

# 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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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



## GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 493)

**(1) LEASING AGREEMENT – MAJOR AND CONNECTED TRANSACTION**

**(2) PROPOSED ISSUE OF SHARES UNDER SPECIFIC MANDATE**

**(3) DISPOSAL OF A SUBSIDIARY – CONNECTED TRANSACTION**

**(4) APPLICATION FOR WHITELASH WAIVER**

**AND**

**(5) NOTICE OF SGM**

**Financial adviser to the Company**



**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 7 to 39 of this circular. A letter from the Independent Board Committees is set out on pages 40 to 41 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committees and the Independent Shareholders is set out on pages 42 to 111 of this circular.

A notice convening the SGM to be held at 2:30 p.m. on Monday, 6 September 2021 at Canvas Room and Canvas Room I, 26/F, The Park Lane Hong Kong, 310 Gloucester Road, Causeway Bay, Hong Kong is set out from pages 260 to 262 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if 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

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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](http://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.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the meanings set out below:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Agreement”	the agreement dated 7 April 2021 between the Company and GOME Management in relation to the leasing of the Properties;
“Announcement”	the announcement of the Company dated 7 April 2021 in relation to, among other things, the Agreement and the Whitewash Waiver;
“associate”	has the same meaning as defined in the Listing Rules;
“Board”	the board of the Company;
“Business Day”	a day (other than a Saturday, Sunday or a public holiday or a day on which Typhoon No. 8 signal or higher is hoisted or a “black” rainstorm warning is given in Hong Kong at any time during 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong;
“CLSA”	CLSA Capital Markets Limited, the financial adviser to the Company, being a licensed corporation under the SFO to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities;
“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”	has the meaning ascribed to it under the Listing Rules;
“Connected Transaction IBC”	an independent committee of the Board, comprising all the independent non-executive Directors established pursuant to the requirements of the Listing Rules to advise the Independent Shareholders on the Agreement, the Supplemental Agreement, and the Consideration Issue;
“Consideration Issue”	the issue of the Consideration Shares;

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## DEFINITIONS

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“Consideration Shares”	9,923,940,777 Shares to be issued by the Company;
“Controlling Shareholder”	Mr. Wong Kwong Yu (黃光裕先生), the controlling shareholder of the Company, who was interested in approximately 45.47% of the issued share capital of the Company as at the Latest Practicable Date;
“Director(s)”	the director(s) of the Company;
“Early Termination Right”	has the meaning ascribed to it under the section headed “Early Termination Right” in the letter from the Board;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director;
“GOME Management”	GOME Management Limited, a limited liability company incorporated in Hong Kong wholly owned by the Controlling Shareholder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hudson Assets”	Hudson Assets Management Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“IFRS 16”	International Financial Reporting Standard (IFRS) 16;
“Issue Price”	HK\$2.11 per Share, being the issue price per Consideration Share;
“Independent Board Committees”	the Connected Transaction IBC and the Whitewash Waiver IBC;

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## DEFINITIONS

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“Independent Financial Adviser”	Opus Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in connection with the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver and to make recommendations on voting;
“Independent Shareholders”	Shareholders other than (i) the Controlling Shareholder, his associates and parties acting in concert with him; (ii) the Trustee; and (iii) any other Shareholders who are interested or involved in the Agreement, the Supplemental Agreement, and the Whitewash Waiver;
“Last Trading Day”	1 April 2021, the last trading day of the Shares prior to the entering into of the Agreement;
“Latest Practicable Date”	11 August 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Properties”	(1) GOME Commercial Capital, (2) No. 9 Xiangjiang and (3) Pengrun Building, the particulars of which are set out in the section headed “(C) INFORMATION ON THE PROPERTIES” in this circular;
“Refund Mechanism”	has the meaning ascribed to it under the section headed “(C) INFORMATION ON THE PROPERTIES”;
“Relevant Period”	the period beginning six months immediately prior to the date of the Agreement and ending on the Latest Practicable Date;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“SFC”	the Securities and Futures Commission of Hong Kong;

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## DEFINITIONS

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“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened to approve the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver;
“Share Award Scheme”	the restricted share award scheme adopted by the Company on 3 October 2016;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors to allot and issue the Consideration Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 5 August 2021 entered into between the parties to the Agreement in relation to the Early Termination Right;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Trustee”	the professional independent trustee to the Share Award Scheme;
“US Property”	the investment property in the US held by Hudson Assets located at 7 East 76th Street, New York, NY10021, the United States;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of GOME Management, the Controlling Shareholder and parties acting in concert with them to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by GOME Management, the Controlling Shareholder and parties acting in concert with them) upon completion of the Consideration Issue;

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## DEFINITIONS

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“Whitewash Waiver IBC” an independent committee of the Board, comprising the non-executive Directors and the independent non-executive Directors who have no direct or indirect interest in the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, established pursuant to the requirements of the Takeovers Code to provide recommendations to the Independent Shareholders on the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver; and

“%” per cent.

*For the purpose of this circular, the exchange rate used was set at HK\$1.00 = RMB0.83935. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*



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LETTER FROM THE BOARD

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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)**

*Executive Director:*

Mr. Zou Xiao Chun

*Non-executive Directors:*

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

13 August 2021

*To the Shareholders*

Dear Sir or Madam,

- (1) LEASING AGREEMENT – MAJOR AND CONNECTED TRANSACTION**  
**(2) PROPOSED ISSUE OF SHARES UNDER SPECIFIC MANDATE**  
**(3) DISPOSAL OF A SUBSIDIARY – CONNECTED TRANSACTION**  
**(4) APPLICATION FOR WHITEWASH WAIVER**  
**AND**  
**(5) NOTICE OF SGM**

**(A) INTRODUCTION**

Reference is made to the Announcement in relation to the Agreement and the Whitewash Waiver and the announcement of the Company dated 5 August 2021 in relation to, among others, the Early Termination. The purpose of this circular is to provide you with, among other things, (i) further information on the Agreement and the Whitewash Waiver; (ii) a letter of

\* For identification purpose only.

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## LETTER FROM THE BOARD

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recommendation from the Independent Board Committees on whether the terms of the Agreement, the Supplemental Agreement, and the Whitewash Waiver are fair and reasonable and as to voting; (iii) further information about the Properties; and (iv) a notice of the SGM.

### **(B) THE AGREEMENT**

On 7 April 2021, the Company and GOME Management entered into the Agreement in relation to the leasing of the Properties by the Company. The principal terms of the Agreement are set out below.

#### **Subject matter**

GOME Management will lease the Properties to the Company. The term of lease of each of the Properties commences on 1 July 2021, retrospectively subject to fulfillment of the conditions as set out in the paragraph headed “**Conditions**” below, and ends on 31 December 2040, except for certain office space of Pengrun Building, which is subject to existing leases, the lease will commence on 1 March 2023. The Company will enjoy a rent-free period from 1 July 2021 to 30 June 2022 for each of No. 9 Xiangjiang Project and GOME Commercial Capital.

#### **Rent**

The aggregate rent payable by the Company under the entire term of the lease is approximately RMB17,865,157,700 (equivalent to HK\$21,284,515,041), comprising RMB12,341,041,100 for GOME Commercial Capital, RMB2,298,271,300 for No. 9 Xiangjiang and RMB3,225,845,300 for Pengrun Building.

The aggregate rent will be settled by the Company as to RMB17,575,581,950 (the equivalent of HK\$20,939,515,041) by way of allotment and issue to GOME Management the Consideration Shares at the Issue Price, and as to RMB289,575,750 (the equivalent of HK\$345,000,000) by the transfer of the entire equity interest in Hudson Assets to GOME Management.

For the avoidance of doubt, under the Agreement, the total consideration has includes the rent-free period from 1 July 2021 to 30 June 2022 for each of No. 9 Xiangjiang Project and GOME Commercial Capital. For the reasons set out in the section headed “(E) REASONS FOR THE AGREEMENT” of this circular, the total rent is not subject to adjustments throughout the term of the Agreement. Nevertheless, the Company is entitled the Early Termination Right as detailed in the section headed “Early Termination Right” in this letter from the Board.

#### **Basis for the determination of the rent**

The aggregate rent payable under the Agreement of approximately RMB17,865,157,700 was determined by the parties after arm’s length negotiations with reference to the prevailing market rent of the Properties as at 28 February 2021 as determined by two independent

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## LETTER FROM THE BOARD

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property valuers using the market approach. Notwithstanding that the prevailing rates of similar properties are publicly available and the assessment of the rental amount is not highly technical, in order to ensure that the amount payable under the Agreement is fair and reasonable, the Board has decided to engage two independent property valuers for the purpose of providing the Board with independent views on the prevailing market rents of the Properties. As at 31 May 2021, the rental of the Properties were valued at RMB17,926,396,300 as provided by Beijing North Asia Asset Assessment Firm and RMB18,272,613,300 as provided by Beijing Zhongqin Yongli Asset-Assessment Ltd., which are both higher than the aggregate rent payable under the Agreement.

The Company understands from the independent property valuers that the market approach was chosen as the valuation methodology because there are rental precedents of the same type of property in the vicinity of each of the Properties, thereby meeting the condition for using the market approach. The selection criteria for the recent lease quotations are of the similar nature of use (namely, commercial use for No. 9 Xiangjiang; mixed use with a majority of the total construction area designated for commercial use for GOME Commercial Capital; and office use for Pengrun Building), location (within 5 kilometre radius of the respective Properties), timing (within two month of the estimation state) and structure (reinforced concrete). Approximately 3 to 5 market comparables were selected, which is in line with the industry guidelines (房地產估價理論與方法) published by China Society of Real Estate Appraisers and Real Estate Agents\* (中國房地產估價師與房地產經紀人學會) in the PRC. The details of the basis of the rent including the valuation methodology, key assumptions and comparable properties selected are set out in Appendix IIA of this circular. In selecting the source of data in the valuation, data from www.58.com was used. As confirmed by the valuer, www.58.com is the most commonly used information platform in property valuations in the PRC due to its vast volume of data available. www.58.com is a sizeable enterprise with a good track record. It was established in 2005, the shares of which became listed in Nasdaq in 2013. In 2020, it was privatized at a transaction value of more than USD8 billion.

Having considered the above, the Board (including the members of the Connected Transaction IBC and the Whitewash Waiver IBC whose view have been given in the “Letter from the Independent Board Committees”) is of the view that the basis of the rent is fair and reasonable.

### **Right-of-use assets**

Under IFRS16, the Properties subject to the lease will be recognised as right-of-use assets with the aggregate consideration of approximately RMB17,865,157,700, and the transaction contemplated under the Agreement will be recognized as the acquisition of right-of-use assets.

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## LETTER FROM THE BOARD

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### The Consideration Shares

As at the Latest Practicable Date, the Consideration Shares represented approximately 41.64% of the existing issued share capital of the Company and approximately 29.40% of the issued share capital of the Company as enlarged by the issue of the Consideration shares.

The Consideration Shares have a nominal value of HK\$248,098,519. Based on the closing price of the Shares of HK\$1.51 per Share on the Last Trading Day, the Consideration Shares have a market value of approximately HK\$14,985,150,573.

The Consideration Shares will be issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

The Consideration Shares will be issued within ten business days (as defined in the Agreement) (or such other date as may be agreed between the parties to the Agreement) upon satisfaction of the conditions referred to in the section headed “**Conditions**”.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### The Issue Price

The Consideration Shares will be issued at HK\$2.11 per Share, which represents:

- (i) a premium of approximately 39.74% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange as at the Last Trading Day;
- (ii) a premium of approximately 45.52% to the average closing price of HK\$1.45 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 43.54% to the average closing price of HK\$1.47 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 2,914.29% to the audited consolidated net asset value of the Company of approximately HK\$0.07 per Share as at 31 December 2020; and
- (v) a premium of approximately 145.35% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **Basis of determination of the Issue Price**

The Issue Price was determined by the parties after arm's length negotiations with reference to the following factors:

- (i) the Issue Price is set at a significant premium to the current market price of the Shares (i) to prevent value dilution to the Shareholders; (ii) which represents a trading price falling within the upper spectrum of the historical trading price of the Shares for the 12 month period prior to the date of the Agreement, noting the general upward trend of the trading price; and (iii) which was accepted and agreed by GOME Management due to the Controlling Shareholder's confidence in the prospect of the Company and also signifies his confidence in the trading price to be least the level of the Issue Price; and
- (ii) the Issue Price is set at a significant premium to the net asset value of the Company as at 31 December 2020 to prevent value dilution to the Shareholders.

### **Disposal of a subsidiary**

For settling part of the rent under the Agreement, the Company will transfer the entire equity interest in Hudson Assets to GOME Management for the aggregate consideration of HK\$345,000,000.

Hudson Assets is a limited liability company incorporated in the British Virgin Islands and wholly-owned by the Company. It is principally engaged in the business of investment holding. The sole asset of Hudson Assets is the U.S. Property purchased in 2017 for US\$41,500,000. The US Property was used by the Group as a representative office. As the US Property is no longer used by the Group, it was decided that it could be applied to settle part of the rent under the Agreement. The Group will not lease back upon completion of the disposal. It is not expected that the disposal of Hudson Assets to GOME Management for part settlement of the rent for the Agreement will have any adverse effect on the financial position and operation of the Group.

The consideration of HK\$345,000,000 was determined by the parties after arm's length negotiations with reference to the original purchase price of the US Property.

Upon completion of the disposal, the Company will no longer be interested in Hudson Assets and Hudson Assets will no longer be accounted as a subsidiary of the Group. As at the date of the Agreement, Hudson Assets had an outstanding loan in the amount of approximately HK\$340 million due to members of the Group. The outstanding amount mainly represents advances to Hudson Assets by the Group for the acquisition of the US Property. The parties to the Agreement agreed that upon completion of the disposal, the Company will waive the repayment obligations of Hudson Assets with respect to such loan.

The net liability of Hudson Assets as at 31 December 2020 was approximately HK\$122 million.

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## LETTER FROM THE BOARD

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Set out below is a summary of the financial information of Hudson Assets for the two years ended 31 December 2020. Please also refer to Appendix III for further details.

	<b>For the year ended 31 December 2020 <i>(audited)</i> HK\$</b>	<b>For the year ended 31 December 2019 <i>(audited)</i> HK\$</b>
Net loss before tax	(86,949,681)	(5,426,800)
Net loss after tax	(86,949,681)	(5,426,800)

The consideration of HK\$345 million for the entire equity interest in Hudson Assets represents a premium of 44.35% to the market value of the US Property as at 31 May 2021 of US\$30.8 million (equivalent to approximately HK\$239 million) as valued by an independent valuer and disclosed in Appendix IV.

The consideration of HK\$345 million for the entire equity interest in Hudson Assets represents a premium of 59.72% to the fair value of the US Property as at 31 December 2020 of US\$27.8 million (approximately HK\$216 million).

The consideration of HK\$345 million for the entire equity interest in Hudson Assets represents a premium of 6.48% to the original purchase cost of the US Property of US\$41.5 million (approximately HK\$324 million).

It is expected that the Group will record a gain on disposal of HK\$127 million, which was determined with reference to the net liability of Hudson Assets of approximately HK\$122 million as at 31 December 2020 and the waiver of the repayment obligations of Hudson Assets with respect to the loan of approximately HK\$340 million due to members of the Group at the date of the Agreement.

### Conditions

The performance of the obligations of the parties to the Agreement and Supplemental Agreement are subject to satisfaction of the following conditions:

- (i) the Independent Shareholders approving the Agreement, the Supplemental Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares;
- (ii) the Listing Committee of the Stock Exchange granting the approval of listing, and permission to deal in, the Consideration Shares;
- (iii) the Independent Shareholders approving the Whitewash Waiver;

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## LETTER FROM THE BOARD

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- (iv) the Executive having granted the Whitewash Waiver; and
- (v) the parties having obtained all other necessary consents and approvals, including the consents of the mortgagee banks on the leasing of the Properties, for the transactions contemplated under the Agreement.

Conditions (i) to (iv) above may not be waived. Condition (v) may be waived by the Company. If the conditions above cannot be fulfilled by 31 December 2021 (or such other later date as may be agreed by the parties), the transactions contemplated under the Agreement will not proceed and the Agreement will terminate.

As at the Latest Practicable Date, none of the conditions has been satisfied.

### **Early Termination Right**

On 5 August 2021, the parties to the Agreement entered into the Supplemental Agreement. Under the Supplemental Agreement, the Company will have an early termination right (the “**Early Termination Right**”) with respect to the lease of part or whole of the Properties. Such right is exercisable (i.e. the Company may notify GOME Management about its intention to exercise the Early Termination Right) from 1 January 2029 by giving not less than 365 days’ notice. The Early Termination Right is only exercisable (i) with respect to each of GOME Commercial Capital and No. 9 Xiangjiang, if the Company records an audited loss for two consecutive financial years prior to the financial year when the Company exercises the Early Termination Right in an amount more than 30% of the relevant annual rental for the respective property; or (ii) with respect to Pengrun Building, if the annual market rental (as determined by an independent valuer) for two consecutive financial years prior to the financial year when the Company exercises the Early Termination Right is less than 70% of the annual rental under the Agreement. If the Company exercises such right, GOME Management shall refund to the Company in cash or cash equivalent assets (which shall be acceptable to the Company and valued by an independent valuer) an amount equal to the pro-rated amount of rental of the Properties calculated with reference to the actual area in which the Group decides to terminate and the remaining term of the lease under the Agreement less 180 days. The 180 day reduction in the calculation of the refund represents an early termination penalty which also allows GOME Management to identify a new tenant or to make plans for the Properties during the remaining term of the Agreement. Instead of refund, GOME Management (or its associated companies) may elect to lease back the Properties for the remaining term at not less than 108% of the annual rental under the Agreement in cash, subject to entering into an agreement and compliance with the applicable rules (including compliance with Chapter 14A of the Listing Rules) and regulations. GOME Management (or its associated companies) will be entitled to a 12 month rent free period under the leaseback arrangement.

On the assumption that the Company exercises the Early Termination Right on 1 January 2029, the Company will receive a refund (representing the maximum amount of refund) in the amount of approximately RMB9,718 million, implying that the minimum rental that the Company has to pay under the Agreement shall be approximately RMB8,147 million.

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## LETTER FROM THE BOARD

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Except as disclosed above, the principal terms of the Agreement remain unchanged. The Company considers that an early termination right would provide more flexibility to the Group given the dynamic and fast-paced nature of the retail industry.

The Supplemental Agreement was reached after arm's length negotiations, under normal commercial terms, the Directors (including the non-executive Directors and independent non-executive Directors forming the Connected Transaction IBC and the Whitewash Waiver IBC after considering the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Agreement (as supplemented and amended by the Supplemental Agreement) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### (C) INFORMATION ON THE PROPERTIES

The Properties comprise three properties located in Beijing and Changsha developed by the Controlling Shareholder and his associates.

#### (1) GOME Commercial Capital (國美商都)

GOME Commercial Capital is a commercial development located at the Zhongguancun Fengtai Science Park Industrial Base at the Zhongguancun area in the south western part of Beijing. It has a total construction area of approximately 524,638 sq.m.. It comprises an eight-storey shopping complex, together with related catering, entertainment and ancillary facilities of approximately 310,658 sq.m., an office tower of approximately 35,532 sq.m., a hotel apartment of approximately 55,404 sq.m., a warehouse of approximately 1,945 sq.m., and a three-storey underground car park of approximately 121,099 sq.m. for 2,819 parking spaces. The development of the property was completed in 2009.

#### (2) No. 9 Xiangjiang (湘江玖號)

No. 9 Xiangjiang is a commercial development located in Changsha, Hunan Province, the PRC. It has a total construction area of approximately 130,501 sq.m.. It comprises a six-storey shopping mall and catering, entertainment and supporting facilities and an one-storey underground car park with 680 parking spaces. The development of the property was completed in 2016.

#### (3) Pengrun Building (鵬潤大廈)

Pengrun Building is located in the Chaoyang District of Beijing, the central business district of the city. The Group has had its headquarters at Pengrun Building since 2004 and is currently leasing in aggregate 42,500 sq.m. of office space in the building. Under the Agreement, the office space that will be rented by the Group at Pengrun Building will expand to 70,464 sq.m. by 1 March 2023.



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## LETTER FROM THE BOARD

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Set out below and as disclosed in the section headed “XI. NOTES ON SPECIAL MATTERS” in Appendix IIA1 are the Company’s assessment of the Properties.

### Particulars

### The Company’s assessment

#### GOME Commercial Capital (國美商都)

- (1) The property is subject to mortgage. As one of the conditions set out in the paragraph headed “**Conditions**” above, consent from the mortgagee bank is a condition to the Agreement. It is not uncommon for tenants to lease properties subject to mortgages. Each of the borrowers to the underlying relevant loan of the mortgage, except for one borrower (which (i) is not a Shareholder; (ii) does not have any interest in the Properties and/or the Agreement; and (iii) no benefit will be given to it by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties) all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgagee bank will not exercise its possession right. Under the Agreement, in the unlikely event of eviction as a result of possession by the mortgage bank, the Company will be refunded the pro-rated amount of the rental.

Furthermore, in assessing the likelihood and the consequences of any potential default resulting in enforcement of the mortgage on the property, given that almost all of the borrowers are controlled by the Controlling Shareholder, the Company considered the following and considered that the likelihood of enforcement of the mortgage by the mortgagee is remote and that the Controlling Shareholder will be able to carry out its obligations under the Refund Mechanism.

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## LETTER FROM THE BOARD

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### Particulars

### The Company's assessment

- (a) the audited financial statements of a company wholly-owned by the Controlling Shareholder for the year ended 31 December 2020, in particular noting the significant value of its total assets relative to the total liabilities of the borrower;
- (b) the Controlling Shareholder's substantial stake in the Company, representing approximately 61.5% of the issued share capital of the Company upon the completion of the Consideration Issue, which can be realised for repayment if needed; and
- (c) the Controlling Shareholder's substantial stake in the Company also implies that his interest is aligned with the interest of the Company as a whole. Any action by the Controlling Shareholder and his associates which may result in the loss of the Group's retail premises will not be in the interest of the Company, which in turn will not be in his interest in view of his substantial stake in the Company.

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## LETTER FROM THE BOARD

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Particulars	The Company's assessment
<b>No. 9 Xiangjiang (湘江玖號)</b>	
(2) The property is subject to mortgage.	<p>As one of the conditions set out in the paragraph headed “<b>Conditions</b>” above, consent from the mortgagee bank is a condition to the Agreement. It is not uncommon for tenants to lease properties subject to mortgages. Each of the borrowers to the underlying relevant loan of the mortgage, except for one borrower (which (i) is not a Shareholder; (ii) does not have any interest in the Properties and/or the Agreement; and (iii) no benefit will be given to it by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties) all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgagee bank will not exercise its possession right. Under the Agreement, in the unlikely event of eviction as a result of possession by the mortgage bank, the Company will be refunded the pro-rated amount of the rental.</p> <p>In assessing the likelihood of any potential default by the borrower, the Company made the same assessment set out in paragraph (1).</p>
(3) The gross floor area recorded in the property ownership certificate is 97,231.65 sq.m., while the leasable area (and the area used in the valuation) under the Agreement is 130,501.00 sq.m..	<p>Under the Agreement, the Company is entitled to enjoy usage of 130,501.00 sq.m.. If part of or all of the 62,718.00 sq.m. cannot be used by the Company, GOME Management shall refund the pro-rated rental for the part that is not available. Given the Refund Mechanism, the valuer did not exclude 62,718.00 sq.m. in the valuation.</p>

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## LETTER FROM THE BOARD

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Particulars	The Company's assessment
(4) An aggregate of approximately 1,286.73 sq.m. of the leasable area is currently leased to third parties, with lease terms ending between September 2021 and December 2022.	To the understanding of the Company, the relevant lessees have vacated the relevant areas. The Company considers that 1,286.73 sq.m. is insignificant compared to the total leasable area under the Agreement. Changsha Xiandao, the registered owner of the relevant area has undertaken to the Company that the Company will have the use of the relevant areas. The Company has made on-site visit to the relevant areas and confirmed that the relevant area is vacant and available for its use.
(5) The land use right certificate discloses that the current registered owner for the areas of No. 9 Xiangjiang (湘江玖號) subject to the lease under the Agreement is Changsha Xiandao Zhendi Real Estate Development Co., Ltd., (“ <b>Changsha Xiandao</b> ”) and the “area of tenure (sq.m.)” is 63,260.24 sq.m.	<p>To the understanding of the Company, Changsha Xiandao is 75% controlled by the Controlling Shareholder.</p> <p>The Company understands that 63,260.24 sq.m. represents the land area stated on the registration certificate. It represents the area of the land in which the property is erected (土地面積), which is not the same as the floor area of the property (建築面積). The leasable area under the Agreement, which is the area in which the Group is entitled to use, has been used as the area under the valuation.</p>

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## LETTER FROM THE BOARD

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### Particulars

### The Company's assessment

#### Pengrun Building (鵬潤大廈)

- (6) The property is subject to mortgage.

