased to any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (www.gome.com.hk) and the Stock Exchange's website (www.hkexnews.hk) from the date of this circular up to and including the date of the SGM:

- (a) the 2022 Master Merchandise Purchase Agreement;
- (b) the 2022 Master Merchandise Supply Agreement;
- (c) the First 2022 Services Agreement;
- (d) the Second 2022 Services Agreement;
- (e) the First 2022 Offline Display Services Agreement;
- (f) the Second 2022 Offline Display Services Agreement;
- (g) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;
- (h) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (i) the letter of advice from Opus Capital Limited, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (j) the written consent of Opus Capital Limited as referred to in the section headed "Expert and Consent" in this appendix; and
- (k) this circular.

10. MISCELLANEOUS

This circular and the accompanying proxy form have been prepared in both English and Chinese. In the event of discrepancies, the English text of this circular shall prevail over the Chinese text.



GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Special General Meeting**” or “**SGM**”) of GOME Retail Holdings Limited (the “**Company**”) will be held on Tuesday, 25 January 2022, at 2:30 p.m. at Canvas Room, 26/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong to consider and, if thought fit, approve with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the 2022 Master Merchandise Purchase Agreement, a copy of which is produced at the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps thereunder) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the 2022 Master Merchandise Purchase Agreement and the transactions contemplated thereunder.”
2. “**THAT** the 2022 Master Merchandise Supply Agreement, a copy of which is produced at the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps thereunder) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the 2022 Master Merchandise Supply Agreement and the transactions contemplated thereunder.”
3. “**THAT** the First 2022 Services Agreement, a copy of which is produced at the meeting and marked “C” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps thereunder) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the First 2022 Services Agreement and the transactions contemplated thereunder.”

* *For identification purpose only*

NOTICE OF SGM

4. “**THAT** the Second 2022 Services Agreement, a copy of which is produced at the meeting and marked “D” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps thereunder) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to Second 2022 Services Agreement and the transactions contemplated thereunder.”

5. “**THAT** the First 2022 Offline Display Services Agreement, a copy of which is produced at the meeting and marked “E” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps thereunder) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to First 2022 Offline Display Services Agreement and the transactions contemplated thereunder.”

6. “**THAT** the Second 2022 Offline Display Services Agreement, a copy of which is produced at the meeting and marked “F” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps thereunder) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to Second 2022 Offline Display Services Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 7 January 2022

Principal place of business in Hong Kong:
Suite 2915, 29th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is holder of two or more shares of the Company may appoint more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed herewith.
3. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer or attorney duly authorised.
4. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged at the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the SGM or at any adjourned meeting (as the case may be) should they so wish.
5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting in person or by proxy, the vote of one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.
6. As at the date of this notice, the Board comprises Mr. Zou Xiao Chun as executive director, Mr. Zhang Da Zhong, Ms. Huang Xiu Hong and Mr. Yu Sing Wong as non-executive directors, and Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao as independent non-executive directors.
7. Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 7 January 2022 published by the Company.