As one of the conditions set out in the paragraph headed “**Conditions**” above, consent from the mortgagee bank is a condition to the Agreement. It is not uncommon for tenants to lease properties subject to mortgages. Each of the borrowers to the underlying relevant loan of the mortgage, except for one borrower (which (i) is not a Shareholder; (ii) does not have any interest in the Properties and/or the Agreement; and (iii) no benefit will be given to it by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties) all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgagee bank will not exercise its possession right. Under the Agreement, in the unlikely event of eviction as a result of possession by the mortgage bank, the Company will be refunded the pro-rated amount of the rental.

In assessing the likelihood of any potential default by the borrower, the Company made the same assessment set out in paragraph (1).

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## LETTER FROM THE BOARD

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### Particulars

### The Company's assessment

- (7) The current registered owner of all the relevant areas of Pengrun Building subject to the lease under the Agreement is Beijing Xinhengji Real Estate Group Co., Ltd. Beijing Xinhengji Real Estate Group Co., Ltd is 95% owned by Beijing Xin Hengji Investment Management Group Co., Ltd. (北京新恒基投資管理集團有限公司) and the remaining 5% owned as to 4% by Mr. Huang Junqin (黃俊欽先生) and as to 1% by Ms. Chen Ruowen (陳若文女士), the spouse of Mr. Huang Junqin, respectively. Beijing Xin Hengji Investment Management Group Co., Ltd. is an investment holding company and is 80% owned by Mr. Huang Yu (黃宇先生) and 20% owned by Mr. Huang Junqin. Mr. Huang Junqin is the brother of the Controlling Shareholder and Mr. Huang Yu is the son of Mr. Huang Junqin and the nephew of the Controlling Shareholder. To the best of knowledge of the Company, (i) each of Beijing Xinhengji Real Estate Group Co., Ltd., Mr. Huang Yu and Mr. Huang Junqin is not a Shareholder; and (ii) no benefit will be given to any of them by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties.

GOME Property Co., Ltd. is owned by the Controlling Shareholder and his associates.

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## LETTER FROM THE BOARD

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### Particulars

### The Company's assessment

Notwithstanding the discrepancy in the registration certificate as a result of the delay in the update of the correct registered owner, the Group has been leasing part of Pengrun Building since 2004. Over such period, the Group has been able to enjoy full usage of the relevant area without any disruption. Given (1) the Company is not acquiring the Properties; (2) it has a track record of uninterrupted usage for more than 17 years; and (3) the registered owner is an associate of the Controlling Shareholder, the Company considers that the delay in updating the correct registered owner as a formality not affecting its usage under the Agreement. GOME Property Co., Ltd. has undertaken that it shall ensure that the Company will be able to continue to enjoy usage of Pengrun Building. Under the Agreement, in the unlikely event that the Company cannot continue usage of the property, the Company will be refunded the pro-rated amount of the rental. Notwithstanding that Beijing Xinhengji Real Estate Group Co., Ltd did not provide a timetable for updating the registered owner of the property, the Company has received a written confirmation from Beijing Xinhengji Real Estate Group Co., Ltd, which provides that (i) the transfer of the relevant area of Pengrun Building from Beijing Xinhengji Real Estate Group Co., Ltd. was completed and that there is no dispute under the transfer; (ii) Beijing Xinhengji Real Estate Group Co., Ltd acknowledges and expressly consent to the leasing out of the property by GOME Property Co., Ltd.; and (iii) Beijing Xinhengji Real Estate Group Co., Ltd will co-operate with GOME Property Co., Ltd with respect to updating the registered title of the property.

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## LETTER FROM THE BOARD

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Particulars	The Company's assessment
(8) 70,464 sq.m. of leasable area was used as the basis for the valuation	70,464 sq.m. comprises 7,487.31 sq.m. of vacant area and 62,976.69 sq.m. of leased or in use area. Of the 62,976.69 sq.m., 42,500 sq.m. is currently leased by the Group and 20,476.69 sq.m. is currently used by the Controlling Shareholder and his associates.

The valuation of the rental under valuation reports is estimated based on the term of the Agreement, which is (1) 1 March 2023 to 31 December 2040 for 42,500 sq.m., representing the currently leased area; and (2) 1 July 2021 to 31 December 2040 for 27,964 sq.m., representing the vacant or in use area.

The Refund Mechanism is a term of the Agreement. For the protection of the Group's interest, under the Agreement, in the event that the Company is not able to enjoy usage of the Properties except due to destruction or partial destruction of the Properties as a result of force majeure, GOME Management shall refund to the Company the following amount in cash or cash equivalent (which shall be acceptable to the Company and valued by an independent valuer) (the "**Refund Mechanism**").

The amount of refund is the pro-rated amount of rent set out under the paragraph headed "Rent" above, calculated with reference to the actual area in which the Group could not use and the remaining term of lease under the Agreement, as set out below.

$$(A/B/C) \times D \times E$$

where

A = the total rent of the relevant property set out under the paragraph headed "Rent" above, comprising RMB12,341,041,100 for GOME Commercial Capital, RMB2,298,271,300 for No. 9 Xiangjiang and RMB3,225,845,300 for Pengrun Building;

B = the total leasable area of the relevant building;

C = the term of lease under the Agreement;

D = the remaining term of lease under the Agreement; and

E = the actual area in sq.m. in which the Group could not use.

For the Company's assessment set out above, the Company considers that the valuations as set out in Appendix IIA of this circular are relevant to the Properties, fair and reasonable.



## LETTER FROM THE BOARD

### (D) EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The issue of the Consideration Shares will not result in a change of control of the Company. As at the Latest Practicable Date, the Company had outstanding convertible bonds that may be convertible into 1,929,032,258 Shares. Set out below is the effect on the shareholding in the Company before and after completion of the Consideration Issue:

Shareholders	Shareholding as at the Latest Practicable Date		Shareholding upon the completion of the Consideration Issue		Shareholding upon the completion of the Consideration Issue and full conversion of the convertible bonds <sup>(1)</sup>	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
the Controlling Shareholder and parties acting in concert with him						
– GOME Management <sup>(2)</sup>	5,500,000,000	23.08	15,423,940,777	45.69	15,423,940,777	43.22
– Shinning Crown Holdings Inc. <sup>(2)</sup>	4,454,979,938	18.69	4,454,979,938	13.20	4,454,979,938	12.48
– Shine Group Limited <sup>(2)</sup>	634,016,736	2.66	634,016,736	1.88	634,016,736	1.78
– Ms. Du Juan <sup>(2)</sup>	246,706,664	1.04	246,706,664	0.73	246,706,664	0.69
The Trustee <sup>(4)(5)</sup>	1,320,316,000	5.54	1,320,316,000	3.91	1,320,316,000	3.70
	<u>12,156,019,338</u>	<u>51.01</u>	<u>22,079,960,115</u>	<u>65.41</u>	<u>22,079,960,115</u>	<u>61.87</u>
Mr. Wang Junzhou	3,938,000 <sup>(3)</sup>	0.02	3,938,000	0.01	3,938,000	0.01
public shareholders	11,672,646,084	48.97	11,672,646,084	34.58	11,672,646,084	32.71
Convertible bonds holders	–	–	–	–	1,929,032,258	5.41
Total	<u>23,832,603,422</u>	<u>100</u>	<u>33,756,544,199</u>	<u>100</u>	<u>35,685,576,457</u>	<u>100</u>

*Notes:*

- Assuming full conversion of all the outstanding convertible bonds and assuming no adjustment to the conversion price of such bonds.
- GOME Management, Shinning Crown Holdings Inc. and Shine Group Limited are wholly owned by the Controlling Shareholder. Ms. Du Juan is the spouse of the Controlling Shareholder.
- The Shares represent the 22,000,000 share awards granted to Mr. Wang Junzhou, the chief executive of the Company, under the Share Award Scheme of the Company. Of the 22,000,000 share awards, 3,938,000 Shares have been vested to Mr. Wang as at the Latest Practicable Date. The vesting of the remaining 18,062,000 Shares are subject to vesting conditions. As at the Latest Practicable Date, the vested share awards were held by Mr. Wang personally while the unvested shares awards were held by the Trustee for and on behalf of Mr. Wang. Save for the interest of Mr. Wang Junzhou under the Share Award Scheme, none of the Directors had any interest in the Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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4. The Share Award Scheme was adopted by the Company in October 2016 to provide incentives to officers and employees for their contributions to the Group. The Shares under the Share Award Scheme are held by a professional independent trustee. Under the Share Award Scheme, the Trustee shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the granted Shares, and further Shares acquired out of the income derived therefrom). The Trustee is presumed to be acting in concert with the Controlling Shareholder.
5. As at the Latest Practicable Date, the Trustee held in aggregate 1,320,316,000 Shares (including the unvested share awards held for and on behalf of Mr. Wang), representing approximately 5.54% of the issued share capital of the Company, of which (a) 386,963,000 Shares, representing approximately 1.62% of the issued share capital, are granted but unvested Shares held on trust for the grantees of the Share Award Scheme; and (b) 933,353,000 Shares, representing approximately 3.92% of the issued share capital of the Company, are held for the share pool of the Share Award Scheme. No Director has been awarded Shares or held any Shares under the Share Award Scheme.

As at the Latest Practicable Date, the Company had:

- (i) an authorised share capital of HK\$5,000,000,000 divided into 200,000,000,000 Shares of HK\$0.025 each;
- (ii) an issued share capital of HK\$595,815,085 divided into 23,832,603,422 Shares of HK\$0.025 each;
- (iii) outstanding convertible bonds that may be convertible into 1,929,032,258 Shares, or which 1,300,000,000 Shares may be converted at a conversion price of HK\$1.20 and 629,032,258 Shares may be converted at a conversion price of HK\$1.24.

Except for the aforesaid convertible bonds, the Company did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

### **(E) REASONS FOR THE AGREEMENT**

#### ***Business plans of the Group***

Comprehensive business service systems that explore platform-based integrated innovation model, focus on the development of brand chain stores, encourages “one store with multiple functions” and have deeply integrated online and offline elements which complement each other virtually and physically will be the future direction of macroeconomic development and national policies. Creating a commercial intensive development ecosystem that integrates commercial and social attributes is a key direction for the PRC to increase domestic demand and promote consumption. Therefore, the Group plans to introduce an innovative retailing concept by designating a city as a unit, and work with well-known brands to create a full-category experiential exhibition hall, through mutual cooperation in creating interactive scenes, thereby achieving a win-win situation.

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## LETTER FROM THE BOARD

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The lease arrangement contemplated under the Agreement is a major step to facilitate the Group to develop the new offline retail and service model. The larger space and specific design of GOME Commercial Capital and No. 9 Xiangjiang will enable the Group to offer differentiated consumer experience and allow the Group and its strategic business partners to use them as offline hubs to exhibit partnering brands' lifestyle concepts and wider product offerings, as well as a centre of service for consumers within the target radius. The management of the Group believes that this business model transformation will further enhance the Group's overall positioning and power in the retail value chain, and lay the foundation to the next stage of commercial cooperation with the Group's strategic business partners in the e-commerce and consumer product space.

### **(1) Pengrun Building**

Pengrun Building will be used as the Group's headquarters and the relevant space will be for the Group's own use. The Company's headquarters operations have been located at Pengrun Building since 2004. The previous lease arrangements at Pengrun Building were of shorter term of between one and six years, with the rent being reviewed upon expiry of the term. Given that (i) Pengrun Building is located in the Chaoyang District, the central business district of Beijing, (ii) the Group has committed substantial investments in establishing its information technology infrastructure to serve the on-line business of the Group, and (iii) the scarcity of Grade A premises of such size to house all of the Group's headquarters operations, the management of the Group is of the view that it is in the interest of the Company and the Shareholders for the Group to continue to run its headquarters operations at Pengrun Building and lock in the rent to free the Group from the uncertainty of market fluctuation in rent.

### **(2) GOME Commercial Capital**

In respect of GOME Commercial Capital, the Group intends to house approximately 300 manufacturers of all categories of electrical appliances and consumer electronic products in the eight-storey shopping complex. By combining the different categories such as home appliances, home furnishings and home decoration, the Group will broaden the technology experience with products being displayed and sold through an interconnection of different scenes. This would give consumers an 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 management of the Group is of the view that the property is well-suited to introduce and implement the new retailing concept. Moreover, the property is located at the Zhongguancun Fengtai Science Park Industrial Base which is the center of high and innovative technology research and development in Beijing. It projects an innovative and high technology image associated with the products sold by the Company.

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## LETTER FROM THE BOARD

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### (3) No. 9 Xiangjiang

The Group plans to develop No. 9 Xiangjiang into an entertainment center with comprehensive display and experience center and a brand image promotion location with cutting-edge technology, to achieve a leading model of online and offline connection, empowerment and quality improvement, and a one-stop shop to meet different needs and expectations of the consumers. It aims to provide more functions, taking into account the optimized combination of diverse consumer groups and different consumption demands, reconstruct the new form for entertainment that caters to the urban temperament, and become a destination that embraces the new concept of contemporary family experiential consumption and the new way of family entertainment.

Notwithstanding that the Group will use most of the space in GOME Commercial Capital and No. 9 Xiangjiang, the Group intends to sub-lease certain facilities like cafes, cinemas and other catering facilities to experienced operators to provide consumers with the full leisure experience combining shopping and entertainment under one roof. In addition, the Group also expects to lease out certain areas of GOME Commercial Capital and No. 9 Xiangjiang for producers of electrical appliances and consumer electronic products to host their product launch and other promotional activities from time to time. As at the Latest Practicable Date, the Group has not identified the vendors for these facilities and has not entered into any sub-lease agreements with respect to these facilities. Upon identifying suitable vendors of these facilities, the Group intends to enter into agreements with them.

With respect to the initial expenditure for the Properties, the Group has planned with a budget of between approximately RMB1 billion and RMB2 billion to invest in the Properties. Based on the current plans of the Company, the expenditure is expected to include, for GOME Commercial Capital and No. 9 Xiangjiang, the cost of design, structure transformation and demolition, decoration, installation of mechanical and electrical equipment, etc. It is expected that approximately RMB1.6 billion and approximately RMB0.3 billion will be invested for GOME Commercial Capital and No. 9 Xiangjiang respectively and will be funded by internal resources of the Group and/or debt financing from third parties.

#### *The lease period*

The lease period was determined by the parties after arm's length negotiations and in consideration of the aforementioned business plans of the Group.

The creation of the large-scale full category experiential exhibition hall for products involves significant investment and commitment of resources by the Group. It is therefore essential that the properties where the innovative retailing concept of the Group are located are of long term to enable the Group to have a stable operating environment and avoid the pitfall of having to relocate every several years. The reason for the long-term lease period under the Agreement that long-term leases allow the Group to (i) commit initial expenditure for the Properties, such as information technology and hardware upgrades, (ii) reduce operational risks caused by short-term leases which the Group might not be able to renew, and (iii) lock in the amount of the rent and minimise the uncertainty of rent fluctuations for a long period of time thereby allowing the Group to implement its long-term strategy. The Properties are crucial to the steady implementation of the Group's long-term strategy.

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## LETTER FROM THE BOARD

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For a lease with a term as long as 20 years, it is not uncommon for the lessor to ask for a mechanism to adjust the rent after the expiry of a certain period. The upfront payment of the rent under the Agreement is a commercial arrangement between the Company and GOME Management in that the Company will benefit from the certainty by locking in the fixed rent for 20 years and GOME Management will be paid upfront for not having the right to adjust the rent. The Agreement does not provide for adjustment of rent as a result of the fluctuation (whether an increase or a decrease) in the market rental value of the Properties. The Company does not expect any material decrease in the rental value during the term of the Agreement. This view is supported by (1) a research report published by CBRE in April 2021, office rents in tier 1 cities in China has steadily increased by approximately 70% since 2003, while the rent for shopping malls nationwide has rapidly increased by approximately 125% since 2003; and (2) the steady increase of price level in China in the past 10 years as shown by the the Consumer Price Indices published by National Bureau of Statistics of China.

The valuations set out in Appendices IIA1 and IIA2 are valuations of the rental values of the Properties.

### *Possibility of, instead of renting, acquiring the Properties or similar properties*

In considering the possibility of acquiring the Properties or similar properties, the Company considered the (1) feasibility of acquiring the Properties (including the availability of the Properties or similar properties, the costs and settlement mechanism); and (2) the suitability of acquiring the Properties in light of the business model of the Group.

#### *(1) The feasibility of acquiring the Properties*

During the negotiation of the Agreement, GOME Management has indicated that it would not sell the Properties. There were also no similar properties (in terms of size and quality) in the vicinity of the Properties available for sale.

In terms of costs, even if GOME Management would sell the Properties or the Company could find similar properties in the vicinity, as confirmed by the valuers, if they were engaged to value the Properties if the Properties were to be bought instead of leased, the same methodology (i.e. market approach) will be adopted in valuing the consideration.

When applying the market approach for valuing the rental of the Properties, the comparables are the rental values of recent *lease* quotations meeting the conditions set out in the section headed “Basis for the determination of the rent” above. If the market approach is applied for valuing the acquisition value of the Properties, the comparables will be *the consideration* under recent sale and acquisitions of properties which are comparable to the Properties in terms of nature of use, location and structure of property. For the reasons set out below, the Company expects that the acquisition value would be significantly higher than the rental value.

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## LETTER FROM THE BOARD

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In assessing the property market in locations where the Properties are situated, the Company noted that (i) based on a publication by Savills about the property market in Beijing for the first quarter of 2021, it was stated that domestic and foreign investors, as well as developers, were all actively seeking projects worthy of investment in Beijing's post COVID-19 market, with average transaction prices reaching RMB27,600 per sq.m. for the office sector (with Grade A office capital values of RMB83,285 per sq.m.) and RMB33,513 per sq.m. for the retail sector, while new supply was down by 58.7% and 53.2% respectively; and (ii) based on market research conducted on www.58.com, in the area where No. 9 Xiangjiang is located in Changsha, the average quotation per sq.m. for new commercial complexes with a total construction area of between 100,000 sq.m. and 200,000 sq.m. was between a minimum of RMB10,000 per sq.m. and a maximum of RMB50,000 per sq.m., with an average of approximately RMB26,000.

Given (i) the transaction value per sq.m. as set out above; (ii) the expected premium of acquiring the whole (not part) of the GOME Commercial Capital and No. 9 Xiangjiang; (iii) the momentum of the property market in Beijing as demonstrated in the year-on-year growth price above; and (iv) there is no new supply of prime retail space in Changsha in 2021 except for one new mall "Longfor Yanghu Paradise Walk" which opened in the second quarter of 2021 according to the regular "MARKETBEAT – CHANGSHA" publications by CUSHMAN & WAKEFIELD, the Company considered that the acquisition value of the Properties would be significantly higher than the rental value. Hence, the Company considered renting the Properties is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole.

In terms of settlement of any consideration for the acquisition of the Properties or similar properties, as explained in the section headed "*Settlement Arrangement*" arrangement below, it is likely that the Company would also consider the issue of consideration shares instead of cash for settlement of the consideration. The issue of consideration shares to settle a significantly higher acquisition value would result in an even higher dilution to the minority Shareholders and further decrease the public float of the Shares. Furthermore, a third party vendor in the PRC may not accept Shares which are listed in Hong Kong as consideration for any possible acquisition.

### ***(2) Suitability of acquiring the Properties***

Leasing of the Properties together with the Early Termination Right would provide the Group with certainty to carry out the business plans of the Group as set out in the section headed "Business plans of the Group" above; and enable the Group to continue with its asset-light operation model consistently.

In addition to the expected significantly higher acquisition value than rental value of the Properties, the Company also considered that the Early Termination Right distinguishes the leasing of the Properties from acquiring the Properties. The Early Termination Right provides the Group with the flexibility to quickly respond to the market outlook and exit the Properties in times of market rental downturn (in the case of Pengrun Building) and in times when the

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## LETTER FROM THE BOARD

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Group faces a decline in sales (in the case of GOME Commercial Capital and No. 9 Xiangjiang). Had the Properties been acquired, the Group will incur additional time and costs in disposing part or all of the Properties with the uncertainty of immediately finding a purchaser to acquire properties of the scale of the Properties.

### *Settlement Arrangement*

The settlement arrangement of the rent payable by the issue of the Consideration Shares was determined by the parties after arm's length negotiations and in consideration of the financial situation of the Group.

The non-cash settlement of the rent allows the Company to lease the Properties without utilising working capital, thereby reducing the financial burden of the Group over the term of the lease.

As disclosed in the annual results for the year ended 31 December 2020 of the Group, as of 31 December 2020, the cash and cash equivalents of the Group were approximately RMB9,597 million; during the year ended 31 December 2020, the Group's net cash flows generated from operating activities was approximately RMB1,851 million, as compared with cash flows of RMB2,401 million generated for the corresponding period last year. As at 31 December 2020, the Group's debt-to-total equity ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to approximately RMB32,928 million over total equity amounted to approximately RMB1,268 million, increased from 329.03% as at 31 December 2019 to 2,596.85%. The issue of the Consideration Shares to settle the rent is to reduce the immediate and future cash flow outlay of the Group so as to prevent further reduction on the Group's net cash flows generated from operating activities and the potential spike in the Group's debt-to-total equity ratio if the rent payable is settled through other financing methods, such as bank borrowings.

The Company has considered alternative settlement methods including bank borrowings. However, considering that debt financing will further increase the debt-to-total equity ratio, the Company is of the view that the settlement arrangement of the rent payable by the issue of the Consideration Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Agreement is structured to allow the Group to minimize cash flow outlay during the coming years of continual investment for strategic transformation and growth. The stability provided by the longer lease tenure will enable and incentivize the Group to invest and optimize the operation within the subject properties for the longer term. The disposal of Hudson Assets is a step to rationalize the Group's asset portfolio and focus resources to the China market.

In determining the overall effect of the Agreement on the Shareholders and in particular, the Independent Shareholders, having considered (i) the rationale for the long-term lease; (ii) the rationale for the upfront payment of the rent; (iii) the rent of the Properties which is lower



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## LETTER FROM THE BOARD

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than the two independent valuations; (iv) the rationale for the mode of settlement as explained above; and (v) the Issue Price as determined at a substantial premium to the current market price of the Shares implying a zero theoretical dilution effect (as defined in the Listing Rules), the Company considers that the dilution on the shareholding of the Independent Shareholders as a result of the allotment and issue of the Consideration Shares is, in the long run, fair and reasonable and in the best interests of the Independent Shareholders and does not consider that there will be any major disadvantages of the transactions contemplated under the Agreement.

With respect to the Early Termination Right, the time in which the Company will be entitled to exercise the right (from 2029) was determined having considered the following factors: (i) the Company would be entitled to exercise the right for more than half of the term of the lease period (which is about 20 years); (ii) the Company's current business plans with respect to the Properties as described above (in particular the Company's commitment and initial expenditure). In considering whether any interest rate will be charged on the refunded amount, as set out in the Agreement, interest expense is excluded from the amount of refund under the Refund Mechanism. To align the terms of the Agreement, interest expense is also excluded from the amount of refund under the Early Termination Right. Under IFRS16, the Company will incur depreciation expense for the entire term of the lease as the Properties subject to the lease will be recognised as right-of-use assets by the Company. The amount of fund is determined with reference to the net asset value of the right-of-use assets after deducting accumulated depreciation so that when the Refund Mechanism or the Early Termination Right is exercised, no extra gain or loss will be recorded by the Company.

Given that the Agreement was reached after arm's length negotiations, under normal commercial terms with the rent determined with reference to the rental valuation of the Properties, the Board (including the members of the Connected Transaction IBC and the Whitewash Waiver IBC) is of the view that the terms and conditions of the Agreement (including the basis of the rent and the settlement arrangement) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **(F) FINANCIAL EFFECT OF THE AGREEMENT ON THE GROUP**

#### **Earnings**

According to the 2020 Annual Report, the Group recorded revenue of approximately RMB44,119.1 million and loss attributable to the owners of the Company for FY2020 was approximately RMB6,993.8 million. Upon completion of the Agreement and the transactions contemplated thereunder, the entire equity interest of Hudson Assets will be derecognised after the disposal and the Company will no longer share any profit or loss of Hudson Assets. It is also expected that, in the long term, the Properties will help to diversify the Group's income stream through property investment and rental proceeds and will have a positive impact on the future earnings of the Group.



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## LETTER FROM THE BOARD

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### **Assets and liabilities**

Pursuant to IFRS 16, the Group will recognise a right-of-use asset in respect of the Agreement, which is measured at the present value of the total base rent payable during the term of the Agreement and initial direct costs incurred. The value of such right-of-use asset to be recognised by the Group upon completion would be approximately RMB17,865,157,700. As the entire equity interest of Hudson Assets will be derecognised after the disposal, the net liabilities of Hudson Assets will no longer be consolidated into the Group's balance sheet. Upon completion of the Agreement and the transactions contemplated thereunder, the Group's net assets is expected to increase with the recognition of right-of-use assets and the derecognition of the net liabilities of Hudson Asset.

### **(G) INFORMATION ON THE PARTIES**

#### **The Company**

The principal business of the Group is the operating and managing 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.

#### **GOME Management**

GOME Management is a company incorporated in Hong Kong and is wholly owned by the Controlling Shareholder. GOME Management is principally engaged in investment holding.

### **(H) LISTING RULES IMPLICATIONS**

#### **Chapter 14**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the leasing of the Properties is more than 25% but less than 75%, the leasing of the Properties constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the disposal of Hudson Assets are less than 5%, the disposal does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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Pursuant to Rule 14.24 of the Listing Rules, as the leasing of the Properties and the disposal of Hudson Assets constitute one transaction involving both an acquisition and a disposal, the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to such classification. Accordingly, the leasing of the Properties and the disposal of Hudson Assets are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **Chapter 14A**

GOME Management is wholly owned by the Controlling Shareholder. It is hence a connected person of the Company. As the applicable ratios in respect of the rent payable under the Agreement are more than 5%, the transactions contemplated under the Agreement constitute a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **Board approval**

Ms. Huang Xiu Hong, a non-executive Director, is the sister of the Controlling Shareholder. Mr. Zou Xiao Chun, an executive Director and Mr. Yu Sing Wong, a non-executive Director, were nominated by the Controlling Shareholder as Directors. Ms. Huang Xiu Hong, Mr. Zou Xiao Chun and Mr. Yu Sing Wong are considered to be interested in the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver and have abstained from the voting on the Board resolutions to approve the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver.

Save as disclosed above, none of the Directors has a material interest in the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver or is required to abstain from voting on the Board resolutions for considering and approving the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver pursuant to the Listing Rules and/or the bye-laws of the Company. The Board has approved the resolution for considering and approving the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, subject to the Independent Shareholders' approval at the SGM.

### **(I) TAKEOVERS CODE IMPLICATIONS**

As at the Latest Practicable Date, GOME Management, the Controlling Shareholder and parties acting in concert with them held in aggregate 12,156,019,338 Shares, representing approximately 51.01% of the issued share capital of the Company. Of the 12,156,019,338 Shares, GOME Management held 5,500,000,000 Shares, representing approximately 23.08% of the issued share capital of the Company.

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## LETTER FROM THE BOARD

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Upon completion of the Consideration Issue, the interest of GOME Management, the Controlling Shareholder and parties acting in concert with them in the voting rights of the Company will increase from approximately 51.01% to 65.41% (assuming that there is no other changes in the issued share capital of the Company save for the allotment and issue of the Consideration Shares). Individually, the interest of GOME Management will increase from approximately 23.08% to 45.69% (assuming that there is no other changes in the issued share capital of the Company save for the allotment and issue of the Consideration Shares).

Under Rule 26.1 of the Takeovers Code, GOME Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares of the Company not already owned or agreed to be acquired by GOME Management or parties acting in concert with it unless the Whitewash Waiver is granted by the Executive. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the Whitewash Waiver having been approved by at least 75% of the votes cast by the Independent Shareholders at the SGM, and (ii) the transactions contemplated under the Agreement, the Supplemental Agreement, including the Consideration Issue and the disposal of Hudson Assets, having been approved by more than 50% of the votes cast by the Independent Shareholders at the SGM.

An application has been made by GOME Management to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM.

The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

GOME Management and parties acting in concert with it and the Shareholders who are involved in or interested in the Agreement (including the grant of the Specific Mandate), the Supplemental Agreement, and/or the Whitewash Waiver will abstain from voting on the resolution to approve the Agreement (including the grant of the Specific Mandate), the Supplemental Agreement, and the Whitewash Waiver at the SGM.

It is one of the conditions of the Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Agreement will not proceed.

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## LETTER FROM THE BOARD

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### **(J) OTHER INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

As at the Latest Practicable Date, GOME Management, the Controlling Shareholder and parties acting in concert with them held 12,156,019,338 Shares, representing approximately 51.01% of the issued share capital of the Company. Save for such number of Shares held, neither GOME Management, the Controlling Shareholder nor any parties acting in concert with them:

- (i) owns or has control or direction over any voting rights or rights over the Shares or convertible securities, warrants or options or derivatives of the Company or holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ii) has received any irrevocable commitment to vote in favour of or against the resolutions in respect of the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver;
- (iii) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to shares of the Company which may be material to the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, with any other persons;
- (iv) has any agreement or arrangement to which he/it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, other than the conditions relating to the coming into effect of the Agreement; and
- (v) has borrowed or lent any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in the Company.

In addition:

- (1) apart from the Consideration Shares, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Company to GOME Management or any parties acting in concert with it;
- (2) there is no understanding, arrangement, agreement or special deal between GOME Management or any party acting in concert with it on the one hand, and the Company and its concert parties on the other hand; and
- (3) there has been no understanding, arrangement, or agreement or special deals (within the meaning of the Takeovers Code) between any Shareholders, and (1) GOME Management, the Controlling Shareholder and parties acting in concert with them; and (2) the Company and its subsidiaries or associated companies.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company did not believe that the proposed transactions under the Agreement, the Supplemental Agreement, (including the Consideration Issue and the disposal of Hudson Assets) give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Agreement, the Supplemental Agreement, (including the Consideration Issue and the disposal of Hudson Assets) do not comply with other applicable rules and regulations.

The Company will ensure that the information contained in this circular remains accurate up to and including the date of the SGM and shall notify the Independent Shareholders as soon as possible if there is any material change to such information in accordance with Rule 9.1 of the Takeovers Code.

GOME Management has confirmed that it and parties acting in concert with it have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of or otherwise deal in, voting rights in the Company in the six months prior to and up to and including the Latest Practicable Date except as disclosed below:

**(i) The Buyback and the Placing**

The Company conducted (i) an on-market share buyback in November 2020 (the “**Buyback**”); and (ii) a placing and top-up subscription transaction in March 2021 (the “**Placing**”). The Company is of the view that the Buyback and the Placing should not have implications under paragraph 3 to Schedule VI of the Takeovers Code for the reasons set out below.

- (i) Each of the Buyback and the Placing was conducted prior to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company (which would include informal discussions) in relation to the proposed leasing of the Properties.
- (ii) The Buyback was conducted by the Company in its ordinary course of business under its share buyback mandate granted by the Shareholders on 29 June 2020. It was not conducted by or for and on behalf of GOME Management, the Controlling Shareholder or parties acting in concert with them.
- (iii) Under the Placing, there was a disposal of Shares and acquisition of voting rights by the parties acting in concert with the Controlling Shareholder, the acquisition and disposal were only technically caught by paragraph 3 of Schedule VI because the Placing could equally be carried out with a direct subscription of shares by the placees without involving any acquisition or disposal of voting rights by the parties acting in concert with the Controlling Shareholder.

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## LETTER FROM THE BOARD

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- (iv) The acquisition and disposal by the parties acting in concert with the Controlling Shareholder under the Placing was simply to facilitate the Company in obtaining the proceeds from the Placing in an efficient manner, which is a common practice for placing of shares in Hong Kong. The net effect of the Placing was that the Controlling Shareholder did not increase his holdings in the Company and no consideration was passed to the Controlling Shareholder.

### **(ii) Transfer of Shares by the Trustee**

On 28 April 2021, 38,182,000 Shares which was held by the Trustee for the benefit of 458 grantees (including 85 employees of core management team, 133 employees of middle to top management in the Beijing headquarter and 240 employees of middle to top management at branch level) under the Share Award Scheme were transferred by the Trustee to the grantees. The Trustee has been granted a consent by the Executive under paragraph 3(b) of schedule VI of the Takeovers Code) for such transfer.

### **(K) INDEPENDENT BOARD COMMITTEES**

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Agreement, the Supplemental Agreement, and the Consideration Issue.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors and Independent non-executive Directors who have no direct or indirect interest in the Agreement, the Supplemental Agreement, and the Consideration Issue and the Whitewash Waiver) has been formed to advise the Independent Shareholders on the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver. Ms. Huang Xiu Hong, a non-executive Director, is the sister of the Controlling Shareholder. Mr. Yu Sing Wong, a non-executive Director, was nominated by the Controlling Shareholder as a Director. Ms. Huang Xiu Hong and Mr. Yu Sing Wong are considered to be interested in the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver. Therefore, Ms. Huang Xiu Hong and Mr. Yu Sing Wong do not form part of the Whitewash Waiver IBC.

### **(L) INDEPENDENT FINANCIAL ADVISER**

Opus Capital Limited has been appointed with the approval of the Independent Board Committees as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in connection with the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver and to make recommendations on voting.

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## LETTER FROM THE BOARD

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### **(M) WARNING**

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, upon the issue of the Consideration Shares, the interest of GOME Management and its concert parties in the Company will exceed 50%. GOME Management may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Executive may or may not grant the Whitewash Waiver. In the event that it is not granted, the Agreement shall lapse and the Acquisition will not proceed.

Performance of the obligations by the parties to the Agreement is subject to the satisfaction and/or waiver of the conditions precedent under the Agreement and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

### **(N) INTENTION OF GOME MANAGEMENT AND ITS CONCERT PARTIES**

GOME Management and its concert parties intend to continue the existing businesses of the Group and maintain the listing status of the Company on the Stock Exchange following Completion.

GOME Management and its concert parties have no intention to introduce any change to the existing business of the Group including any redeployment of the fixed assets of the Group or terminate the continued employment of the employees of the Group.

### **(O) SPECIAL GENERAL MEETING**

The SGM will be held to consider and, if thought fit, approve, among others, the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver.

At the SGM, GOME Management and parties acting in concert with it and the Shareholders who are involved in or interested in the Agreement, the Supplemental Agreement (including the grant of the Specific Mandate) and/or the Whitewash Waiver are required to abstain from voting.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date:

- i. GOME Management held 5,500,000,000 Shares, representing approximately 23.08% of the issued share capital of the Company;
- ii. Shinning Crown Holdings Inc. held 4,454,979,938 Shares, representing approximately 18.69% of the issued share capital of the Company;
- iii. Shine Group Limited held 634,016,736 Shares, representing approximately 2.66% of the issued share capital of the Company; and
- iv. Ms. Du Juan, the spouse of the Controlling Shareholder, through two wholly- owned companies (namely Smart Captain Holdings Limited, which held 240,955,927 Shares and Wan Sheng Yuan Asset Management Company Limited, which held 5,750,737 Shares), held in aggregate 246,706,664 Shares representing approximately 1.04% of the issued share capital of the Company.

Under the Share Award Scheme, the Trustee shall not exercise the voting rights in respect of any Shares held under the trust. As at the Latest Practicable Date, the Trustee held 1,320,316,000 Shares.

Except as disclosed above, no other Shareholder is required to abstain from voting on the resolutions to approve the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver at the SGM.

### **(P) RECOMMENDATION**

You are advised to read carefully the letter from the Independent Board Committees of this circular. The Independent Board Committees, having taken into account the advice of the Independent Financial Adviser, consider that (a) the terms of the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and (i) in the interests of the Independent Shareholders; and/or (ii) in the interests of the Company and the Shareholders as a whole; and (b) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committees recommend the Independent Shareholders to vote in favour of the resolutions to approve the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver at the SGM.



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## LETTER FROM THE BOARD

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The Board considers that (1) the terms of the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and (i) in the interests of the Independent Shareholders; and/or (ii) in the interests of the Company and the Shareholders as a whole; and (2) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

### **(Q) ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**GOME Retail Holdings Limited**  
**Zhang Da Zhong**  
*Chairman*



**GOME RETAIL HOLDINGS LIMITED**

**國美零售控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 493)**

13 August 2021

*To the Independent Shareholders*

- (1) LEASING AGREEMENT – MAJOR AND CONNECTED TRANSACTION**  
**(2) PROPOSED ISSUE OF SHARES UNDER SPECIFIC MANDATE**  
**(3) DISPOSAL OF A SUBSIDIARY – CONNECTED TRANSACTION**  
**AND**  
**(4) APPLICATION FOR WHITEWASH WAIVER**

Dear Sir or Madam,

We refer to the circular of the Company dated 13 August 2021 (the “Circular”), of which this letter forms part. Unless the context requires otherwise. Capitalised terms used in this letter have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committees to advise the Independent Shareholders as to whether (a) the terms of the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (b) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. *(Note)*

We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 42 to 111 of this circular.

Having considered the terms of the Agreement, the Supplemental Agreement, and the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that (a) the terms of the Agreement, the Supplemental Agreement, and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (b) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we

\* *For identification purpose only.*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEES

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recommend the Independent Shareholders to vote in favour of the resolutions to approve the Agreement, the Supplemental Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver at the SGM.

Yours faithfully,  
for and on behalf of  
the Independent Board Committees

Mr. Zhang Da Zhong\**Note*  
*Non-executive Director*

Mr. Lee Kong Wai, Conway  
*Independent non-executive  
Director*

Ms. Liu Hong Yu  
*Independent non-executive  
Director*

Mr. Wang Gao  
*Independent non-executive  
Director*

\* *Note*: Mr. Zhang Da Zhong is a member of the Whitewash Waiver IBC for providing a view and his recommendation regarding the Whitewash Waiver only.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the text of a letter received from Opus Capital Limited, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders, in respect of the Agreement and the Supplemental Agreement for the purpose of inclusion in this circular.



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

13 August 2021

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

Dear Sir or Madam,

- (1) LEASING AGREEMENT – MAJOR AND CONNECTED TRANSACTION**  
**(2) PROPOSED ISSUE OF SHARES UNDER SPECIFIC MANDATE**  
**(3) DISPOSAL OF A SUBSIDIARY – CONNECTED TRANSACTION**  
**AND**  
**(4) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in respect of the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, 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 13 August 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 7 April 2021, the Company entered into the Agreement with GOME Management under which GOME Management agreed to lease the Properties to the Company for a term, commencing respectively on 1 July 2021 and 1 March 2023 and ending on 31 December 2040. The aggregate rent payable by the Company under the entire term of the Agreement is approximately RMB17,865,157,700 (equivalent to HK\$21,284,515,041). The aggregate consideration will be settled by the Company as to RMB17,575,581,950 (the equivalent of HK\$20,939,515,041) by way of allotment and issue to GOME Management the Consideration Shares at the Issue Price, and as to RMB289,575,750 (the equivalent of HK\$345,000,000) by the transfer of the entire equity interest in Hudson Assets, a wholly-owned subsidiary of the Company, to GOME Management.

On 5 August 2021, the parties to the Agreement entered into the Supplemental Agreement. Under the Supplemental Agreement, the Company will have the Early Termination Right with respect to the lease of part or whole of the Properties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Issue Price for the Consideration Shares of HK\$2.11 per Share was determined by the parties after arm's length negotiations and represents a premium of approximately 39.74% to the closing price of the Shares of HK\$1.51 per Share as quoted on the Stock Exchange as at the Last Trading Day. The Consideration Shares represent approximately 41.64% of the existing issued share capital of the Company and approximately 29.40% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

As part of the consideration for settling the rent under the Agreement, the Company will transfer the entire equity interest in Hudson Assets, a wholly-owned subsidiary of the Company, to GOME Management for the aggregate consideration of HK\$345,000,000. Hudson Assets is an investment holding company and its sole asset is an investment property in the U.S.

GOME Management is wholly owned by the Controlling Shareholder. GOME Management is hence a connected person of the Company. As the applicable rates in respect of the rent payable under the Agreement are more than 5%, the transactions contemplated under the Agreement constitute a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable ratios in respect of the leasing of the Properties is more than 25% but less than 75%, the leasing of the Properties constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the disposal of Hudson Assets are less than 5%, the disposal does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.24 of the Listing Rules, as the leasing of the Properties and the disposal of Hudson Assets constitute one transaction involving both an acquisition and a disposal, the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to such classification. Accordingly, the leasing of the Properties and the disposal of Hudson Assets are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, the Controlling Shareholder and parties acting in concert with him held in aggregate 12,156,019,338 Shares, representing approximately 51.01% of the issued share capital of the Company. Of the 12,156,019,338 Shares, GOME Management held 5,500,000,000 Shares, representing approximately 23.08% of the issued share capital of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Upon completion of the Consideration Issue, the interest of the Controlling Shareholder and parties acting in concert with him in the voting rights of the Company will increase from approximately 51.01% to 65.41% (assuming that there is no other changes in the issued share capital of the Company save for the allotment and issue of the Consideration Shares). Individually, the interest of GOME Management will increase from approximately 23.08% to 45.69% (assuming that there is no other changes in the issued share capital of the Company save for the allotment and issue of the Consideration Shares).

Under Rule 26.1 of the Takeovers Code, GOME Management would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares of the Company not already owned or agreed to be acquired by GOME Management or parties acting in concert with it unless the Whitewash Waiver is granted by the Executive. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the Whitewash Waiver having been approved by at least 75% of the votes cast by the Independent Shareholders at the SGM, and (ii) the transactions contemplated under the Agreement and the Supplemental Agreement, including the Consideration Issue and the disposal of Hudson Assets, having been approved by more than 50% of the votes cast by the Independent Shareholders at the SGM.

### APPLICATION FOR THE WHITEWASH WAIVER

GOME Management has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders on the transactions contemplated under the Agreement and the Supplemental Agreement, including the Consideration Issue and the disposal of Hudson Assets, and the Whitewash Waiver, by way of poll at the SGM.

GOME Management, the Controlling Shareholder and parties acting in concert with it and the Shareholders who are involved in or interested in the Agreement (including the grant of the Specific Mandate), the Supplemental Agreement and/or the Whitewash Waiver will abstain from voting on the resolution to approve the Agreement (including the grant of the Specific Mandate), the Supplemental Agreement and the Whitewash Waiver at the SGM.

Completion of the transactions contemplated under the Agreement and the Supplemental Agreement, including the Consideration Issue and the disposal of Hudson Assets, are conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. It is one of the conditions of the Agreement that the Whitewash Waiver be granted by the Executive and be approved by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Agreement and the Supplemental Agreement will not proceed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEES

Pursuant to the Listing Rules, the Connected Transaction IBC comprising of Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Agreement, the Supplemental Agreement and the Consideration Issue.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC comprising of Mr. Zhang Da Zhong, Mr. Lee Kong Wai, Conway, Ms. Liu Hong Yu and Mr. Wang Gao, being the non-executive Director and independent non-executive Directors who have no direct or indirect interest in the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, has been formed to advise the Independent Shareholders on the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver. Ms. Huang Xiu Hong, a non-executive Director, is the sister of the Controlling Shareholder. Mr. Yu Sing Wong, a non-executive Director, was nominated by the Controlling Shareholder as a Director. Ms. Huang Xiu Hong and Mr. Yu Sing Wong are considered to be interested in the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver. Therefore, Ms. Huang Xiu Hong and Mr. Yu Sing Wong do not form part of the Whitewash Waiver IBC.

Our appointment as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders has been approved by the Independent Board Committees in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Mr. Wong Kwong Yu or any other parties that could reasonable be regarded as relevant to our independence. Apart from normal independent financial advisory fee paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Mr. Wong Kwong Yu or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rules 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

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

- (i) the Company's annual report for the year ended 31 December ("FY") 2020 (the "**2020 Annual Report**") published on 30 April 2021;
- (ii) the Agreement dated 7 April 2021 in relation to the leasing of Properties by the Company;
- (iii) the Supplemental Agreement dated 5 August 2021 entered into between the parties to the Agreement in relation to the Early Termination Right;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the valuation report and the relevant notes issued by the Beijing North Asia Asset Assessment Firm (Special General Partnership) (北京北方亞事資產評估事務所(特殊普通合伙))\* (“**Beijing North Asia**”) in respect of the valuation of the rental of the Properties dated 18 July 2021 as set out in Appendix IIA1 to the Circular (the “**Rental Valuation Report I**”);
- (v) the valuation report and the relevant notes issued by the Beijing Zhongqin Yongli Asset Assessment Limited (北京中勤永勵資產評估有限責任公司\*) (“**Beijing Zhongqin**”, together with Beijing North Asia, collectively the “**Independent Valuers**”) in respect of the valuation of the rental of the Properties dated 15 July 2021 as set out in Appendix IIA2 to the Circular (the “**Rental Valuation Report II**”, together with Rental Valuation Report I, collectively the “**Rental Valuation Reports**”);
- (vi) the audited financial information of Hudson Assets as set out in Appendix III of the Circular;
- (vii) the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “**Property Valuer**”) in respect of the valuation of the property owned by Hudson Assets dated 26 July 2021 as set out in Appendix IV to the Circular (the “**Property Valuation Report**”); and
- (viii) 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 Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. 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.

All the Directors jointly and severally accept full responsibility for the accuracy of the information in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any of the statements in this Circular misleading.

This letter is issued to the Independent Board Committees and the Independent Shareholders solely in connection for their consideration of the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committees and the Independent Shareholders in respect of the Agreement, the Supplemental Agreement, the Consideration Issue and the Whitewash Waiver, we have taken into consideration, inter alia, the following principal factors and reasons:

#### **1. Background information 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. As at 31 December 2020, the Group has more than 3,400 physical stores nationwide, all of which adopt the “one store, one page” online and offline operation model, that means every physical store has its own interactive webpage on the online platform, which allows customers to select and purchase the products through such webpage and arrange delivery of the products directly from the physical store to the purchasers. The number of members who register with address and/or phone number on both the online and offline platforms exceeds 200 million with the number of online communities, mainly established through Wechat groups, close to 1 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following table summarises the consolidated financial information of the Group for FY2019 and FY2020 as extracted from the 2020 Annual Report:

**Table 1: Highlights of the financial results of the Group**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
– Sale of electrical appliances, consumer electronic products and general merchandise	44,119,113	59,482,827
<b>Loss for the year</b>	(7,203,647)	(2,968,652)
<b>Loss attributable to owners of the parent</b>	(6,993,816)	(2,589,826)

*Source: 2020 Annual Report*

The Group recorded a decline in the revenue of approximately 25.8%, from approximately RMB59,482.8 million for FY2019 to approximately RMB44,119.1 million for FY2020. As stated in the 2020 Annual Report, the decrease was mainly attributable to the decrease of sales revenue during the first half of FY2020 by approximately 44.4% year-on-year due to severe outbreak of the COVID-19.

The Group's loss attributable to the owners of the parent was approximately RMB6,993.8 million, increased by approximately 170.0% from approximately a loss of RMB2,589.8 million for FY2019, it was mainly derived from a combined effect of decreasing in sales revenue and consolidated gross profit, along with the impairment losses on goodwill made by the Group due to the conservative approach.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are highlights of the financial position of the Group as at 31 December 2019 and 31 December 2020, which have been extracted from the 2020 Annual Report:

**Table 2: Highlights of the financial position of the Group**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	33,535,087	38,528,840
Right-of-use assets	8,256,315	13,356,979
Current assets	36,959,094	33,343,133
Cash and cash equivalents	9,597,200	8,186,507
Current liabilities	52,943,413	46,412,304
Non-current liabilities	16,283,122	17,298,617
Net asset value (“NAV”) attributable to owners of the parent	4,916,349	11,599,924

*Source: 2020 Annual Report*

As at 31 December 2020, the total assets of the Group amounted to approximately RMB70,494.2 million, representing a decrease of approximately RMB1,377.8 million or 1.9% as compared of that as at 31 December 2019. The Group’s total assets were mainly made up of, among others, (i) property and equipment; (ii) right-of-use assets; (iii) goodwill; (iv) inventories; (v) restricted cash; and (vi) cash and cash equivalents. The right-of-use assets of the Group decreased by approximately 36.2% from approximately RMB13,357.0 million as at 31 December 2019 to approximately RMB8,526.3 million as at 31 December 2020. The cash and cash equivalent of the Group increased by approximately 17.2% from approximately RMB8,186.5 million as at 31 December 2019 to approximately RMB9,597.2 million as at 31 December 2020. The total liabilities of the Group amounted to approximately RMB69,226.5 million as at 31 December 2020, representing an increase of approximately RMB5,515.6 million or 8.7% as compared to that as at 31 December 2019. The Group’s NAV attributable to owners of the parent declined from approximately RMB11,599.9 million as at 31 December 2019 to approximately RMB4,916.3 million as at 31 December 2020.

## **2. Information on the Properties**

As stated in the Letter from the Board, the Properties comprise three properties located in Beijing and Changsha developed by the Controlling Shareholder and his associates.

*(a) GOME Commercial Capital (國美商都)*

GOME Commercial Capital is a commercial development located at the Zhongguancun Fengtai Science Park Industrial Base at the Zhongguancun area in the south western part of Beijing. It has a total construction area of approximately 524,638 sq.m. and comprises an eight-storey shopping complex, together with related catering, entertainment and ancillary facilities of approximately 310,658 sq.m., an office tower of approximately 35,532 sq.m., a hotel apartment of approximately 55,404 sq.m., a warehouse of approximately 1,945 sq.m., and a three-storey underground car park of approximately 121,099 sq.m. for 2,819 parking spaces. The development of the property was completed in 2009. After the completion, the property had been vacant due to a legal dispute between the GOME Commercial Capital and HNA Group which was resolved in favor of GOME Commercial Capital in 2019. As confirmed by the Management, the legal proceeding has been completed and no further disputes involving the property since then.

*(b) No. 9 Xiangjiang (湘江玖號)*

No. 9 Xiangjiang is a commercial development located in Changsha, Hunan Province, the PRC. It has a total construction area of approximately 130,501 sq.m., which comprises a six-storey shopping mall and catering, entertainment and supporting facilities. In addition, it has an one-storey underground car park that could provide parking spaces for 680 vehicles. The development of the property was completed in 2016. The property had been vacant for the most of the time since its completion because of the expansion, interior fit-out construction and renovation work need to be conducted in order to make a better use of the property in the future.

*(c) Pengrun Building (鵬潤大廈)*

Pengrun Building is located in the Chaoyang District of Beijing, the central business district of the city. The Group has located its headquarters at Pengrun Building since 2004 and is currently leasing in aggregate 42,500 sq.m. of office space in the building. Under the Agreement, the office space that will be rented by the Group at Pengrun Building will expand to 70,464 sq.m. by 1 March 2023. According to the information disclosed in the Valuation Reports, the remaining space of Pengrun Building are mostly leased out and had been used as the office.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Letter from the Board, set out below and as disclosed in the section headed “XI. NOTES ON SPECIAL MATTERS” in valuation in Appendix IIA1 are the Company’s assessment of the Properties.

### Particulars

### The Company’s assessment

#### GOME Commercial Capital (國美商都)

- |     |                                      |   |
|-----|--------------------------------------|---|
| (1) | The property is subject to mortgage. | As one of the conditions set out in the paragraph headed “ <b>Conditions</b> ” above, consent from the mortgage bank is a condition to the Agreement. It is not uncommon for tenants to lease properties subject to mortgages. Each of the borrowers to the underlying relevant loan of the mortgage, except for one borrower (which (i) is not a Shareholder; (ii) does not have any interest in the Properties and/or the Agreement; and (iii) no benefit will be given to it by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties) all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgage bank will not exercise its possession right. Under the Agreement, in the unlikely event of eviction as a result of possession by the mortgage bank, the Company will be refunded the pro-rated amount of the rental. |
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Particulars

### The Company's assessment

Furthermore, in assessing the likelihood and the consequences of any potential default resulting in enforcement of the mortgage on the property, given that almost all of the borrowers are controlled by the Controlling Shareholder, the Company considered the following and considered that the likelihood of enforcement of the mortgage by the mortgagee is remote and that the Controlling Shareholder will be able to carry out its obligations under the Refund Mechanism.

- (a) the audited financial statements of a company wholly-owned by the Controlling Shareholder for the year ended 31 December 2020 (the “**Company A**”), in particular noting the significant value of its total assets relative to the total liabilities of the borrower;
- (b) the Controlling Shareholder's substantial stake in the Company, representing approximately 61.5% of the issued share capital of the Company upon the completion of the Consideration Issue, which can be realised for repayment if needed; and
- (c) the Controlling Shareholder's substantial stake in the Company also implies that his interest is aligned with the interest of the Company as a whole. Any action by the Controlling Shareholder and his associates which may result in the loss of the Group's retail premises will not be in the interests of the Company, which in turn will not be in his interest in view of his substantial stake in the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Particulars

### The Company's assessment

#### No. 9 Xiangjiang (湘江玖號)

- (2) The property is subject to mortgage.
- As one of the conditions set out in the paragraph headed “**Conditions**” above, consent from the mortgage bank is a condition to the Agreement. It is not uncommon for tenants to lease properties subject to mortgages. Each of the borrowers to the underlying relevant loan of the mortgage, except for one borrower (which (i) is not a Shareholder; (ii) does not have any interest in the Properties and/or the Agreement; and (iii) no benefit will be given to it by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties) all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgage bank will not exercise its possession right. Under the Agreement, in the unlikely event of eviction as a result of possession by the mortgage bank, the Company will be refunded the pro-rated amount of the rental.
- In assessing the likelihood of any potential default by the borrower, the Company made the same assessment set out in paragraph (1).
- (3) The gross floor area recorded in the property ownership certificate is 97,231.65 sq.m., while the leasable area (and the area used in the valuation) under the Agreement is 130,501.00 sq.m..
- Under the Agreement, the Company is entitled to enjoy usage of 130,501.00 sq.m.. If part of or all of the 62,718.00 sq.m. cannot be used by the Company, GOME Management shall refund the pro-rated rental for the part that is not available. Given the Refund Mechanism, the valuer did not exclude 62,718.00 sq.m. in the valuation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Particulars	The Company's assessment
(4) An aggregate of approximately 1,286.73 sq.m. of the leasable area is currently leased to third parties, with lease terms ending between September 2021 and December 2022.	To the understanding of the Company, the relevant lessees have vacated the relevant areas. The Company considers that 1,286.73 sq.m. is insignificant compared to the total leasable area under the Agreement. Changsha Xiandao, the registered owner of the relevant area has undertaken to the Company that the Company will have the use of the relevant areas. The Company has made on-site visit to the relevant areas and confirmed that the relevant area is vacant and available for its use.
(5) The land use right certificate discloses that the current registered owner for the areas of No. 9 Xiangjiang (湘江玖號) subject to the lease under the Agreement is Changsha Xiandao Zhendi Real Estate Development Co., Ltd., (“ <b>Changsha Xiandao</b> ”) and the “area of tenure (sq.m.)” is 63,260.24 sq.m.	<p>To the understanding of the Company, Changsha Xiandao is 75% controlled by the Controlling Shareholder.</p> <p>The Company understands that 63,260.24 sq.m. represents the land area stated on the registration certificate. It represents the area of the land in which the property is erected (土地面積), which is not the same as the floor area of the property (建築面積). The leasable area under the Agreement, which is the area in which the Group is entitled to use, has been used as the area under the valuation.</p>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Particulars

### The Company's assessment

#### Pengrun Building (鵬潤大廈)

- (6) The property is subject to mortgage.

As set out in the paragraph headed "Conditions" above, consent from the mortgagee bank is a condition to the Agreement. It is not uncommon for tenants to lease properties subject to mortgages. Each of the borrowers to the underlying relevant loan of the mortgage, except for one borrower (which (i) is not a Shareholder; (ii) does not have any interest in the Properties and/or the Agreement; and (iii) no benefit will be given to it by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties) all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgage bank will not exercise its possession right. Under the Agreement, in the unlikely event of eviction as a result of possession by the mortgage bank, the Company will be refunded the pro-rated amount of the rental.

In assessing the likelihood of any potential default by the borrower, the Company made the same assessment set out in paragraph (1).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Particulars

### The Company's assessment

- (7) The current registered owner of all the relevant areas of Pengrun Building subject to the lease under the Agreement is Beijing Xinhengji Real Estate Group Co., Ltd..
- Beijing Xinhengji Real Estate Group Co., Ltd. is 95% owned by Beijing Xin Hengji Investment Management Group Co., Ltd. (北京新恒基投資管理集團有限公司) and the remaining 5% owned as to 4% by Mr. Huang Junqin (黃俊欽先生) and as to 1% by Ms. Chen Ruowen (陳若文女士), the spouse of Mr. Huang Junqin, respectively. Beijing Xin Hengji Investment Management Group Co., Ltd. is an investment holding company and is 80% owned by Mr. Huang Yu (黃宇先生) and 20% owned by Mr. Huang Junqin. Mr. Huang Junqin is the brother of the Controlling Shareholder and Mr. Huang Yu is the son of Mr. Huang Junqin and the nephew of the Controlling Shareholder. To the best of knowledge of the Company, (i) each of Beijing Xinhengji Real Estate Group Co., Ltd., Mr. Huang Yu and Mr. Huang Junqin is not a Shareholder; and (ii) no benefit will be given to any of them by the Controlling Shareholder or GOME Management as a result of the leasing of the Properties.

GOME Property Co., Ltd. is owned by the Controlling Shareholder and his associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Particulars

### The Company's assessment

Notwithstanding the discrepancy in the registration certificate as a result of the delay in the update of the correct registered owner, the Group has been leasing part of Pengrun Building since 2004. Over such period, the Group has been able to enjoy full usage of the relevant area without any disruption. Given (1) the Company is not acquiring the Properties; (2) it has a track record of undisrupted usage for more than 17 years; and (3) the registered owner is an associate of the Controlling Shareholder, the Company considers that the delay in updating the correct registered owner as a formality not affecting its usage under the Agreement. GOME Property Co., Ltd. has undertaken that it shall ensure that the Company will be able to continue to enjoy usage of Pengrun Building. Under the Agreement, in the unlikely event that the Company cannot continue usage of the property, the Company will be refunded the pro-rated amount of the rental. Notwithstanding that Beijing Xinhengji Real Estate Group Co., Ltd did not provide a timetable for updating the registered owner of the property, the Company has received a written confirmation from Beijing Xinhengji Real Estate Group Co., Ltd, which provides that (i) the transfer of the relevant area of Pengrun Building from Beijing Xinhengji Real Estate Group Co., Ltd. was completed and that there is no dispute under the transfer; (ii) Beijing Xinhengji Real Estate Group Co., Ltd acknowledges and expressly consent to the leasing out of the property by GOME Property Co., Ltd.; and (iii) Beijing Xinhengji Real Estate Group Co., Ltd will co-operate with GOME Property Co., Ltd with respect to updating the registered title of the property.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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<b>Particulars</b>	<b>The Company's assessment</b>
(8) 70,464 sq.m. of leasable area was used as the basis for the valuation	70,464 sq.m. comprises 7,487.31 sq.m. of vacant area and 62,976.69 sq.m. of leased or in use area. Of the 62,976.69 sq.m., 42,500 sq.m. is currently leased by the Group and 20,476.69 sq.m. is currently used by the Controlling Shareholder and his associates.

The valuation of the rental under valuation reports is estimated based on the term of the Agreement, which is (1) 1 March 2023 to 31 December 2040 for 42,500 sq.m., representing the currently leased or in use area; and (2) 1 July 2021 to 31 December 2040 for 27,964 sq.m., representing the vacant or in use area.

### ***Refund Mechanism***

The Refund Mechanism is a term of the Agreement. For the protection of the Group's interest, under the Agreement, in the event that the Company is not able to enjoy usage of the Properties except due to destruction or partial destruction of the Properties as a result of force majeure, GOME Management shall refund to the Company the following amount in cash or cash equivalent (which shall be acceptable to the Company and valued by an independent valuer).

The amount of refund is the pro-rated amount of rent set out under the paragraph headed "Rent" below under the section headed "5. Principal terms of the Agreement", calculated with reference to the actual area in which the Group could not use and the remaining term of lease under the Agreement, as set out below.

$$(A/B/C) \times D \times E$$

where

A = the total rent of the relevant property set out under the paragraph headed "Rent" below, comprising RMB12,341,041,100 for GOME Commercial Capital, RMB2,298,271,300 for No. 9 Xiangjiang and RMB3,225,845,300 for Pengrun Building;

B = the total leasable area of the relevant building;

C = the term of lease under the Agreement;

D = the remaining term of lease under the Agreement; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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E = the actual area in sq.m. in which the Group could not use.

For the Company's assessment set out above, the Company considers that the valuations as set out in Appendix IIA of this circular are relevant to the Properties, fair and reasonable.

With reference to the Valuation Reports, the basic calculation formula under the market approach consist of elements namely: (i) price of the comparable example; (ii) trading index of the estimation object or of the comparable example; (iii) house price index of the estimation object or on the estimation date or of the comparable example on the date of quotation; (iv) regional factor condition index of the estimation object or of the comparable example; and (v) individual factor condition index of the estimation object or of the comparable example. Hence there is no discount rate or interest elements included in the calculation formula. As a result, when calculating the amount of refund with the refund formula under the same principle, the Company will depreciate the value of the right-of-use assets of the Properties over its lease period on a straight-line basis under the same principle of IFRS16, which is consistent with the accounting treatment of recognising the acquisition of right-of-use assets contemplated under the Agreement. We therefore are of the view that the refund formula under the Refund Mechanism is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In connection with the Refund Mechanism under the Agreement, we have performed the following due diligence work:

- (i) We have reviewed the relevant clause of the Agreement, in particular clause 9.6 in relation to the Refund Mechanism, and are of the view that the Refund Mechanism is able to indemnify the Company in the event that the Company is not able to use the Properties;
  - (a) the leasing department of the Company will, on the annual basis, obtain and review the financial statements and audited accounts of the Company A, and the findings of which will be reported to the Management;
  - (b) the Management will, on an annual basis throughout the entire term of the Agreement, review and monitor the financial condition of the Company A to ensure they are financially sound and able to indemnify the Company under the Refund Mechanism; and
  - (c) the Management will report to the Board on an annual basis in relation to the financial condition of the Company A.

In light of the above, we consider that the Company has implemented sufficient internal control measures to ensure the Company A will continually be able to indemnify the Company throughout the lease period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) we have discussed with Sidley Austin LLP, the Hong Kong legal adviser of the Company, regarding the enforceability of the relevant clauses of the Agreement and the Supplemental Agreement in relation to the Refund Mechanism contemplated under the Agreement and the Supplemental Agreement and understand that there will not be any legal difficulties to enforce such mechanism;
- (iii) we understand from the Management that the Management has designated and assembled a monitoring team of on-site personnel for each of the Properties to conduct regular checks on a monthly basis to assess and ensure the continuity usage of each of the Properties. If any problem in the use of Properties occurs, the respective monitoring team will inform the Management in the occurrence of such event;
- (iv) when determining the cash or cash equivalent in calculating the refund amount receivable by the Company, the Company will hire at least two independent valuers with sufficient qualifications and experiences to provide the relevant valuation reports, and the refund amount will be based on the higher appraised value; and
- (v) once the Company initiates the Refund Mechanism by serving notice to GOME Management, the Management will monitor the refund progress and report to the Board on a weekly basis.

In light of the above, we are of the view that the Refund Mechanism is sufficient to safeguard the Group's interest under the Agreement and the Supplemental Agreement and is in the interests of the Company and the Shareholders as a whole.

We have discussed with the Board and understand that the Board has discussed with Jingtian & Gongcheng the ("**PRC Lawyer**") in relation to the defects mentioned in the Rental Valuation Reports and set forth below is our analysis:

- (i) the debtor has provided an undertaking to the Company that it shall use its best endeavours to ensure that the mortgagee will not exercise its possession right. In the unlikely event of eviction as a result of possession by the mortgagee, the Company will be refunded the pro-rated amount of the rental, the Group's interest will be secured by the undertaking from the debtor which would mitigate the Company's risk exposure under the Agreement. The amount of refund is the pro-rated amount of rent for each of the relevant Properties. We consider that it is fair and reasonable as the pro-rated amount is calculated based on the actual area in which the Group could not use and the remaining term of lease under the Agreement;
- (ii) GOME Management shall refund the pro-rated rental for the part that is not available. Given the Refund Mechanism, the valuer did not exclude 62,718.00 sq.m. in the valuation. GOME Management will refund the pro-rated rental if any part which is not recorded under the property ownership certificate is unusable, this Refund Mechanism can provide safeguard to the Group's interest pursuant to the Agreement;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) Each of the borrowers to the underlying relevant loan of the mortgage on the Properties, except for one borrower, all of which is either wholly-owned or majority-controlled by the Controlling Shareholder, has provided an undertaking to the Company, that it shall use its best endeavours to ensure that the mortgagee bank will not exercise its possession right. The Company's interest is safeguarded by the Refund Mechanism of the pro-rated amount of the rental;
- (iv) GOME Property Co., Ltd. has undertaken that it shall ensure that the Company will be able to continue to enjoy usage of Pengrun Building. In the unlikely event that the Company cannot continue the usage of the property, the Company will be refunded the pro-rated amount of the rental;
- (v) GOME Management has undertaken that it shall ensure that the Company will be able to continue to enjoy usage of No.9 Xiangjiang. The Company has made on-site visit to the relevant areas of approximately 1,286.73 sq.m. of the leasable area which is currently leased to third parties and the Company has confirmed that the relevant area is vacant and available for its use;
- (vi) as the relevant terms in relation to the Refund Mechanism are already in place under the Agreement, we therefore consider that no supplemental agreement is needed if no alterations in terms of the Agreement are taken place;
- (vii) in order to assess the financial status and the level of protection offered by the Controlling Shareholder in the event of any unforeseen circumstances, the Company has considered and we have also reviewed the audited financial statements of the Company A for the year ended 31 December 2020, in particular noting the significant value of the total assets. We therefore concur with the Company to consider the Company A as a financially sound and eligible entity to repay the mortgage and to honor the Refund Mechanism if and when necessary;
- (viii) in relation to the planned capital expenditure on the Properties, the Company has considered that among others: (a) it is a very unlikely event for the Company being not able to use the Properties under the Agreement; (b) assuming the Company has to move out from the Properties, we understand from the Management that the Company will ensure all the valuable technology equipment which is moveable such as servers, monitors etc. will be transported along with them; and (c) the Company is aware of such risk which are inevitable under any form of leases with either a connected or an independent third party landlord. The Company is of the view that the potential risk is low and outweighed by the reasons and benefits as contemplated under the Agreement. In addition, we also consider that: (a) the capital expenditure is necessary for the Company to develop the new offline retail and service model of the Group, and to promote the second phase of the "Home • Living" strategy of the Group; (b) Company will be able to relocate and use any moveable equipment from

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the capital expenditure to mitigate any potential loss. As such, we are of the view that the potential benefits of the planned capital expenditure outweighs the related potential risks, and it is in the interests of the Company and the Shareholders as a whole;

- (ix) the Directors have advised the Company of engaging the PRC Lawyer to conduct the legal due diligence and issue the PRC legal opinion in relation to the conditions of the Properties. The Directors have then reviewed the PRC legal opinion and held discussion with the PRC Lawyer in the meeting on 2 April 2021 for the purpose of discussing whether the transactions would be affected by the relevant property defects. A Board member who possesses legal background suggested to the Management that GOME Management should provide undertakings to safeguard the Company's interest;
- (x) the Directors have also consulted with a Board member who possesses extensive experience in the retail industry and commerce organisations in relation to the reasonableness of the long-term arrangement as contemplated under the Agreement. Such Board member has over 30 years' experience in retail industry with a particular focus of the home appliances sector in PRC, he is the founder of Beijing Dazhong Home Appliances Retail Co., Ltd, being one of the leading domestic appliances retail chains in PRC, which the retail network consisted of over 60 stores in PRC with the annual sales approximately RMB10 billion. He was awarded as the China's Outstanding Private Entrepreneur\* (中國優秀民營企業家) and held the position as the former deputy chairman of the Beijing Commerce Federation\* (北京市商會); and
- (xi) the Company has preliminary engaged the first independent property valuer only, being Beijing North Asia to perform the first valuation on the rental of the Properties. In order to ensure the fairness and reasonableness of the rental valuation, the Board has then advised the Company to engage Beijing Zhongqin as the second independent property valuer to conduct the second valuation on the rental of the Properties. Prior to the formal engagement of the Independent Valuers, The Board obtained and reviewed the qualifications, experiences and track records on other property valuations of the Independent Valuers, and noted that the Independent Valuers had been engaged as a valuer for a wide range of transactions including public company listed in Hong Kong, Shenzhen and Shanghai. Accordingly, the Board is of the view that the Independent Valuers are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the Rental Valuation. In relation to the qualification of the Independent Valuers, we have also interviewed the Independent Valuers and conducted our own verification work in relation to their qualification and experience, details of which are set out in the section below headed "7. Assessment of the Rental Valuation Reports". We consider that the Independent Valuers have sufficient expertise and are independent to perform the Rental Valuation.



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Based on the abovementioned findings and analyses, we concur with the Board that the relevant valuations are fair and reasonable to rely upon. As such, we consider that the Board has performed sufficient due diligence and analyses in satisfying themselves that the relevant valuations are fair and reasonable to rely upon.

### **3. Reasons for and benefits of entering into the Agreement**

As stated in the Letter from the Board in the Circular, the Groups plans to introduce an innovative retailing concept by designating a city as a unit, and work with well-known brands to create a full-category experiential exhibition hall, through mutual cooperation in creating interactive scenes, thereby achieving a win-win situation. The lease arrangement contemplated under the Agreement is a major step to facilitate the Group to develop the new offline retail and service model. The larger space and specific design of GOME Commercial Capital and No. 9 Xiangjiang will enable the Group to offer differentiated consumer experience and allow the Group and its strategic business partners to use them as offline hubs to exhibit partnering brands' lifestyle concepts and wider product offerings, as well as a centre of service for consumers within the target radius. The Management of the Group believes that this business model transformation will further enhance the Group's overall positioning and power in the retail value chain, and lay the foundation to the next stage of commercial cooperation with the Group's strategic business partners in the e-commerce and consumer product space.

We noted from the 2020 Annual Report that, during FY2020, the Group has been consistently focusing on the "Home • Living" strategy and based on the model of local retail to develop high-frequency, dual platforms with online and offline interaction for multi scenarios. The Group has already completed the online and offline digital transformation and upgrading, and has built an online and offline dual-platform model. Through the integration of internal and external resources and industry's scarce core values, the Group achieved a competitive position through the differentiation strategy through products and services. Compared to other traditional e-commerce competitors, the Company developed the online and offline dual-platform, offered a wider range of products, provided comprehensive supporting services including one-stop packaging, delivery, installation and maintenance services to improve competitiveness. In the future, the Group will continue to comprehensively promote the second phase of the "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 utilizing scenarios and technology to become a redefined digital, social, and entertainment local retail service platform. We therefore agree with the Management that through the operation of the Company's main business at the Properties would provide an opportunity for the Group to leverage on its financial resources and the innovation and experience of its management team, to diversify its revenue and earnings stream to achieve sustainable growth, which is consistent with the Group's ordinary and usual course of business.

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We understand from the Management that the Pengrun Building will be for the Company's own use as its headquarter, the majority area of GOME Commercial Capital and No. 9 Xiangjiang would be for the Group's own use to create its state-of-the-art experience centre while only part of the area will be rented out for suitable vendors. In regards to this new business of the Group, the Company has employed suitable management personnel with relevant experience to oversee this sub-leasing operation.

### *GOME Commercial Capital*

The Group intends to house approximately 300 manufacturers of all categories of electrical appliances and consumer electronic products in the eight-storey shopping complex. By combining three different categories such as home appliances, home furnishings, and home decoration, the Group will broaden the technology experience with products being displayed and sold through an interconnection of different scenes from offline stores to online platform, the offline display and shopping stores will allow the customers to select and test the products in person while they can still order the products online and enjoy the delivery services direct to home. This would give consumers an 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 Management of the Group is of the view that the property is well-suited for the Company to introduce and implement the new retailing concept.

As discussed with the Management of the Company, GOME Commercial Capital are mainly divided into two major parts, namely Area A and Area B. The different format themes among different storey will achieve the combination with online retail business and offline shopping experience. The Area A of the property is primarily focus on the sharing consumption modes including among others, food and beverage, fashion retailing and workshop venue. Whereas the Area B is mainly facilitating the venue including but not limited to showroom, banquet, event and exhibition experience for retail business, future technological electrical appliance and household furniture and decoration. In addition, GOME Commercial Capital also comprises office building and accommodation for the Company and intellectual shared office for its suppliers, which at the same time offers flexible rental to the market.

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We have obtained and reviewed the respective business plan of the properties provided by the Company in relation to the transaction contemplated under the Agreement, set out below are the detailed function designated for the different storeys for Area A and Area B respectively in GOME Commercial Capital:

<b>Storey (Area A)</b>	<b>Format theme</b>
Floor 7	Sharing restaurants (cinema, food and beverage, leisure and entertainment facilities)
Floor 6	Sharing restaurants (food and beverage, leisure and entertainment facilities)
Floor 5	Sharing party room and restaurants (housing experience center, food and beverage)
Floor 4	Sharing space and restaurants (leisure and entertainment facilities, food and beverage)
Floor 3	Sharing classroom (for children and adults) and restaurants
Floor 2	Sharing clothes, leather bags retail stores and restaurants (affordable luxury and fast fashion brands)
Floor 1	Sharing cloths, retail stores and restaurants (affordable luxury and fast fashion brands)
Ground floor	Sharing restaurants (hypermarket, indoor entertainment center and supporting service)

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<b>Storey (Area B)</b>	<b>Format theme</b>
Floor 7	Wedding space, restaurants, sharing space, retail stores and supporting service
Floor 6	Showroom for the furniture and household decoration
Floor 5	Showroom and sharing restaurants
Floor 4	Showroom and sharing restaurants
Floor 3	Showroom for future high-tech household appliance and restaurants
Floor 2	Showroom for future high-tech household appliance and restaurants
Floor 1	Showroom, retail stores and restaurants
Ground floor	Boutique supermarket, retail stores and restaurants

In particular, that the property is located at the Zhongguancun Fengtai Science Park Industrial Base, being the centre of high and innovative technology research and development in Beijing, will project an innovative and high technology image associated with the products sold by the Company. According to publicly available information as extracted from the website of Fengtai District People's Government of Beijing Municipality\* (北京市豐台區人民政府), the Fengtai (a district of the municipality of Beijing, lies mostly to the southwest of the city centre, expending into the city's southwestern suburbs beyond the sixth ring road) development area is composed of three parts including Industrial Base, Scientific and Technological Street, and Scientific and Technological Incubation Network. The Industrial Base covers an area of 17.63 sq.km., the combination of sound infrastructural facilities and good service system makes this development area a hot spot for investment. As such, we concur with the Management of the Company that the property is suitable for the Company to introduce and implement the new retailing concept.

### ***No. 9 Xiangjiang***

No. 9 Xiangjiang is located within the Changsha Second Ring Road, near the Changsha Metro Line 4 and the Changsha Municipal Government Building. The Group plans to develop No. 9 Xiangjiang into an entertainment centre with comprehensive display and experience centre and a brand image promotion location with cutting-edge technology, to achieve a leading model of online and offline connection, empowerment and quality improvement, and a one-stop shop to meet different needs and expectations of the consumer. It aims to provide more functions, taking into account the optimised combination of diverse consumer groups and

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different consumption demands, to reconstruct the new form for entertainment that caters to the urban temperament, and become a destination that embraces the new concept of contemporary family experiential consumption and the new way of family entertainment. We understand from the Management that, the No. 9 Xiangjiang will cover five different functional zones including Pan-GOME Offline Experience Centre, Sharing Life Space, Scenario Life Experience Centre, Family Reunification Space and Business and Leisure Extension Place. Set out below are the detailed function for the different storey in No. 9 Xiangjiang as disclosed in the business plan of the property provided by the Company:

<b>Storey</b>	<b>Format theme</b>
Floor 4	Experience center for household furniture and renovation
Floor 3	Household furniture and decoration center
Floor 2	Boutique electronic appliance retail center
Floor 1	Electronic appliance design workshop
Ground floor	Bar street, boutique supermarket and pet/housekeeping service

As discussed with the Management of the Company, we understand that the rise of online-to-offline commerce has not eliminated the advantages that e-commerce companies enjoy. Companies with brick-and-mortar stores will still have customers that visit physical stores in order to see how an item fits or looks, or to compare pricing, only to ultimately make the purchase online, which is also known as “showrooming”. Therefore the goal is to attract a certain type of customer who is open to walking or driving to a local store rather than waiting for a package to arrive in the mail.

### ***Pengrun Building***

Pengrun Building will be used as the Group’s headquarters and the relevant space will be for the Group’s own use. The Company’s headquarters operations have been located at Pengrun Building since 2004. The previous lease arrangements at Pengrun Building were of shorter term of between one and six years, with the rent being reviewed upon expiry of the terms. Given that (i) Pengrun Building is located in the Chaoyang District, the central business district of Beijing, (ii) the Group has committed substantial investments in establishing its information technology infrastructure to serve the on-line business of the Group, and (iii) the scarcity of Grade A premises of such size to house all of the Group’s headquarters operations, the Management of the Group is of the view that it is in the interests of the Company and the Shareholders for the Group to continue to run its headquarters operation at Pengrun Building and lock in the rent to free the Group from the uncertainty of market fluctuation in rent.

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We are of the view that, the Pengrun Building has been the headquarters for the Company for almost two decades, it makes commercial sense to continue to maintain its headquarters operation in the same location, in order to maintain a smooth operation and to minimise any operational risks. We also understand from the Management that, Pengrun Building will be the Group's technology-based intelligent headquarter with a coverage across the country for the next two decades. Meanwhile, according to a research report titled "Beijing Grade-A Office Market Report Q4 2020" published by Knight Frank (a leading independent real estate consultancy firm with over 500 offices globally) expressed that driven by the internet and hi-tech sectors, Beijing Grade-A office leasing market was active in the fourth quarter of 2020. Although the impact of the COVID-19 pandemic has not completely dissipated, with the recovery of China's economy and the increasing market activity, the average Beijing Grade-A office rent is expected to remain stable. As a result, we concur with the Management's view to lock-in the rent would free the Group from the uncertainties of market fluctuation in rent.

As disclosed in the Letter from the Board, the reason for the long-term lease period under the Agreement that long-term leases allow the Group to (i) commit in initial expenditure for the Properties, such as information technology and hardware upgrades, (ii) reduce operational risks caused by short-term leases which the Group might not be able to renew, and (iii) lock in the amount of the rent and minimise the uncertainty of rent fluctuations for a long period of time thereby allowing the Group to implement its long-term strategy. The Properties are crucial to the steady implementation of the Group's long-term strategy. The lease period was determined by the parties after arm's length negotiations and in consideration of the aforementioned business plans of the Group. The settlement arrangement of the rent payable by the issue of the Consideration Shares was determined by the parties after arm's length negotiations and in consideration of the financial situation of the Group.

As disclosed in the Letter from the Board, the Agreement does not provide for adjustment of rent as a result of the fluctuation (whether an increase or a decrease) in the market rental value of the Properties. The Company does not expect any material decrease in the rental value during the term of the Agreement. This view is supported by (1) a research report published by CBRE in April 2021, office rents in tier 1 cities in China has steadily increased by approximately 70% since 2003, while the rent for shopping malls nationwide has rapidly increased by approximately 125% since 2003; and (2) the steady increase of price level in China in the past 10 years as shown by the the Consumer Price Indices published by National Bureau of Statistics of China. We have obtained and reviewed the CBRE Report published by the CBRE Group, Inc. (a leading real estate services and investment firm listed on the New York Stock Exchange) and further noted that CBRE has indicated that strong economic growth and improving business confidence will underpin a further improvement in leasing activity in 2021. Following the solid performance witnessed in the first quarter of 2021, CBRE has significantly upgraded its full year office leasing forecast, and is expecting an increase of 10% to 15% of leasing activity in 2021. The varied pace of industry development, along with other trends such as sector agglomeration in certain cities and submarkets, will shape future office market performance. CBRE's T25 China Tech District Rental Index also indicates that average

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rents in China's 25 tech districts recorded an increase of 0.9% quarter on quarter in the first quarter of 2021. We are of the view that it is in line with our findings as disclosed under the section headed "4. Market outlook" in relation to the positive anticipation towards the overall rental prices.

For the protection of the Group's interest, in the event that the Company is not able to enjoy usage of the Properties except due to destruction or partial destruction of the Properties as a result of force majeure, GOME Management shall refund to the Company the pro-rated amount of rent.

As disclosed in the 2020 Annual Report, as of 31 December 2020, the cash and cash equivalents of the Group were approximately RMB9,597 million; during the year ended 31 December 2020, the Group's net cash flows generated from operating activities was approximately RMB1,851 million, as compared with cash flows of RMB2,401 million generated for the corresponding period last year. As at 31 December 2020, the Group's debt to total equity ratio, which was expressed as a percentage of total interest-bearing bank and other borrowings amounted to approximately RMB32,928 million over total equity amounted to approximately RMB1,268 million, increased from 329.03% as at 31 December 2019 to 2,596.85%. The issue of the Consideration Shares to settle the rent is to reduce the immediate and future cash flow outlay of the Group so as to prevent further reduction on the Group's net cash flows generated from operating activities and the potential spike in the Group's debt-to-total equity ratio if the rent payable is settled through other financing methods, such as bank borrowings.

Based on our discussions with the Management, we understand that the Company has considered alternative settlement method including internal cash resources and also external bank borrowings. After careful consideration, the Company did not choose the said alternatives based on the careful considerations of: (i) the cash resources available to the Group for potential acquisition activities and the need for steady cash flow for the continuous and sustainable development of the business of the Group; and (ii) the additional financing cost involved for obtaining external financing and the potential impact on the Group's ability to satisfy the financial conditions such as gearing ratio (i.e. 90% as at 31 December 2020 as compared to 78% as at 31 December 2019, which is net debt divided by the total capital plus net debt) <sup>(Note)</sup> and the debt ratio (i.e. 46.71% as at 31 December 2020 as compared with 37.36% as at 31 December 2019, which was expressed as a percentage of total interest-bearing bank and other borrowings over total assets amounted to approximately RMB70,494 million) under its existing facilities if the consideration of the aggregate rent payable by the Company under the entire term of the Agreement of approximately RMB17,865,157,700 (equivalent to HK\$21,284,515,041) were to be satisfied by cash. However, considering that debt financing will further increase the debt-to-total equity ratio, the Company is of the view that the settlement arrangement of the rent payable by the issue of the Consideration Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

*Note: According to the 2020 Annual Report, net debt includes interest-bearing bank and other borrowings, lease liabilities, amounts due to related companies, trade and bills payables and other payables and accruals, less cash and cash equivalents and restricted cash. Capital includes the equity attributable to owners of the parent.*



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As disclosed in the Letter from the Board, the Agreement is structured to allow the Group to minimise cash flow outlay during the coming years of continual investment for strategic transformation and growth. The stability provided by the longer lease tenure will enable and incentivise the Group to invest and optimise the operation within the subject properties for the longer term. The disposal of Hudson Assets is a step to rationalise the Group's asset portfolio and focus resources to the China market.

Taking into account the importance of and benefits of renting the Properties for the Group's offline business model, the rationale for the settlement method and the basis of determination of the Issue Price as explained above, from the perspective of the long-term development of the Company, the Company is of the view and we concur that the transactions contemplated under the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Notwithstanding that the Group will use most of the spaces in GOME Commercial Capital and No. 9 Xiangjiang, the Group intends to sub-lease certain facilities like cafes, cinemas and other catering facilities to experienced operators to provide consumers with the full leisure experience combining shopping and entertainment under one roof. In addition, the Group also expects to lease out certain areas of GOME Commercial Capital and No. 9 Xiangjiang for producers of electrical appliances and consumer electronic products to host their product launch and other promotional activities from time to time. As at the Latest Practicable Date, the Group has not identified the vendors for these facilities and has not entered into any sub-lease agreements with respect to these facilities. Upon identifying suitable vendors of these facilities, the Group intends to enter into agreements with them.

### *(A) Lease period of the Properties*

As disclosed in the Letter from the Board, the lease period was determined by the parties after arm's length negotiations and in consideration of the aforementioned business plans of the Group. The reason for the long-term lease period is that long-term leases allow the Group to (i) invest in initial expenditures for the Properties, such as information technology and hardware upgrades, (ii) reduce operational risks caused by short term leases which the Group might not be able to renew and (iii) lock in the amount of the rent and minimise the uncertainty of rent fluctuations for a long period of time and allow the Group to implement its long-term strategy.

Regarding commercial or office lease period, based on our own research, it is a normal practise in Beijing and Changsha to have a lease period of 5 years or less, together with a right of first refusal exercisable by the lessee to extend the lease for a similar duration of lease period upon the expiry of the original lease period. Such lease period arrangement will not adequately facilitate the long-term development strategy of the Company and also expose the Company to uncertainties of market fluctuation in rent or risks from market competition.



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In term of the respective lease period of the Properties, we have conducted our own research through public available information in the PRC, and we have identified a commercial operation, namely Changsha Wangfujing Family PARK, which has a fixed lease term of 20 years as an en-bloc commercial property in Changsha. Although we are not able to identify any lease which is currently available regarding an en-bloc commercial property in Beijing having a fixed lease term of nearly 20 years nor any lease regarding office property in Beijing having a fixed lease term of nearly 18 years, we note that: (i) the Group has maintained certain retail operations at the same leased premises for nearly 20 years in Beijing (e.g., Beijing Beitaipingzhuang Shop since 1998); (ii) the Group has maintained certain retail operations at the same leased premises for nearly 20 years in Changsha (e.g., Changsha Nanmenkou Shop since 2004); and (iii) the Group has leased and used the Pengrun Building as its office headquarter for nearly 18 years since 2004 in Beijing. As such, we consider that it is in line with Group's historical commercial practice to lease certain retail premises in Beijing and Changsha for a long-term period and to lease certain office property in Beijing for a long-term period. Furthermore, we have searched through publicly available information regarding the leasing period for commercial operations in Beijing and Changsha, and we have found several other commercial operations which remained at the same retail premise for a long-term lease period. Set forth below is a table to list out our finding regarding the relevant commercial operations and their respective lease period in Beijing and Changsha respectively:

	Name	Location	Operating lease period <sup>(Note)</sup> (years)
<b>Beijing</b>	Beijing Dong An Market	Chongwenmenwai Street, Dongcheng District	23
	Beijing New World Department Store	Chongwenmenwai Street, Dongcheng District	23
	Beijing New World Trendy Department Store	Jianguo Road, Chaoyang District	14
	Beijing New World Liying Department Store	Guangshun South Road, Wangjing, Chaoyang District	13
	Beijing New World Qianzi Department Store	Xinshunnan Road, Shunyi District	11
<b>Changsha</b>	Changsha Wangfujing Department Store	Huangxing Zhong Road	17
	Changsha New World Trendy Plaza	Wuyi Xi Road	15

*Note:* Operating lease period represents the duration of the time that the commercial operations remained at the same premise under lease.

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Although our research through public available information could not identify any commercial operation with a fixed lease term of nearly 20 years in Beijing, we note that we have found commercial operations as stated on the table above have been leasing the same retail premises for a long period in the range of 11 to 23 years, showing that the long-term operation lease period around 20 years for commercial operations in Beijing and Changsha has market precedents. As such, we consider it is normal market practice for a commercial operation in Beijing and Changsha to have a operation lease period around 20 years.

In addition, we note that, as stated in the Letter from the Board, the reason for the long-term lease period is that long-term leases allow the Group to (i) invest in initial expenditures for the Properties, such as information technology and hardware upgrades, and (ii) reduce operational risks caused by short-term leases which the Group might not be able to renew. We have discussed with the Management and understand that the Group has planned with a budget ranging from approximately RMB1 billion to RMB2 billion to invest in the technology installation or upgrades for the Properties and we consider this is a significant investment. Furthermore, as set out in the section headed “4. Market outlook” below, we are of the view that (i) we consider the demand for retail and office properties in Beijing will remain robust; and (ii) the demand of commercial properties in Changsha will continue to increase for the future.

As disclosed in the Letter from the Board, with respect to the initial expenditure for the Properties, the Group has planned with a budget of between approximately RMB1 billion and RMB2 billion to invest in the Properties. Based on the current plans of the Company, the expenditure is expected to include, for GOME Commercial Capital and No. 9 Xiangjiang, the cost of design, structure transformation and demolition, decoration, installation of mechanical and electrical equipment, etc. It is expected that approximately RMB1.6 billion and approximately RMB0.3 billion will be invested for GOME Commercial Capital and No. 9 Xiangjiang respectively and will be funded by internal resources of the Group and/or debt financing from third parties.

In light of the above, we consider that it is fair and reasonable for the Company to enter into the Agreement.

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### *(B) Leasing in comparison to acquiring the properties*

#### *Group's asset-light operation model*

We noted from FY2020, FY2019, FY2018, FY2017, FY2016 and FY2015 as disclosed in their respectively annual report, the Group has been adopting the asset-light operation model by renting more stores rather than acquiring stores to avoid owning more capital assets. Set forth below is a table to list out the number of rented and self-owned stores of the Company from FY2015 to FY2020.

	FY2020		FY2019		FY2018		FY2017		FY2016		FY2015	
	Number of store	Approximate% of store	Number of store	Approximate% of store	Number of store	Approximate% of store	Number of store	Approximate% of store	Number of store	Approximate% of store	Number of store	Approximate% of store
Rented stores	3,380	98.80%	2,558	98.31%	2,077	97.88%	1,565	97.57%	1,589	97.60%	1,192	97.47%
Self-owned stores	41	1.20%	44	1.69%	45	2.12%	39	2.43%	39	2.40%	31	2.53%
<b>Total</b>	<b>3,421</b>	<b>100%</b>	<b>2,602</b>	<b>100%</b>	<b>2,122</b>	<b>100%</b>	<b>1,604</b>	<b>100%</b>	<b>1,628</b>	<b>100%</b>	<b>1,223</b>	<b>100%</b>

The total number of stores increased by approximately 179.72% from 1,223 in FY2015 to 3,421 in FY2020. The number of rented stores increased by approximately 183.56% from 1,192 in FY2015 to 3,380 in FY2020, which accounted for approximately 98.80% of the total stores. The number of self-owned stores increased by approximately 32.26% from 31 in FY2015 to 41 in FY2020, which accounted for approximately 1.20% of the total stores.

We observed that the majority of stores was rented and there was a decrease in the percentage of self-owned stores accounting for the total stores. In this regard, the lease of the Properties would enable the Group to adopt the asset-light operation model consistently. We consider the lease of the Properties that is in line with Group's asset-light operation model is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### *Lack of alternatives*

As discussed with the Management, we understand that the availability of similar lease properties in respect of GOME Commercial Capital and No. 9 Xiangjiang in nearby locations is scarce. It is difficult to identify any commercial development with nearly the size of GOME Commercial Capital and No. 9 Xiangjiang, which at the same time is rentable as a whole complex in order to implement its new retailing concept and to build an entertainment and experience centre. We have then conducted our own research for our due diligence purpose and noted that:

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Under the criteria of (a) locating within 2 kilometres in radius of GOME Commercial Capital or No. 9 Xiangjiang; (b) able to serve the function of retailing and entertainment centre which is consistent with the Group proposal for GOME Commercial Capital or No. 9 Xiangjian; and (c) having rentable area of at least 100,000 sq.m..

- (i) there are two shopping complexes located nearby GOME Commercial Capital at the Zhongguancun Fengtai Science Park Industrial Base at the Zhongguancun area, namely AEON\* (永旺夢樂城) and Fengke Wanda Mall\* (豐科萬達廣場), with total construction area of approximately 150,000 sq.m. and 245,300 sq.m. respectively, both of which offer substantially lesser space than GOME Commercial Capital; and
- (ii) we have identified two lease properties with comparable construction area, namely Changsha Wangfujing Department Store and Changsha Wangfujing Family PARK. However, given that they are not located within 2km in radius of No. 9 Xiangjiang and did not provide a comparable rentable area to No. 9 Xiangjiang during the Review Period (as defined below), we conclude that we are unable to identify any lease property with the similar size of No. 9 Xiangjiang.

In respect to Pengrun Building, we understand from the Management that it is the intention of the Company to maintain its use as the headquarter going forward, therefore the Company has not considered any similar lease properties for its headquarter premise.

### ***Higher acquisition cost of the Properties***

Although the Rental Valuation is not conducted to value the acquisition value of the Properties, based on our understandings that if the valuation is conducted for an acquisition value, the potential acquisition value of the Properties is significantly higher than the implied lease value of the Properties according to our own research in relation to the property market in Beijing and Changsha, the research result and our analysis set out in the paragraph headed “Potential cost for acquiring the Properties” under the section of “6. Assessment of the Property Valuation Report” below. Therefore, we consider leasing the Properties is fair and reasonable and in the interests of the Company and Shareholders as a whole.

### ***Same economic rights and benefits***

We were advised by the Management that in particular: (i) during the negotiation between the Group and the Controlling Shareholder, when the Group discussed with the Controlling Shareholder regarding the possibility and feasibility of acquiring the Properties, the Controlling Shareholder indicates clearly that he would not sell the Properties; (ii) as abovementioned under the paragraph headed “Property scale”, the Company was unable to identify any other alternative properties and we, based on our own research conducted in relation to the existence of any alternative properties, are also unable to identify any lease properties which are available for sale with a comparable size as GOME Commercial Capital and No. 9 Xiangjiang located in the Fengtai District and the Yuelu District respectively; (iii) under the lease of Properties, the Controlling Shareholder will need to remedy the defects as

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set out under the section headed “2. Information of the Properties”; and (iv) as right-of-use-asset will only be tested for impairment when impairment indicators exist and will also depend on whether the right-of-use-asset generates largely independent cash inflows from other assets or groups of assets.

Therefore the Board considers that under the Agreement, the lease of the Properties will provide the Company with the same economic rights and benefits as acquiring the Properties, including but not limited to: (a) to use the premises of the Properties and also to sublease the Properties for a longer period of time without bearing any additional due diligence costs nor any unknown legal risks after completion of the acquisition transaction; (b) the lease would also enable the Group to adopt the asset-light operation model consistently; and (c) the lease of the Properties would also create less impact on the Company’s cash flow as rent lock-ins can free the Group from uncertainties of market fluctuation in rent.

The creation of the large-scale full category experiential exhibition hall for products involves significant investment and commitment of resources by the Group. It is therefore essential that the properties where the innovative retailing concept of the Group are located are of long-term to enable the Group to have a stable operating environment and avoid the pitfall of having to relocate every several years. As rents for prime locations are continuously rising despite the recent minor fluctuation during the COVID-19 pandemic, the long-term arrangement as contemplated under the Agreement would allow the Group to lock in the amount of the lease for a long period of time and allow the Group to implement its long-term development strategy. The upfront payment minimizes the uncertainty of rent fluctuations and reduces the pressure on future rental costs. As stated in the Letter from the Board, for a lease with a term as long as 20 years, it is not uncommon for the lessor to ask for a mechanism to adjust the rent after the expiry of a certain period. The upfront payment of the rent under the Agreement is a commercial arrangement between the Company and GOME Management in that the Company will benefit from the certainty by locking in the fixed rent for 20 years and GOME Management will be paid upfront for not having the right to adjust the rent. It is expected that the rental level of properties such as quality commercial and office buildings will continue to rise in the locations of the Properties. We have also conducted our own research in this regard, details of which are discussed in the section headed “4. Market outlook” below. The non-cash settlement of the consideration allows the Company to lease the Properties without utilising working capital, thereby reducing the financial burden of the Group over the term of the lease. In fact, by applying the same rationale as committing Pengrun Building as the Company’s headquarter in a long term perspective, we concur with the view of the Management that: (i) given the strong brand image of “GOME”, the long-term leasing will enhance the properties’ attractiveness to be a crowd-puller to families, which will in turn support the development of the properties; and (ii) the long-term leasing is aligned with the long-term development strategy with the purpose to continue to comprehensively promote the second phase of the “Home • Living” strategy.

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### *Assumption of risks*

In addition to the expected significantly higher acquisition value than rental value of the Properties, the Company also considered that the Early Termination Right distinguishes the leasing of the Properties from acquiring the Properties. The Early Termination Right provides the Group with the flexibility to quickly respond to the market outlook and exit the Properties in times of market rental downturn (in the case of Pengrun Building) and in times when the Group faces a decline in sales (in the case of GOME Commercial Capital and No. 9 Xiangjiang). Had the Properties been acquired, the Group will incur additional time and costs in disposing part or all of the Properties with the uncertainty of immediately finding a purchaser to acquire properties of the scale of the Properties.

Regarding the defects of the Properties as disclosed in the Rental Valuation Report, we have considered that, the Company as the lessee of the Properties under the Agreement, has the protection from the Refund Mechanism under the Agreement in the event that the Company is not able to enjoy usage of the Properties due to the defects, because the assumption of the risks in respect of the defects does not pass through the leases. On the other hand, if the Company acquires the Properties outright, the assumption of the risks in respect of the defects will pass to the Company as the purchaser, and in the event that the risks materialise, the Company will not have any protection and will need either to indemnify any of lessees of the Properties or not be able to dispose the Properties due to such defects.

On a separate note, reference is made to the announcement dated 20 December 2016 in relation to the lease of Pengrun Building, we noted that the annual cap under the lease agreement with respect to the continuous use by the Group of certain properties at the Pengrun Building for a term of 6 years (“**2017 Pengrun Lease Agreement**”) is ranging from RMB153.0 million to RMB186.1 million for each of the years. Pursuant to the terms of the 2017 Pengrun Lease Agreement, the Group will lease certain office units at the Pengrun Building with an aggregate gross floor area of approximately 42,500 sq.m. for use by the Group as its headquarter in Beijing. Set forth below is a comparison table between the lease amount under the 2017 Pengrun Lease Agreement and the Rental Valuation Reports.

	<b>2017 Pengrun</b>		<b>Agreement</b>	
	<b>Lease Agreement</b>		<b>Beijing</b>	<b>Beijing</b>
	<b>2017</b>	<b>2022</b>	<b>North Asia</b>	<b>Zhongqin</b>
Lease amount (RMB)	153,000,000	186,148,000	3,189,724,200	3,333,624,500
Implied monthly rent (RMB)	12,750,000	15,512,333	14,767,242	15,433,447
Lease area (sq.m.)	42,500	42,500	70,464	70,464
Implied rental price per sq.m. (RMB)	300	365	210	219

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Taking into account the lease amount under the 2017 Pengrun Lease Agreement as set out above, the implied rental price per sq.m. of approximately RMB210.0 per sq.m. and RMB219.0 per sq.m. as appraised by Beijing North Asia and Beijing Zhongqin respectively, which in turn are both representing a lower amount than the implied rental price of approximately RMB300.0 per sq.m. and RMB365.0 per sq.m. for the year of 2017 and 2022 respectively, as stipulated under the 2017 Pengrun Lease Agreement.

### *(C) Upfront payment and settlement arrangement*

It is our understanding that where transactions involving a tenancy agreement with a lease term ranging from 15 to 20 years are often structured as a continuing connected transactions. It is further noted that the payment terms generally include: (i) rent is payable in every one to three months; (ii) a certain increment in rent ranging from approximately three to five percent for every two to three years; and (iii) the tenant is subject to a guarantee deposit with no other upfront payment required. Furthermore, it is our understanding that in the case of a long term lease, landlord would not normally accept the rent to be settled entirely in shares or would only accept the consideration to be settled partially in shares with cash element included. On this standalone basis, the upfront settlement with Consideration Shares under the Agreement might not be in line with normal market practice. However in light of the fact that: (a) the Issue Price of the Consideration Shares is representing a premium to the prevailing market price of the Shares and is significantly above the range of the Comparable Issues as disclosed in the below section headed “8. Analysis on the Consideration Shares”; (b) the issuance of Consideration Shares would reduce the future cash flow outlay of the Group; and (c) locking in the rental amount as opposed to incurring an annual rental increment under the market practice. We consider that the terms of the Agreement, in particular to settle the rent by the issuance of Consideration Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We note that it is the market practice to settle the lease payment of properties on a monthly basis if the payment method is in cash. However, one of the main reasons for paying upfront through the issue of the Consideration Shares is to facilitate the non-cash settlement of the consideration, which allows the Company to lease the Properties without utilising working capital, hence reducing the financial burden of the Group over the term of the lease.

As disclosed in the 2020 Annual Report, as of 31 December 2020, although the cash and cash equivalents of the Group were approximately RMB9,597 million, the Group’s total interest-bearing bank and other borrowings amounted to approximately RMB32,928 million.

In addition, as disclosed in the section headed “3. Reasons for and benefits of entering into the Agreement”, the Company has considered alternative settlement methods including internal cash resources and also external bank borrowings, but the Company did not choose these alternative settlement methods because (i) the cash resources available to the Group should be used for potential acquisition activities and the need for steady cash flow for the continuous and sustainable development of both on-line and off-line business of the Group; and (ii) that debt financing will further escalate the soaring debt to total equity ratio of the Group.



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In light of the above, we consider that the upfront payment arrangement through the issue of the Consideration Shares under the Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### 4. Market outlook

Beijing is the capital of China and one of the world's leading centres for culture, politics and economics. As one of the most developed and prosperous cities in China, Beijing is expected to be among the world top 10 largest cities in 2035 together with Shanghai, Guangzhou and Shenzhen according to the study by Oxford Economics (a leading global forecasting and quantitative analysis service provider with the worldwide client base comprises more than 2,000 international corporations, financial institutions, government organisations, and universities) published on 31 October 2019 and the nominal gross domestic product ("GDP") per capita is estimated to reach US\$45,000 in 2030.

Set out below are some of the statistics of Beijing over the past five years:

**Table 3: Beijing statistics over the past five years**

	2020	2019	2018	2017	2016
Population size (million) <sup>Note 1</sup>	21.89	21.53	21.54	21.71	21.73
Population density (population per km <sup>2</sup> )	1,334	1,312	1,313	1,323	1,324
GDP (RMB billion)	3,610	3,537	3,032	2,800	2,490
GDP growth (%)	1.2%	6.1%	6.6%	6.7%	6.7%
CPI growth (%) <sup>Note 2</sup>	1.7%	2.3%	2.5%	1.9%	1.4%

Notes:

1. Beijing population refers to the number of permanent residents in Beijing
2. CPI growth refers to the year on year change in consumer price index of Beijing

Source: Beijing Municipal Bureau of Statistics and National Bureau of Statistics

According to the information disclosed by Beijing Municipal Bureau of Statistics and National Bureau of Statistics, the GDP growth rate of Beijing ranges between approximately 1.2% to 6.7% year on year from 2016 to 2020. Beijing's GDP reached approximately RMB3,610 billion in 2020, representing a year-on-year increase of approximately 1.2%. Meanwhile, the CPI growth rate of Beijing ranged from approximately 1.4% to 2.5%. Although under the negative effect of the outbreak of COVID-19 pandemic in 2020, both the GDP growth rate and the CPI growth rate had recorded the reduction from approximately 6.1% (2019) to 1.2% (2020) and from approximately 2.3% (2019) to 1.7% (2020) respectively, Beijing still kept the positive growth rate for both of the GDP and CPI, even taken into consideration of the COVID-19 pandemic effect, which makes Beijing witness the economic growth slowdown in 2020 that is expected to recover positively considering the historical positive growth rate in Beijing for the previous years.



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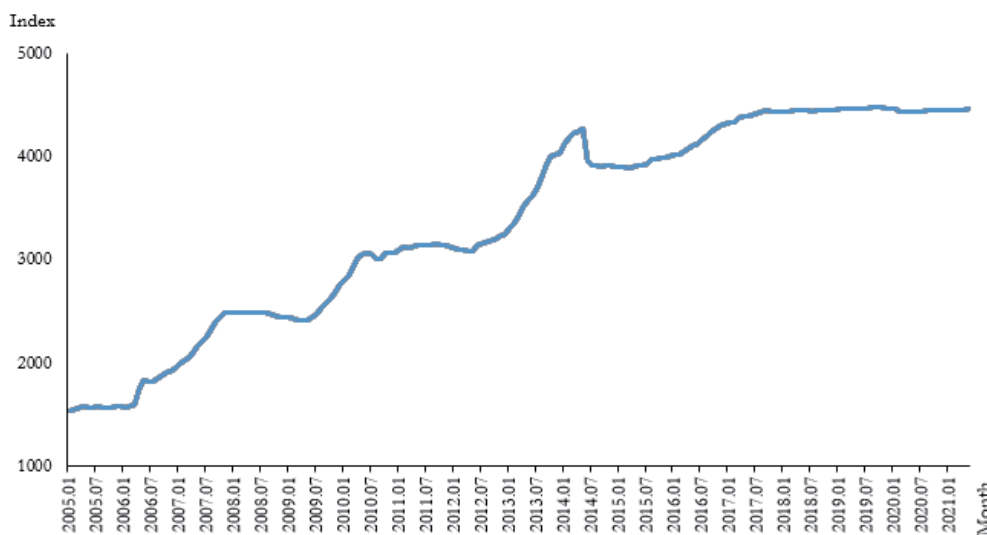
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we note that the population size and population density of Beijing remained stable since 2016 and is one of the largest cities in the world by urban population. With such growing economy and a large urban population, we consider the demand for commercial properties in Beijing will remain robust.

According to the public information disclosed by China Real Estate Index System (中房指數系統\*) below, which is an analysis methodology system that reflects the property market function and price trend of the major cities in China launched by Development Research Centre of the State Council (國務院發展研究中心\*), the Cities Composite Index (城市綜合指數\*) includes the properties valuation for the average rental price of residential buildings, offices and commercial properties in Beijing, indicates that despite: (i) the slight fluctuation in property price during the economic downturn due to the global financial crisis in 2008; (ii) the new leadership of Chinese government were appointed in 2012; and (iii) the extensive price reduction in property market due to the government policy of purchase restriction issued in 2013, the property price in Beijing is still maintaining a positive growth trend and become stable in the recent years. The following diagram sets out the Cities Composite Index in Beijing from 2005 to 2020:

**Chart 1: the Cities Composite Index in Beijing from 2005 to 2020**



Source: the China Real Estate Index System

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### *Overview of Changsha*

Changsha is the capital and most populous city of Hunan Province in the south-central part of China. Located in the eastern part of Hunan province, Changsha is the provincial centre for its government, economy, culture, higher education and transportation. Set out below are some of the statistics of Changsha over the past five years:

**Table 4: Changsha statistics over the past five years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Population size ( <i>million</i> ) <sup>Note 1</sup>	10.05	8.39	8.15	7.92	7.65
Population density ( <i>population per km<sup>2</sup></i> )	850	710	690	670	647
GDP( <i>RMB billion</i> )	1,214	1,157	1,100	1,054	932
GDP growth (%)	4.0%	8.1%	8.5%	9.0%	9.4%
CPI growth (%) <sup>Note 2</sup>	1.8%	2.9%	2.0%	1.3%	1.9%

*Notes:*

1. Changsha population refers to the number of permanent residents in Changsha
2. CPI growth refers to the year on year change in consumer price index of Changsha

*Source: Changsha Municipal Bureau of Statistics and National Bureau of Statistics*

As shown in Table 4 above, from 2016 to 2020, Changsha's GDP growth and CPI growth ranged from approximately 4.0% to 9.4% and approximately 1.3% to 2.9% respectively. Despite the slowdown in the GDP growth in Changsha after 2019 with the negative impact of the COVID-19 pandemic, the above data still indicated a continuing positive GDP growth. Since Changsha's CPI growth maintained a general upward trend for 2016 to 2019, as such, it also implies that office rental cost might continue to experience upward adjustments in accordance to the change in CPI.

Besides that, the population and population density of Changsha also maintained the steady growth trend from 2016 to 2020, with the expansion in workforce, we are of the view that the demand of commercial properties in Changsha will continue to increase for the future.

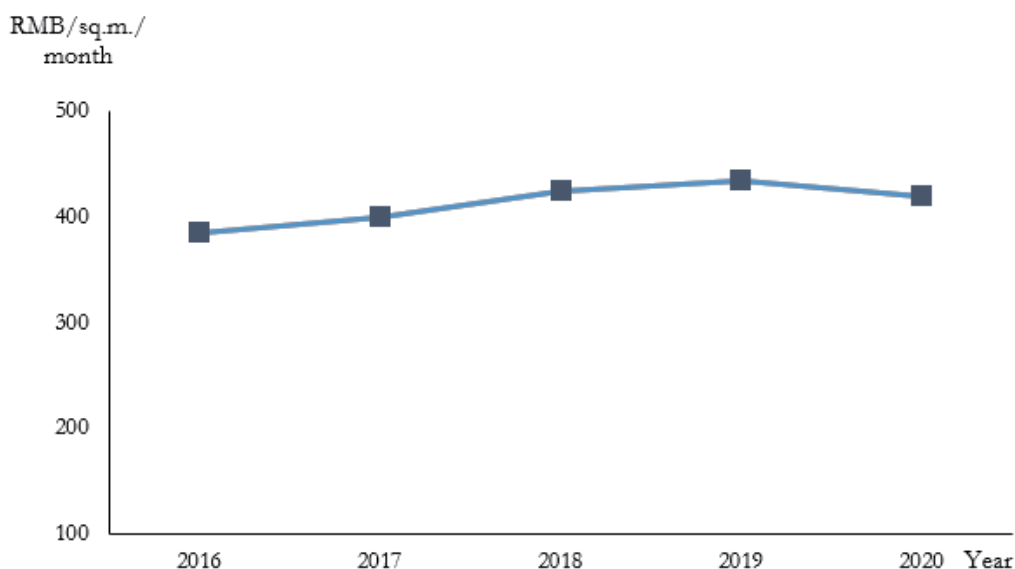
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According to a research report titled “Changsha Market Review Q4 2020” published by Cushman & Wakefield, which is a leading global real estate services firm with over 43,000 employees in more than 60 countries, the average rental price of the commercial properties in Changsha maintained the continuously increasing trend generally, despite the average rental price slightly declined in 2020 due to the COVID-19 pandemic impact which is expected to recover in the future with the high vaccination rate of approximately 36% in China until March 2021. The following diagram sets out the average rental price per sq.m. per month of the commercial properties in Changsha from 2016 to 2020:

**Chart 2: the average rental price in Changsha from 2016 to 2020<sup>Note</sup>**



*Note:*

The calculation of average rental price only included the first floor in major shopping centres located in the core business districts of Changsha.

*Source: Cushman & Wakefield*

In light of the above, we consider that the upward trend of the rental cost for commercial property should remain due to: (1) the continuing GDP growth which strengthens the leasing activity and upgrading demand from domestic firms might increase; (2) the general CPI growth trend over the past five years (except 2020 due to the negative impact of COVID-19 pandemic) imposing upward adjustment pressure on office rental; (3) expansion in workforce will increase demand of commercial properties; and (4) based on the immaterial impact arose from the historical macroeconomic events towards the overall rental prices. Therefore, we are of the view that a predetermined amount of rental fee under the entire term of the Leasing Agreement should be of the interest of the Company and the Shareholders as a whole.

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### 5. Principal terms of the Agreement

On 7 April 2021, the Company and GOME Management entered into the Agreement in relation to the leasing of the Properties by the Company. The principal terms of the Agreement are set out below.

#### *Subject matter*

GOME Management will lease the Properties to the Company. The term of lease of each of the Properties commences on 1 July 2021, retrospectively subject to fulfillment of the Conditions as set out in paragraph headed “Conditions” below, and ends on 31 December 2040, except for certain office space of Pengrun Building which is subject to existing leases, the lease will commence on 1 March 2023. The rentals as for the existing leases were received by GOME Property Co., Ltd., which is owned by the Controlling Shareholder. The consideration being paid by the Company does not include the existing leases which due to expire in 2023. The Company will enjoy a rent-free period from 1 July 2021 to 30 June 2022 for each of No. 9 Xiangjiang and GOME Commercial Capital.

As stated in the Letter from the Board in the Circular, the Group is currently leasing in aggregate 42,500 sq.m. of office premises in the Pengrun Building (the “**Existing Office Premises**”), and the Group’s office premises will expand to 70,464 sq.m. under the Agreement by adding 27,964 sq.m. of new office premises (the “**New Office Premises**”). We note that under the Agreement, the commencement of the leasing of the Existing Office Premises will start on 1 March 2023 after the expiry of the current lease. Based on our discussion with the Management, we understand that the Company plans to integrate the Existing Office Premises and the New Office Premises through a redesign of office layout, rearrangement of office decoration and expansion of IT infrastructure, which will involve substantial capital expenditure. As such, we consider it is crucial for the Company to secure the lease and the continuing use of the Existing Office Premises ahead of the expiry of the current lease. Consequently we consider that the settlement of the rent in relation to the Existing Office Premises at the same time as the New Office Premises is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### *Rent*

The aggregate rent payable by the Company under the entire term of the lease is approximately RMB17,865,157,700 (equivalent to HK\$21,284,515,041), comprising RMB12,341,041,100 for GOME Commercial Capital, RMB2,298,271,300 for No. 9 Xiangjiang and RMB3,225,845,300 for Pengrun Building.

The aggregate rent will be settled by the Company as to RMB17,575,581,950 (the equivalent of HK\$20,939,515,041) by way of allotment and issue to GOME Management the Consideration Shares at the Issue Price, and as to RMB289,575,750 (the equivalent of HK\$345,000,000) by the transfer of the entire equity interest in Hudson Assets to GOME Management.

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For the avoidance of doubt, under the Agreement, the total consideration has includes the rent-free period from 1 July 2021 to 30 June 2022 for each of No. 9 Xiangjiang and GOME Commercial Capital. For the reasons set out in the section headed “(E) REASONS FOR THE AGREEMENT” in the Letter from the Board, the total rent is not subject to adjustments throughout the term of the Agreement. Nevertheless, the Company is entitled to the Early Termination Right as detailed in paragraph headed “Early Termination Right” below.

### *Basis for the determination of the rent*

The aggregate rent payable under the Agreement of approximately RMB17,865,157,700 was determined by the parties after arm’s length negotiations with reference to the prevailing market rent of the Properties as at 28 February 2021 as determined by two independent property valuers using the market approach. Notwithstanding that the prevailing rates of similar properties are publicly available and the assessment of the rental amount is not highly technical, in order to ensure that the amount payable under the Agreement is fair and reasonable, the Board has decided to engage two independent property valuers for the purpose of providing the Board with independent views on the prevailing market rents of the Properties. As at 31 May 2021, the rental of the Properties were valued at RMB17,926,396,300 as provided by Beijing North Asia Asset Assessment Firm and RMB18,272,613,300 as provided by Beijing Zhongqin Yongli Asset-Assessment Ltd., which are both higher than the aggregate rent payable under the Agreement.

The Company understands from the Independent Valuers that the market approach was chosen as the valuation methodology because there are rental precedents of the same type of property in the vicinity of each of the Properties, thereby meeting the condition for using the market approach. The selection criteria for the recent lease quotations are of the similar nature of use (namely, commercial use for No. 9 Xiangjiang; mixed use with a majority of the total construction area designated for commercial use for GOME Commercial Capital; and office use for Pengrun Building), location (within 5 kilometre radius of the respective Properties), timing (within two month of the Estimation Base Date) and structure (reinforced concrete). Approximately three to five market comparables were selected, which is in line with the industry guidelines (房地產估價理論與方法) published by China Society of Real Estate Appraisers and Real Estate Agents\* (中國房地產估價師與房地產經紀人學會) in the PRC. The three recent lease quotations selected by the valuers represent samples with the closest location within the shortest distance from the Properties and samples with the most recent quotation date compared to the Estimation Base Date. The details of the basis of the rent including the valuation methodology, key assumptions and comparable properties selected are set out in Appendix IIA of this circular.

We have discussed with the Independent Valuers on their selection criteria and noted that the selection criteria for the recent lease quotations are of the similar nature of use (namely, commercial use for No. 9 Xiangjiang; mixed use with a majority of the total construction area designated for commercial use for GOME Commercial Capital; and office use for Pengrun Building), location (within 5 kilometre radius of the respective Properties), timing (within two month of the estimation base date) and structure (reinforced concrete). As confirmed by the

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Independent Valuers that those three recent lease quotations adopted for each of the Properties were selected from the original sample size which are no less than 5 comparable quotations, and in comparison to the rest of the sample size, those three recent lease quotations represent samples with the closest location within the shortest distance from the Properties and samples with the most recent quotation date compared to the Estimation Base Date. As such, the Independent Valuers are of the view that those three lease quotations are representative under its selection criteria, and we consider the selection basis for the recent lease quotations adopted by the Independent Valuers is fair and reasonable.

### *Right-of-use assets*

Under IFRS 16, the Properties subject to the lease will be recognised as right-of-use assets with the aggregate consideration of approximately RMB17,865,157,700, and the transaction contemplated under the Agreement will be recognized as the acquisition of right-of-use assets.

### *The Consideration Shares*

As at the Latest Practicable Date, the Consideration Shares represented approximately 41.64% of the existing issued share capital of the Company and approximately 29.40% of the issued share capital of the Company as enlarged by the issue of the Consideration shares.

The Consideration Shares have a nominal value of HK\$248,098,519. Based on the closing price of the Shares of HK\$1.51 per Share on the Last Trading Day, the Consideration Shares have a market value of approximately HK\$14,985,150,573.

The Consideration Shares will be issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

The Consideration Shares will be issued within ten business days (as defined in the Agreement) (or such other date as may be agreed between the parties to the Agreement) upon satisfaction of the conditions referred to in the section headed “Conditions”.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### *The Issue Price*

The Consideration Shares will be issued at HK\$2.11 per Share, which represents:

- (i) a premium of approximately 39.74% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange as at the Last Trading Day;

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- (ii) a premium of approximately 45.52% to the average closing price of HK\$1.45 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 43.54% to the average closing price of HK\$1.47 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 2,914.29% to the audited consolidated NAV of the Company of approximately HK\$0.07 per Share as at 31 December 2020; and
- (v) a premium of approximately 145.35% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### *Basis of determination of the Issue Price*

As stated in the Letter from the Board, the Issue Price was determined by the parties after arm's length negotiations with reference to the following factors:

- (i) the Issue Price is set at a significant premium to the current market price of the Shares (i) to prevent value dilution to the Shareholders; (ii) which represents a trading price falling within the upper spectrum of the historical trading price of the Shares for the 12 month period prior to the date of the Agreement, noting the general upward trend of the trading price; and (iii) which was accepted and agreed by GOME Management due to the Controlling Shareholder's confidence in the prospect of the Company and also signifies his confidence in the trading price to be at least the level of the Issue Price; and
- (ii) the Issue Price is set at a significant premium to the NAV of the Company as at 31 December 2020 to prevent value dilution to the Shareholders.

Upon the completion of the Consideration Issue, although the shareholdings of public shareholders will be diluted from 48.97% to 34.58%, representing a dilution effect of 14.39%, which we consider acceptable in view of the Issue Price represents a significant premium of approximately 39.74% to the closing price of HK\$1.51 per Share as at the Last Trading Day and a significant premium of approximately 2,914.29% to the NAV of the Company as at 31 December 2020.

### *Disposal of a subsidiary*

For settling part of the rent under the Agreement, the Company will transfer the entire equity interest in Hudson Assets to GOME Management for the aggregate consideration of HK\$345,000,000.

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Hudson Assets is a limited liability company incorporated in the British Virgin Islands and wholly-owned by the Company. It is principally engaged in the business of investment holding. The sole asset of Hudson Assets is the US Property purchased in 2017 for US\$41,500,000. The US Property was used by the Group as a representative office. As the US Property is no longer used by the Group, it was decided that it could be applied to settle part of the rent under the Agreement. The Group will not lease back upon completion of the disposal. It is not expected that the disposal of Hudson Assets to GOME Management for part settlement of the rent for the Agreement will have any adverse effect on the financial position and operation of the Group.

The consideration of HK\$345,000,000 was determined by the parties after arm's length negotiations with reference to the original purchase price of the US Property.

Upon completion of the disposal, the Company will no longer be interested in Hudson Assets and Hudson Assets will no longer be accounted as a subsidiary of the Group. As at the date of the Agreement, Hudson Assets had an outstanding loan in the amount of approximately HK\$340 million due to the members of the Group. The outstanding amount mainly represents advances to Hudson Assets by the Group for the acquisition of the US Property. The parties to the Agreement agreed that upon completion of the disposal, the Company will waive the repayment obligations of Hudson Assets with respect to such loan.

The net liability of Hudson Assets as at 31 December 2020 was approximately HK\$122 million.

Set out below is a summary of the financial information of Hudson Assets for the two years ended 31 December 2020. Please also refer to Appendix III for further details.

	<b>For the year ended 31 December 2020</b> <i>(audited)</i> HK\$	<b>For the year ended 31 December 2019</b> <i>(audited)</i> HK\$
Net loss before tax	(86,949,681)	(5,426,800)
Net loss after tax	(86,949,681)	(5,426,800)

The consideration of HK\$345 million for the entire equity interest in Hudson Assets represents a premium of 44.35% to the market value of the US Property as at 31 May 2021 of US\$30.8 million (equivalent to approximately HK\$239 million) as valued by an independent valuer and disclosed in Appendix IV.

The consideration of HK\$345 million for the entire equity interest in Hudson Assets represents a premium of 59.72% to the fair value of the US Property as at 31 December 2020 of US\$27.8 million (approximately HK\$216 million).



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The consideration of HK\$345 million for the entire equity interest in Hudson Assets represents a premium of 6.48% to the original purchase cost of the US Property of US\$41.5 million (approximately HK\$324 million).

It is expected that the Group will record a gain on disposal of HK\$127 million, which was determined with reference to the net liability of Hudson Assets of approximately HK\$122 million as at 31 December 2020 and the waiver of the repayment obligations of Hudson Assets with respect to the loan of approximately HK\$340 million due to members of the Group at the date of the Agreement.

According to the audited financial information of Hudson Assets as set out in Appendix III to the Circular, Hudson Assets recorded consecutive net loss of approximately HK\$24.2 million, HK\$5.4 million and HK\$86.9 million for FY2018, FY2019 and FY2020, respectively. Hudson Assets has a net liability of approximately HK\$121.8 million as at 31 December 2020.

### *Conditions*

The obligations of the parties to the Agreement and the Supplemental Agreement are subject to satisfaction of the following conditions:

- (i) the Independent Shareholders approving the Agreement, the Supplemental Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares;
- (ii) the Listing Committee of the Stock Exchange granting the approval of listing, and permission to deal in, the Consideration Shares;
- (iii) the Independent Shareholders approving the Whitewash Waiver;
- (iv) the Executive having granted the Whitewash Waiver; and
- (v) the parties having obtained all other necessary consents and approvals, including the consents of the mortgagee banks on the leasing of the Properties, for the transactions contemplated under the Agreement.

Conditions (i) to (iv) above may not be waived. Condition (v) may be waived by the Company. If the conditions above cannot be fulfilled by 31 December 2021 (or such other later date as may be agreed by the parties), the transactions contemplated under the Agreement will not proceed and the Agreement will terminate.

As at the Latest Practicable Date, none of the conditions has been satisfied.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Early Termination Right*

On 5 August 2021, the parties to the Agreement entered into the Supplemental Agreement. Under the Supplemental Agreement, the Company will have the Early Termination Right with respect to the lease of part or whole of the Properties. Such right is exercisable (i.e. the Company may notify GOME Management about its intention to exercise the Early Termination Right) from 1 January 2029 by giving not less than 365 days' notice. The Early Termination Right is only exercisable (i) with respect to each of GOME Commercial Capital and No. 9 Xiangjiang, if the Company records an audited loss for two consecutive financial years prior to the financial year when the Company exercises the Early Termination Right in an amount more than 30% of the relevant annual rental for the respective property; or (ii) with respect to Pengrun Building, if the annual market rental (as determined by an independent valuer) for two consecutive financial years prior to the financial year when the Company exercises the Early Termination Right is less than 70% of the annual rental under the Agreement. If the Company exercises such right, GOME Management shall refund to the Company in cash or cash equivalent assets (which shall be acceptable to the Company and valued by an independent valuer) an amount equal to the pro-rated amount of rental of the Properties calculated with reference to the actual area in which the Group decides to terminate and the remaining term of the lease under the Agreement less 180 days. The 180 day reduction in the calculation of the refund represents an early termination penalty which also allows GOME Management to identify a new tenant or to make plans for the Properties during the remaining term of the Agreement. Instead of refund, GOME Management (or its associated companies) may elect to lease back the Properties for the remaining term at not less than 108% of the annual rental under the Agreement in cash, subject to entering into an agreement and compliance with the applicable rules (including compliance with Chapter 14A of the Listing Rules) and regulations. GOME Management (or its associated companies) will be entitled to a 12 month rent free period under the leaseback arrangement.

On the assumption that the Company exercises the Early Termination Right on 1 January 2029, the Company will receive a refund (representing the maximum amount of refund) in the amount of approximately RMB9,718 million, implying that the minimum rental that the Company has to pay under the Agreement shall be approximately RMB8,147 million.

As stated in the Letter from the Board, with respect to the Early Termination Right, the time in which the Company will be entitled to exercise the right (from 2029) was determined having considered the following factors: (i) the Company would be entitled to exercise the right for more than half of the term of the lease period (which is about 20 years); (ii) the Company's current business plans with respect to the Properties as described above (in particular the Company's commitment and initial expenditure).

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We have discussed with the Management and understand that the lease arrangement contemplated under the Agreement is a major step to facilitate the Group to develop the new offline retail and service model. In addition, we have reviewed the business plans of the Company in relation to the Properties and note that significant investment and commitment of resources by the Group are needed and the results of which can only be achieved over a long period of time. As such, we consider it is reasonable for the Early Termination Right to vest commencing from 2029.

Under IFRS16, the Company will incur depreciation expense for the entire term of the lease as the Properties subject to the lease will be recognised as right-of-use assets by the Company. The amount of fund is determined with reference to the net asset value of the right-of-use assets after deducting accumulated depreciation so that when the Refund Mechanism or the Early Termination Right is exercised, no extra gain or loss will be recorded by the Company. As such, we also consider the exclusion of the interest expense from the amount of refund under the Refund Mechanism is fair and reasonable.

Based on our discussions with the Management, we understand that the commercial terms of the Supplemental Agreement were determined by the parties after arm's length negotiations. In addition, we note that: (i) for GOME Commercial Capital and No. 9 Xiangjiang, being the two commercial operations of the Properties, in the event that such commercial operations, for whatsoever reason, suffer material adverse financial impact (recorded audited loss for two consecutive financial years prior to the financial year when the Company exercises the Early Termination Right in an amount more than 30% of the relevant annual rental), for example, if the Company records an audited loss for two consecutive financial years ending 31 December 2027 and 2028, the Company is able to exercise the Early Termination Right from 1 January 2029 by giving not less than 365 days' notice, which means the Company may notify GOME Management about its intention to exercise such right from 1 January 2029 and is expected to receive the refund from GOME Management and terminate the lease as at 1 January 2030, the Supplemental Agreement provides the Company with the Early Termination Right to cut loss and stop the Group's commercial operation for the two properties and get a refund from GOME Management for the pro-rated amount of rental under the Agreement corresponding to the remaining term of the lease; (ii) for Pengrun Building, being the office operation of the Properties, in the event that there is a material drop in the market rent (30% or more as compared to the annual rent rate under the Agreement), as determined by an independent valuer for two consecutive years, the Supplemental Agreement provides the Company with the Early Termination Right to ensure that the Company will stop paying rent at above market level and get a refund from GOME Management for the pro-rated amount of rental under the Agreement corresponding to the remaining term of the lease. As such, we consider the Early Termination Right as provided under the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, we note that the Supplement Agreement provides GOME Management with an option, instead of refund, to elect to lease back the Properties from the Company for the remaining term of the lease at not less than 108% of the annual rental under the Agreement (the “**Lease-back Option**”). Based on our discussions with the Management, we understand that the Lease-back Option, if exercised, means that GOME Management will become the operator of the Properties and pay a net-off annual amount equivalent to at least 8% of the corresponding annual rental under the Agreement for the remaining term of the lease. We have further considered that, in comparison with the Hong Kong prime rate of 5% as quoted from the website of Bank of China (Hong Kong) Limited on 16 July 2021, in addition, we noted from the historical Hong Kong dollar interest rates figures published by the Hong Kong Monetary Authority that, the Hong Kong prime rate remained stable at 5.00% since 2010 with a minor increase to 5.13% during the period of October 2018 to October 2019. Based on the historical data of the Hong Kong prime rate being consistently stable during the past ten years, we expect the Hong Kong prime rate will remain stable at the similar level going forward. An annual return of at least 8% is fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **6. Assessment of the Property Valuation Report**

#### *Suitability of the Property Valuer*

We have reviewed the Property Valuation Reports and also interviewed the relevant team members of the Property Valuer with particular attention to: (i) the terms of engagement of the Property Valuer with the Company; (ii) the qualifications and experience of the Property Valuer; and (iii) the steps and due diligence measures taken by the Property Valuer in performing the valuation of the investment property, being the sole asset of Hudson Assets (the “**Property Valuation**”). After our review of the respective engagement letter between the Company and the Property Valuer, we are satisfied that the scope of work performed by the Property Valuer is appropriate to perform the Property Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Property Valuer. The Property Valuer have confirmed that they are independent from the Company, GOME Management and their respective core connected persons, close associates and associates. We further understand that the Property Valuer is certified with the relevant professional qualifications required to perform the Property Valuation. The person in-charge of the Property Valuation has over 27 years of experience in conducting property valuation in Hong Kong and United States, to a wide range of clients in different industries. We also note that the Property Valuer mainly conducted its due diligences through its own research and has relied on public information found through its own research as well as relied to a very considerable extent on the information provided by the Management and have accepted advice given to them on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters. The Property Valuer has also been shown copies of various title documents including purchase agreement and floor plans relating to the property interests and have made relevant enquiries. Where possible, the Property Valuer has examined the original documents to verify the existing title to the property interests in the countries and any material encumbrance that might be attached to the property

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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interests or any tenancy amendment. The Property Valuer has not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to them are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. We also understand from the Property Valuer that they have carried out a site inspection to inspect the exterior and where possible, the interior of the property. The site inspection was carried out on 23 April 2021 by Mr. Eric L. Enloe. Mr. Enloe is a fellow member of Royal Institute of Chartered Surveyors and has more than 22 years' experience in the valuation of properties in United States.

In light of the above, we are not aware of any matters that would cause us to question the Property Valuer expertise and independence and we consider that the Property Valuer has sufficient expertise and is independent to perform the Property Valuation.

### *Property Valuation*

In assessing the fairness and reasonableness of the Property Valuation, we have reviewed the Property Valuation Report, and we understand that the Property Valuer has adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. We also understand from the Property Valuer that the direct comparison approach is commonly used in the industry.

In performing the Property Valuation, the Property Valuer has complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules, the RICS Valuation – Global Standards 2020 published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

The Property Valuer has provided and we have reviewed the valuation working paper for the Property Valuation. We have discussed with the project team leader of the Property Valuer on the steps and due diligence measures taken by the Property Valuer and we are of the view that the Property Valuation was conducted in line with the direct comparison approach. The Property Valuer has identified and analysed 5 relevant sales evidences in the locality which have similar characteristics as the US Property such as use, size and accessibility. The selected comparables are located in similar locality (distance from the property range from 0.1 to 0.3 mile only) which are exhaustive and were transacted within the period from October 2018 to October 2020. The unit rate of these comparable ranges about US\$2,146 to US\$2,507 per sq.ft. on gross building area basis. Appropriate adjustments and analysis are considered to the difference of various factors such as location, size, age, condition, etc. between the comparable and the property to arrive at the assumed unit rate of US\$2,200 per sq.ft. on GBA basis. We also understand from the Property Valuer that appropriate adjustments have been made taking into account a number of factors including but not limited to: (i) location; (ii) access/exposure; (iii) size; (iv) building quality; (v) age/condition; (vi) unit features; and (vii) economic characteristics.

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We also note that, the equity interest of Hudson Assets was determined after arm's length negotiations by the parties and was determined as approximately HK\$345,000,000, which is representing a premium of 44.16% of the appraised value of the property owned by Hudson Assets as at 31 May 2021 by the Property Valuer of US\$30,800,000 (equivalent to approximately HK\$239,316,000 based on the US\$/HK\$ exchange rate of 7.77 as adopted by the Property Valuer). In addition, we note that the consideration of HK\$345,000,000 represents a slight premium by approximately 6.58% over the US\$41,500,000 (equivalent to HK\$323,700,000), being the purchasing cost of the property.

With reference to the audited financial information of Hudson Assets as set out in Appendix III of the Circular, the adjusted net asset value of Hudson Assets was approximately HK\$218.5 million as at 31 December 2020 after deducting the outstanding loan of approximately HK\$340.3 million due to members of the Group. The consideration of HK\$345.0 million for the entire equity interest in Hudson Assets is therefore representing a premium of approximately 57.86% to the adjusted net asset value of Hudson Assets as at 31 December 2020.

The outstanding loan amount of approximately HK\$340.3 million mainly represents advances to Hudson Assets by the Group for the acquisition of the US Property in 2017. As the US Property is no longer used by the Group as the representative office, therefore it is better off for the Company to offload a loss making and net liability subsidiary from the Group to settle part of the consideration under the Agreement and notwithstanding that it would also be difficult for the Company to identify any independent third party buyer who is willing to acquire a loss making and net liability company with the principal business being investment holding. The Group is also expected to record a gain on disposal of approximately HK\$127.0 million from the disposal of Hudson Assets.

In light of the above, we are of the view that the determination of consideration of Hudson Assets has already taken into account of the outstanding loan during the arm's length negotiations with reference to the original purchase price of the US Property. The consideration of HK\$345.0 million, represents approximately: (i) a premium of 44.35% to the market value of the US Property as at 31 May 2021 of US\$30.8 million as valued by the Property Valuer; (ii) a premium of 59.72% to the fair value of the US Property as at 31 December 2020 of US\$27.8 million; (iii) a premium of 6.48% to the original purchase cost of the US Property of US\$41.5 million; and (iv) a premium of 57.86% to the adjusted net asset value of Hudson Assets as at 31 December 2020. We concur with the Company that such arrangement is on normal commercial terms and is in the interests of the Company and Shareholders as a whole.

Having discussed the above direct comparison approach by the Property Valuer, reviewed the details of their valuation methodology, bases and assumptions, we are of the opinion that: (i) the valuation methodology in establishing the Property Valuation Report is common and appropriate for determining the market prices of the property owned by Hudson Assets and is in line with market practices to value property of a similar nature; and (ii) the bases and assumptions of the valuation of the Hudson Assets adopted in the Property Valuation Report are fair and reasonable.



## **7. Assessment of the Rental Valuation Reports**

### *Suitability of the Independent Valuers*

We have reviewed the Rental Valuation Reports and also interviewed the relevant team members of the Independent Valuers with particular attention to: (i) the terms of engagement of the Independent Valuers with the Company; (ii) the qualifications and experience of the Independent Valuers; and (iii) the steps and due diligence measures taken by the Independent Valuers in performing the valuation of the rental of the Properties (the “**Rental Valuation**”). After our review of the respective engagement letter between the Company and the Independent Valuers, we are satisfied that the scope of work performed by the Independent Valuers is appropriate to perform the Rental Valuation. We are not aware of any limitation on the scope of work which might have a negative impact on the degree of assurance given by the Independent Valuers. The Independent Valuers have confirmed that they are independent from the Company, GOME Management and their respective core connected persons, close associates and associates. We further understand that the Independent Valuers are certified with the relevant professional qualifications required to perform the Rental Valuation. The person in-charge of the Rental Valuation from Beijing North Asia has approximately 20 years of experience in conducting rental valuation, to a wide range of clients in different industries. Similarly, the person in-charge of the Rental Valuation from Beijing Zhongqin has approximately 20 years of experience in conducting rental valuation, to a wide range of clients in different industries. We also note that the Independent Valuers mainly conducted their respective due diligences through their own research and have relied on public information found through their own research as well as information provided by the Management. The Independent Valuers represented that it has assumed such information to be true, complete and accurate and has accepted it without verification.

We have also conducted our own research for the Independent Valuers through public domain and the respective corporate website for our due diligence purpose, the client mix of the Independent Valuers includes state-owned enterprises of China such as China National Cereals, Oils and Foodstuffs Corporation and China UnionPay Company Limited, as well as other sizeable listed companies namely PetroChina Company Limited, China Southern Airlines Company Limited, China Telecom Corporation Limited, China Mobile Limited and CIG Shanghai Co., Ltd.

In light of the above, we are not aware of any matters that would cause us to question the Independent Valuers’ expertise and independence and we consider that the Independent Valuers have sufficient expertise and are independent to perform the Rental Valuation.

### *Rental Valuation*

In assessing the fairness and reasonableness of the Rental Valuation, we have primarily taken into account the appraised rental value of the Properties based on the Rental Valuation Reports. The following is a summary of the relevant appraised rental values.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Table 5: Summary of Rental Valuation**

<b>Independent Valuer Properties</b>	<b>Beijing North Asia Appraised rental value <i>RMB</i></b>	<b>Beijing Zhongqin Appraised rental value <i>RMB</i></b>
GOME Commercial Capital – Area A	8,730,234,200	8,812,247,800
GOME Commercial Capital – Area B	3,700,298,500	3,774,021,900
<b>Subtotal:</b>	12,430,532,700	12,586,269,700
Pengrun Buildings	3,189,724,200	3,333,624,500
No. 9 Xiangjiang	2,306,139,400	2,352,719,100
<b>Total:</b>	<b>17,926,396,300</b>	<b>18,272,613,300</b>

For our due diligence purpose, we have reviewed and discussed with the Independent Valuers (i) the methodology of, and basis and assumptions adopted for the Rental Valuation; (ii) the steps and due diligence measures taken by the Independent Valuers; and (iii) details of the comparable properties adopted for the Rental Valuation. We understand that the common valuation approaches include asset approach, market approach and income approach. Asset approach provides an indication of value by aggregating the market values of the subject company’s asset and liabilities. Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. Income approach provides an indication of value by converting future economic benefits to a present value.

As discussed with the Independent Valuers, both of the Independent Valuers consider that the market approach to be the most appropriate valuation approach over the income approach and the asset approach as: (i) the income approach requires relatively subjective assumptions to which the valuation is largely influenced by an inappropriate assumptions made; (ii) the asset approach is unlikely to capture the future earning potential of the Properties; and (iii) the application of market approach is relatively more objective as publicly available data is used which reflects the market consensus on the pricing of similar assets.

From the discussion with the Independent Valuers regarding the Rental Valuation, we understand that they have selected three to five samples from the surrounding comparable properties of the Valuation Properties in order to assess the market price of the rental properties. In arriving at the appraisal value of the Valuation Properties, the Independent Valuers have taken into account a number of factors including but not limited to: (i) transaction condition; (ii) regional factors; and (iii) specific factors of the comparable properties selected by Independent Valuers. Such comparable properties are located within approximately 5 kilometre radius of the Valuation Properties in general and fall into the similar property type



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compared with the Valuation Properties. We understand that the Independent Valuers have adopted the same assumptions during the course of Rental Valuation, such as the adoption of vacancy rate as 0% and a discount rate of 5%. Besides that, the compounded annual growth rate adopted by Beijing North Asia is 1.2% before 2025, and adjusted to 3% after 2025 in Rental Valuation Report I, while Beijing Zhongqin adopted the 3.0% of the compounded annual growth rate in Rental Valuation Report II. We are of the view that the adoption of the percentage rates above are appropriate, considering (i) the properties are expected to be fully occupied which lead to the vacancy rate of 0%; (ii) the discount rate of 5% adopted by the Independent Valuers could be supported by the latest Hong Kong prime rate of 5% as quoted from the website of Bank of China (Hong Kong) Limited on 16 July 2021; (iii) the CPI growth rate in Beijing and Changsha have been generally increasing, representing approximately 2.3% and 2.9% respectively during 2019, despite the slight decrease after 2018 in Beijing, which could justify the compound annual growth rate adopted by the Independent Valuers, therefore, we are of the view that general assumptions used in the valuation are fair and reasonable.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. We understand from the Independent Valuers that the steps of the Rental Valuation consist of the following steps: (i) to adopt the method of market survey to study the rental level of similar properties around the target property and then to select three cases from the sample. The Independent Valuers will then compare the samples in terms of transaction status, regional factors (commercial prosperity, traffic conditions, infrastructure conditions, commercial supporting facilities, surrounding environment, frontage road status, floor number, etc) and make adjustments to obtain the rental level of the Properties. We understand from the Independent Valuers that, since the actual rental values are not publicly available information in the PRC, the three recent lease quotations with the most recent quotation date selected by the Independent Valuers are on the basis of the rental quotation in accordance with the industry practices of rental valuation in the PRC. According to the normal industry practice, the Independent Valuers will adopt 95% of the rental quotation as the actual rental value during the rental estimation process, which assume a 5% discount based on the rental quotation, and Independent Valuers believe that such 5% discount on the rental price quotation is reasonable based on their experience and industry standard. In addition, the Company has provided and we have also reviewed the historical rental quotation documents and lease agreements in respect to the leased shop premises of the Group in Beijing and Changsha, and we noted that the actual rental price is within 5% discount of the respective rental quotation. As such, we do not consider there will be any material difference in the rental quotation and the actual rental value; (ii) the Independent Valuers consider the average annual growth rate of rental based on the rental level of the Properties on the Estimation Base Date, so as to obtain the annual rental in the estimation period; and (iii) the Independent Valuers then discounted the annual rental in the estimation period and add up to derive the accumulative discounted value of the properties in the estimation period. Besides that, we understand from the Independent Valuers that, in order to assess the fairness and reasonableness of the Rental

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Valuation, the Independent Valuers had also taken into account the individual factors of the comparable companies including gross floor area, architectural structure, public decoration, interior decoration, facilities and equipment, ceiling height, orientation, spatial layout, age of property etc.

### *Potential cost for acquiring the Properties*

Although the purpose of the Rental Valuation is not conducted to value the acquisition value of the Properties, based on our understandings that if the valuation is conducted for an acquisition value, the sales comparison approach would be used to estimate the value derived by comparing a property with recently sold properties with similar characteristics, where in order to provide a valid comparison, the similar properties should be as similar to the subject property as possible, which been sold within the year in an open and competitive market under typical market conditions. Adjustments to the comparable' sales prices will be made to account for dissimilar features such as lot size, landscaping, type and quality of construction, number and type of rooms, etc. We understand from the Independent Valuers that when adopting direct comparison approach for appraising either the rental or the acquisition value of a property, both of which would make reference to recent market property transactions which are comparable to the valuation target in term of nature of use, location, timing and structure. When valuing the acquisition value of a property, reference will be made to comparable sales transaction as available in the relevant market to arrive at the market values. Whereas for the rental value, reference will be made to comparable rental transaction as available in the relevant market to determine the market rental fees, and the Independent Valuers will consider the average annual growth rate of the rental fees and add them up to derive the market rental value of the property for the tenancy period.

We have conducted our own research in relation to the property market in Beijing and Changsha and we note:

- (i) According to a research report titled “Market in Minutes – Investment, Beijing” published by Savills (a world leading property agents with 600 offices around the globe) in April 2021, the average transaction price of retail sector in Beijing during the first quarter of 2021 reached approximately RMB33,513 per sq.m.;
- (ii) According to the above research report, the capital value (the price that would have been paid for a given asset or group of assets if they have been purchased at the time of their evaluation) for Grade A offices in Beijing during the first quarter of 2021 is approximately RMB83,285 per sq.m.;
- (iii) With reference to cs.anjuke.com (a group member of www.bj.58.com and a property platform provider which offers property rental and sale information and services). Based on the criteria of (a) location in Yuelu district, Changsha; (b) area above 1,000 sq.m.; and (c) usage of department store, we have identified five retail properties on sale with the average quotation price of approximately RMB20,423.44 per sq.m.

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- (iv) With reference to the Rental Valuation Report I and based on our discussion with the Beijing North Asia, we understand the implied lease value for GOME Commercial Capital, Pengrun Building and No. 9 Xiangjiang are approximately RMB23,693.6 per sq.m., RMB45,267.4 per sq.m. and RMB17,671.4 per sq.m. respectively.

In light of the above, we are of the view that the potential acquisition value of the Properties is significantly higher than the implied lease value of the Properties. As such, we also consider it is fair and reasonable for the Company to enter into the Agreement in relation to leasing the Properties for the long-term lease period.

Having discussed with the Independent Valuers and having performed our review as set out above, we consider that (i) the valuation methodology in establishing the Rental Valuation Reports is common and appropriate for determining the market rental prices of the Properties; and (ii) the bases and assumptions of the valuation of the Properties adopted in the Rental Valuation Reports are fair and reasonable.

### *Our independent work done*

Other than relying on the Rental Valuation Reports, we have conducted additional due diligence work done for the three properties in order to opine on the fairness and reasonableness of the terms of the transaction.

### *Beijing Commercial Comparables*

GOME Commercial Capital is located in the Zhongguancun Fengtai Science Park Industrial Base, the Fengtai District of Beijing. In order to assess the general rental prices of commercial properties in the Fengtai District of Beijing, we have, on a best effort basis, conducted independent search of all rental price of commercial properties in the Fengtai Science Park Industrial Base, Fengtai District of Beijing for the recent one month prior to and including 7 April 2021 (the “**Review Period**”) being the date of the Agreement. Since the complete list of recent rental price of commercial properties in Fengtai District of Beijing is not publicly available, we have searched for the information through public domain at **www.bj.58.com** (a leading local life service platform provider listed on the New York Stock Exchange, which offers housing rental, recruitment, second-hand product, travel, catering, entertainment, and group-buying information and services). As the property market is volatile, we consider that the Beijing Commercial Comparables (as defined below) reflect the latest commercial property market conditions.

Based on our own research conducted, we have identified a total of 67 commercial properties that are located in the Fengtai Science Park Industrial Base, Fengtai District and available for leasing during the Review Period (the “**Beijing Commercial Comparables**”), of which 11 Beijing Commercial Comparables were from the same building selected by the Independent Valuers. It is noted that the rental prices of the commercial comparables selected by the Independent Valuers in the Rental Valuation Reports are ranged from RMB128.25 to RMB298.0 per sq.m. per month, while the rental prices of Beijing Commercial Comparables are between approximately RMB93.0 to RMB900.0 per sq.m. per month. We further refined the

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research result to narrow down the range of Beijing Commercial Comparables to the large-scale shopping mall with the aggregated construction area of more than 100,000 sq.m., therefore, we identified a total of 22 commercial buildings which makes the rental prices of Beijing Commercial Comparables are between approximately RMB180.0 to RMB428.0 per sq.m. per month, which makes the range of the commercial comparables selected by the Independent Valuers fall within the range of Beijing Commercial Comparables.

### *Office Comparables*

Pengrun Building is located in Sanyuanqiao, Chaoyang District of Beijing. In order to reflect the general rental prices of office buildings in the Chaoyang District of Beijing, we have, on a best effort basis, conducted independent search of all rental price of office buildings in the Sanyuanqiao, Chaoyang District of Beijing for the Review Period. Since the complete list of recent rental price of office buildings in the Sanyuanqiao, Chaoyang District of Beijing is not publicly available, we have searched for the information through public domain at **www.bj.58.com**. As the property market is volatile, we consider that the Office Comparables (as defined below) reflects the latest office building market conditions.

Based on our own research conducted, we have identified a total of 13 office buildings that are located in the Sanyuanqiao, Chaoyang District and available for leasing during the Review Period (the “**Office Comparables**”), of which 1 Office Comparables were from the same building selected by the Independent Valuers. It is noted that the rental prices of the office building comparables selected by the Independent Valuers in the Rental Valuation Reports are ranging from RMB287.0 to RMB313.50 per sq.m. per month, while the rental prices of Office Comparables are between approximately RMB83.0 to RMB1,267.0 per sq.m. per month.

We further refined the research result to narrow down the range of Office Comparables to the Grand-A office only, therefore, we identified a total of 5 Grand-A office buildings which makes the rental prices of Office Comparables are between approximately RMB240.0 to RMB400.0 per sq.m. per month, which makes the range of the office building comparables selected by the Independent Valuers fall within the range of Office Comparables.

### *Changsha Commercial Comparables*

No. 9 Xiangjiang is located in the Yuelu District of Changsha. In order to reflect the general rental prices of commercial properties in the Yuelu District of Changsha, we have, on a best effort basis, conducted independent search of all rental price of commercial properties in the Yuelu District of Changsha for the Review Period. Since the complete list of recent rental price of commercial properties in Yuelu District of Changsha is not publicly available, we have searched for the information through public domain at **www.bj.58.com**. As the property market is volatile, we consider that the Changsha Commercial Comparables (as defined below) reflects the latest commercial property market conditions.

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Based on our own research conducted, we identified a total of 51 commercial properties that are located in the Yuelu District of Changsha and available for leasing during the Review Period (the “**Changsha Commercial Comparables**”), of which 5 Changsha Commercial Comparables were from the same property that selected by the Independent Valuers. It is noted that the rental prices of the commercial comparables selected by the Independent Valuers in the Rental Valuation Reports are ranged from RMB114.0 to RMB138.0 per sq.m. per month, while the rental prices of Changsha Commercial Comparables are between approximately RMB27.0 to RMB188.0 per sq.m. per month, which makes the range of the commercial comparables selected by the Independent Valuers fall within the range of Changsha Commercial Comparables.

We noted that the rental prices of the commercial comparables selected by the Independent Valuers is near the high end of the rental prices of Changsha Commercial Comparables. We understand from the public information that No. 9 Xiangjiang enjoy a prime location in Binjiang New Town, being the new central business district in Changsha. Located in the center of Binjiang New Town, No.9 Xiangjiang is directly situated on the west bank of the Xiang River, the main waterway which runs through the heart of Changsha City. In addition, No. 9 Xiangjiang is located within the western part of the Changsha Second Ring Road and supported by convenient public transportation access to the nearby Changsha Metro Line 4, and surrounded by: (i) high-end office towers such as Minsheng Bank Building, Pudong Development Bank Building and Guangfa Bank Building; and (ii) top-tier residential communities developed by well-known developers such as Vanke, Evergrande and Shima. Considering the Group plans to build No. 9 Xiangjiang into an entertainment and experience center, this strategic geographic location will help the Group access its long-term business development goals which we consider is in the best interests of the Company and the Shareholders.

We understand from the Management that GOME Commercial Capital had been vacant since its completion, and No.9 Xiangjiang currently has five existing leases in relation to the certain premises of No. 9 Xiangjiang which are also listed out in Appendix IIA1 to the Circular. However, we would not consider the existing rentals from No. 9 Xiangjiang is relevant, because after we have obtained and reviewed the five existing lease agreements, we noted that: (a) the lease period are ranging from five to six years; (b) the existing rental price are ranging from RMB45.0 to RMB116.7 per sq.m. per month; and (c) there is a 3% rental increment each year. Although the existing leases are below the range of the rental prices of the commercial comparables which were selected by Independent Valuers, however based on the discussion with the Management and we understand that it is mainly attributable to the fact that: (i) all five lessees are operating in a small scale of food and beverage businesses with relatively low profit margin; (ii) they are small to medium-sized enterprises which possess low rental affordability; and (iii) the transportation and infrastructure surrounding No. 9 Xiangjiang were under-developed back in 2016 which negatively impacted the rental price, subsequently the rental price has grown robustly since then with the support of the government policy and the rapid development in Binjiang New Town.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on all of the foregoing, having taken into account that the rental prices of the comparable properties selected by the Independent Valuers are within the range of Beijing Commercial Comparables, Office Comparables and Changsha Commercial Comparables, hence we are of the view that the Rental Valuation Reports are fair and reasonable as a whole.

### **8. Analysis on the Consideration Shares**

As disclosed in the Letter from the Board, the Issue Price of HK\$2.11 per Consideration Share represents:

- (i) a premium of approximately 39.74% to the closing price of the Shares of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 45.52% to the average closing price of HK\$1.45 per Share as quoted on the Stock Exchange for the last five trading days up to and including 1 April 2021, being the Last Trading Day immediately preceding the date of the Agreement;
- (iii) a premium of approximately 43.54% to the average closing price of HK\$1.47 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 1 April 2021, being the Last Trading Day immediately preceding the date of the Agreement;
- (iv) a premium of approximately 2,914.29% to the audited consolidated NAV of the Company of approximately HK\$0.07 per Share as at 31 December 2020, based on the exchange rate of HK\$1: RMB0.83935; and
- (v) a premium of approximately 145.35% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Review on Share price performance

In order to assess the fairness and reasonableness of setting the Issue Price at HK\$2.11 per Consideration Share, we have reviewed the daily closing prices of the Shares for the period from 1 April 2020, being the 12-months period prior to the date of Agreement (the “**Share Price Review Period**”). We consider the Share Price Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison and it is relevant for the assessment of the fairness and reasonableness of the Issue Price. The following diagram sets out the closing prices of the Shares on the Stock Exchange during the Share Price Review Period:

**Chart 3: Movement of the Share closing price during the Review Period**



Source: the Stock Exchange

During the Share Price Review Period, the closing prices of Shares demonstrated a general increasing trend since 1 April 2020 and ranged from the highest of HK\$2.38 per Share to the lowest of HK\$0.67 per Share, with an average of approximately HK\$1.15 per Share. There are some notable events below during the Share Price Review Period:

- (i) The Shares closing price increased by approximately 78.00% to HK\$1.62 on 24 June 2020, after the publication of the announcement in relation to issue of convertible bond on 28 May 2020;
- (ii) The Shares closing price subsequently decreased to HK\$0.87 on 7 December 2020, after the publication of the clarification announcement in relation to release of Mr. Wong Kwong Yu, the controlling shareholder of the Company, from prison with the parole probation period from the date of parole to 16 February 2021 on 26 June 2020;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) The Shares closing price was at the peak of HK\$2.32 on 1 March 2021, after the publication of the voluntary announcement with regard to the completion of Mr. Wong Kwong Yu's parole probation period on 17 February 2021;
- (iv) The Shares closing price declined steeply by approximately 18.97% from HK\$2.32 on 1 March 2021 to HK\$1.88 on 2 March 2021 and subsequently decreasing after announcement in relation to placing of existing share and subscription of new shares on 2 March 2021.

As advised by the Management other than the events mentioned above, the Management were not aware of any events that led to the increasing trend in the share price for the Share Price Review Period. In light of the above analysis, we are of the view that the Issue Price of HK\$2.11 per Consideration Share represents (i) premium over the average price under the Review Period and (ii) premiums of approximately 39.74%, 45.52% and 43.54% over the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, last five trading days up to and including the Last Trading Day immediately preceding the date of the Agreement and last ten trading days up to and including the Last Trading Day immediately preceding the date of the Agreement, respectively, which in our view is demonstrating the confidence of the Controlling Shareholder towards the Company and the support for the Company's business development with an aim to boost the Share price to a level above the Issue Price of the Consideration Share. We consider that the Issue Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### *Comparable analysis*

In order to assess the reasonableness of the Issue Price of Consideration Share, we have conducted our own research to review, on a best effort basis, of recent transactions including connected transactions, announced by companies listed on the Main Board of the Stock Exchange which involved the issuance of consideration shares (the "**Comparable Issues**") but excluded GEM issuers, or the transactions that involve the issuance of A shares or stapled units. We have considered the issue price of consideration shares to both connected persons and independent third parties in our research, since the issue prices of consideration shares are arrived based on prevailing market conditions regardless of whether the transactions involve connected persons or not and represent an unbiased reference on market terms, therefore providing a suitable reference in our evaluation of the Issue Price of the Consideration Shares. Based on our best endeavour and as far as we are aware, we have identified a total of 16 Comparable Issues, which was announced during the period from six months prior to and including 1 April 2021 (the "**Comparison Period**"), being the date of the Agreement, to provide a general reference for recent market practice in relation to the issuance of consideration shares under similar market condition. We consider that the Comparison Period is appropriate as we have adopted a six-month period for the selection of the Comparable Issues which in our opinion generated a reasonable and meaningful number of samples for our analysis purpose, therefore the Comparable Issues are a fair and representative sample.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies undertaking the issuance of consideration shares may not be the same as those of the Company and we have not conducted any in-depth investigation into the respective businesses and operations of such companies. The targets involved are of different nature and size, and the issue price of consideration shares for each of the transactions may be subject to their respective circumstances such as different financial standing or business performance. As the Comparable Issues can provide a general reference of the key terms for similar transactions in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the Comparable Issues are exhaustive, fair and indicative in assessing the fairness and reasonableness of the Issue Price of the Consideration Share.

**Table 5: Analysis of the Comparable Issues**

Date of Announcement	Company Name (stock code)	Issue to connected person(s)	Issue Price (HK\$)	Premium/(discount) of the issue price over/(to) the average closing price of		
				Last trading day prior to/on the date of announcement (%)	Last 5 consecutive trading day prior to/on the date of announcement (%)	Last 10 consecutive trading day prior to/on the date of announcement (%)
24-Mar-21	Xiaomi Corporation (1810)	No	25.47	1.90	(1.90)	1.33 <sup>(Note 2)</sup>
22-Mar-21	China Modern Dairy Holdings Ltd. (1117)	Yes	2.24	(2.16)	(2.67)	(0.03)
18-Mar-21	CK Asset Holdings Limited (1113)	Yes	51.00	8.40	9.80	10.00
11-Feb-21	Pan Asia Data Holdings Inc (1561)	No	1.35	(53.45)	(51.44)	(51.09)
10-Feb-21	C-MER Eye Care Holdings Limited (3309)	No	6.07	3.94	(5.92)	(5.63) <sup>(Note 2)</sup>
18-Jan-21	State Energy Group International Assets Holdings Limited (918)	Yes	0.381	4.40	0.00	(8.20)
13-Jan-21	Jiayuan International Group Limited (2768)	Yes	3.3	5.10	6.45	6.90

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of Announcement	Company Name (stock code)	Issue to connected person(s)	Issue Price (HK\$)	Premium/(discount) of the issue price over/(to) the average closing price of		
				Last trading day prior to/on the date of announcement (%)	Last 5 consecutive trading days prior to/on the date of announcement (%)	Last 10 consecutive trading days prior to/on the date of announcement (%)
28-Dec-20	CA Cultural Technology Group Limited (1566)	No	2.5	4.60	3.82	2.92 <sup>(Note 2)</sup>
24-Dec-20	Yeahka Limited (9923)	Yes	37.5	0.00	3.59	4.33
14-Dec-20	China Fordoo Holdings Limited (2399)	Yes	2.65	(19.94)	(18.81)	(15.12) <sup>(Note 2)</sup>
27-Nov-20	Elife Holdings Limited (223)	Yes	0.1	29.90	37.00	39.30
12-Nov-20	China Hanking Holdings Limited (3788)	No	1.6	2.56	(0.62)	(0.87) <sup>(Note 2)</sup>
7-Nov-20	7Road Holdings Limited (797)	No	2.71	(0.37)	0.00	(0.51) <sup>(Note 2)</sup>
26-Oct-20	Hengten Networks Group Limited (136)	No	0.3 <sup>(Note 1)</sup>	(9.09)	(9.64)	(8.81) <sup>(Note 2)</sup>
22-Oct-20	Vongroup Limited (318)	No	0.45	(15.10)	(15.40)	(16.51) <sup>(Note 2)</sup>
20-Oct-20	Golden Faith Group Holdings Limited (2863)	No	0.47	(14.50)	(13.90)	(11.80)
<b>Average</b>				(3.36)	(3.73)	(3.36)
<b>Max</b>				29.90	37.00	39.30
<b>Min</b>				(53.45)	(51.44)	(51.09)
<b>The Company</b>		<b>Yes</b>		39.74	45.52	43.54

Source: the Stock Exchange

Notes:

- Hengten Networks Group Limited implemented share consolidation pursuant to which every ten (10) issued and unissued existing shares be consolidated into one (1) consolidated share, which became effective on 20 January 2021.
- The figure is calculated based on the publicly available information as retrieved from the website of the Stock Exchange as the respective announcement did not disclose the relevant figures in relation to the premium/(discount) of the issue price over/(to) the average closing price of last 10 consecutive trading day prior to/on the date of announcement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As noted in Table 5 above, the issue prices of the Comparables Issues ranged from: (i) a discount of 53.45% to a premium of 29.90% to the respective closing prices of their shares on the last trading days (the “**Market Range I**”) with an average discount of 3.36% (the “**Market Average I**”); (ii) a discount of 51.44% to a premium of 37.00% to the respective average closing prices of their shares on the last 5 consecutive trading days (the “**Market Range II**”) with an average discount of 3.73% (the “**Market Average II**”); and (iii) a discount of 51.09% to a premium of 39.30% to the average closing prices of their shares on the last 10 consecutive trading days (the “**Market Range III**”), with an average discount of 3.36% (the “**Market Average III**”), respectively.

We note that the Issue Price represents a premium of 39.74% to the closing price of the Shares on the Last Trading Date (the “**Issue Price Premium I**”), a premium of 45.52% to the average closing price of the Shares on last 5 consecutive trading days (the “**Issue Price Premium II**”) and a premium of 43.54% to the average closing price of the Shares on last 10 consecutive trading days (the “**Issue Price Premium III**”).

We note that the Issue Price Premium I, the Issue Price Premium II and the Issue Price Premium III are representing a significant higher premium to the Market Average I, the Market Average II and the Market Average III, respectively. As a result, the Issue Price is more favourable than as compared to the Comparable Issues and we consider the Issue Price of HK\$2.11 per Conversion Share to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above and having considered, (i) the recent movements of the Share price during the Share Price Review Period; and (ii) the recent Comparable Issues which demonstrate a discount to their prevailing market price for similar transactions, we are of the view that the principal terms of the Agreement, the Supplemental Agreement and the transactions contemplated under the Agreement and the Supplemental Agreement, including the consideration and Issue Price, are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **9. Financial effects of the Agreement**

### *Effects on earnings*

According to the 2020 Annual Report, the Group recorded revenue of approximately RMB44,119.1 million and loss attributable to the owners of the Company for FY2020 was approximately RMB6,993.8 million. Upon completion of the Agreement and the transactions contemplated thereunder, the entire equity interest of Hudson Assets will be derecognised after the disposal and the Company will no longer share any profit or loss of Hudson Assets, it is also expected that the Properties will help to diversify the Group's income stream through property investment and rental proceeds and will have a positive impact on the earnings of the Group.

### *Effects on working capital*

Since the consideration which amounted to approximately RMB17,865.2 million will be settled by issuing Consideration Shares and the disposal of Hudson Asset to GOME Management. The Group's assets is expected to increase with the recognition of right-of-use assets and without any cash outflow and hence its working capital position is expected to improve upon completion.

### *Effects on NAV*

Based on the 2020 Annual Report, the consolidated NAV attributable to owners of the parent was approximately RMB4,916.3 million as at 31 December 2020. Pursuant to IFRS 16, the Group will recognise a right-of-use asset in respect of the Agreement, which is measured at the present value of the total base rent payable during the term of the Agreement. The value of such right-of-use asset to be recognised by the Group upon completion would be approximately RMB17,865,157,700. As the entire equity interest of Hudson Assets will be derecognised after the disposal and the net liabilities of Hudson Assets will no longer be consolidated into the Group's balance sheet. It is expected that the NAV of the Company will improve upon completion of the Agreement and the recognition of the right-of-use assets.

Based on the above analysis, we noted that the Agreement would have a positive financial impact on Group's earnings, working capital position and NAV.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 10. Shareholding structure of the Company

As stated in the Letter from the Board, the issue of the Consideration Shares will not result in a change of control of the Company. As at the Latest Practicable Date, the Company had outstanding convertible bonds that may be convertible into 1,929,032,258 Shares. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) Immediately upon completion of the Consideration Issue (on the assumptions that no convertible bonds will be converted); and (iii) Immediately upon the completion of the Consideration Issue and full conversion of the convertible bonds:

Name of Shareholders	Shareholding as at the Latest Practicable Date		Shareholding upon the completion of the Consideration Issue		Shareholding upon the completion of the Consideration Issue and full conversion of the convertible bonds <sup>(1)</sup>	
	Number of Shares	Approximate% of issued share capital of the Company	Number of Shares	Approximate% of issued share capital of the Company	Number of Shares	Approximate% of issued share capital of the Company
The Controlling Shareholder and parties acting in concert with him						
– GOME Management <sup>(2)</sup>	5,500,000,000	23.08	15,423,940,777	45.69	15,423,940,777	43.22
– Shinning Crown Holdings Inc. <sup>(2)</sup>	4,454,979,938	18.69	4,454,979,938	13.20	4,454,979,938	12.48
– Shine Group Limited <sup>(2)</sup>	634,016,736	2.66	634,016,736	1.88	634,016,736	1.78
– Ms. Du Juan <sup>(2)</sup>	246,706,664	1.04	246,706,664	0.73	246,706,664	0.69
The Trustee <sup>(4)(5)</sup>	1,320,316,000	5.54	1,320,316,000	3.91	1,320,316,000	3.70
	<u>12,156,019,338</u>	<u>51.01</u>	<u>22,079,960,115</u>	<u>65.41</u>	<u>22,079,960,115</u>	<u>61.87</u>
Mr. Wang Junzhou	3,938,000 <sup>(3)</sup>	0.02	3,938,000	0.01	3,938,000	0.01
public shareholders	11,672,646,084	48.97	11,672,646,084	34.58	11,672,646,084	32.71
Convertible bonds holder	–	–	–	–	1,929,032,258	5.41
Total	<u>23,832,603,422</u>	<u>100.00</u>	<u>33,756,544,199</u>	<u>100.00</u>	<u>35,685,576,457</u>	<u>100.00</u>

*Notes:*

- Assuming full conversion of all the outstanding convertible bonds and assuming no adjustment to the conversion price of such bonds.
- GOME management, Shinning Crown Holdings Inc. and Shine Group Limited are wholly owned by the Controlling Shareholder. Ms. Du Juan is the spouse of the Controlling Shareholder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3. The Shares represent the 22,000,000 share awards granted to Mr. Wang Junzhou, the chief executive of the Company, under the Share Award Scheme of the Company. Of the 22,000,000 share awards, 3,938,000 Shares have been vested to Mr. Wang as at the Latest Practicable Date. The vesting of the remaining 18,062,000 Shares are subject to vesting conditions. As at the Latest Practicable Date, the vested share awards were held by Mr. Wang personally while the unvested shares awards were held by the Trustee for and on behalf of Mr. Wang. Save for the interest of Mr. Wang Junzhou under the Share Award Scheme, none of the Directors had any interest in the Shares as at the Latest Practicable Date.
4. The Share Award Scheme was adopted by the Company in October 2016 to provide incentives to officers and employees for their contributions to the Group. The Shares under the Share Award Scheme are held by a professional independent trustee. Under the Share Award Scheme, the Trustee shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the granted Shares, and further Shares acquired out of the income derived therefrom). The Trustee is presumed to be acting in concert with the Controlling Shareholder.
5. As at the Latest Practicable Date, the Trustee held in aggregate 1,320,316,000 Shares (including the unvested share awards held for and on behalf of Mr. Wang), representing approximately 5.54% of the issued share capital of the Company, of which (a) 386,963,000 Shares, representing approximately 1.62% of the issued share capital, are granted but unvested Shares held on trust for the grantees of the Share Award Scheme; and (b) 933,353,000 Shares, representing approximately 3.92% of the issued share capital of the Company, are held for the share pool of the Share Award Scheme. No Director has been awarded Shares or held any Shares under the Share Award Scheme.

As at the Latest Practicable Date, the Company had:

- (i) an authorised share capital of HK\$5,000,000,000 divided into 200,000,000,000 Shares of HK\$0.025 each;
- (ii) an issued share capital of HK\$595,815,085 divided into 23,832,603,422 Shares of HK\$0.025 each; and
- (iii) outstanding convertible bonds that may be convertible into 1,929,032,258 Shares, or which 1,300,000,000 Shares may be converted at a conversion price of HK\$1.20 and 629,032,258 Shares may be converted at a conversion price of HK\$1.24.

Except for the aforesaid convertible bonds, the Company did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

As shown in the table above, the shareholding of the public Shareholders will decrease from approximately 48.97% to approximately 34.58% immediately after the completion of the Consideration Issue (representing a dilution by approximately 14.39%). Although the shareholding interest of the public Shareholders will be diluted, having taken into account: (i) the benefits as discussed in the section headed “3. Reasons for and benefits of entering into the Agreement” above; (ii) the fairness and reasonableness of the consideration; (iii) the Issue Price of the Consideration Shares is at a significant premium over the range of the closing price per Share under the Review Period, as analysed in the section headed “Assessment on the Issue Price of the Consideration Shares” above; and (iv) the Issue Price is above the range of the Comparable Issue, therefore we are of the opinion that the dilution effect on the shareholding interests of the public Shareholders to be acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 11. Whitewash Waiver

As at the Latest Practicable Date, the Controlling Shareholder and parties acting in concert with him held in aggregate 12,156,019,338 Shares, representing approximately 51.01% in the issued share capital of the Company. Of the 12,156,019,338 Shares, GOME Management held 5,500,000,000 Shares, representing approximately 23.08% of the issued share capital of the Company.

Upon completion of the Consideration Issue, the interest of the Controlling Shareholder and parties acting in concert with him in the voting rights of the Company will increase from approximately 51.01% to 65.41% (assuming that there is no other changes in the issued share capital of the Company save for the allotment and issue of the Consideration Shares). Individually, the interest of GOME Management will increase from approximately 23.08% to 45.69% (assuming that there is no other changes in the issued share capital of the Company save for the allotment and issue of the Consideration Shares). Therefore, it would give rise to a mandatory general offer obligation on GOME Management under Rule 26 of the Takeovers Code unless the Whitewash Waiver is obtained.

The Whitewash Waiver, if granted, will be subject to, among other things: (i) the approval of the Independent Shareholders for the transactions contemplated under the Agreement and the Supplemental Agreement, including the Consideration Issue and the disposal of Hudson Assets, by more than 50% of the votes cast by the Independent Shareholders at the SGM; and (ii) the approval of the Independent Shareholders for the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders at the SGM, to waive any obligation of the Controlling Shareholder to make a mandatory general offer which might result from completion of the Consideration Issue. We note that the granting of the Whitewash Waiver and the approval of the Whitewash Waiver by the Independent Shareholders are part of the conditions for the Agreement and the Supplemental Agreement which are not waivable. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Consideration Issue and the transactions contemplated under the Agreement will not proceed and will immediately lapse. The Company would then lose all the benefits that are expected to be brought to the Group by the transactions.

Based on our analysis on the terms of the Agreement and the Supplemental Agreement, we consider that the consideration and the Issue Price are in the interests of the Company and the Shareholders as a whole. Since the Consideration and the Issue Price are the major terms of the transaction contemplated under the Agreement and the Supplemental Agreement, we are of the view that the terms and conditions of the Agreement and the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Agreement and the Supplemental Agreement will not proceed. Accordingly, for the purposes of implementing the Agreement and the Supplemental Agreement, we consider that the Whitewash Waiver is fair and reasonable so far as the Company or the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATION

In view of the above and having considered in particular that:

- (i) the Agreement, the Supplemental Agreement and the transactions contemplated thereunder will diversify the Group's income stream through property investment and rental proceeds;
- (ii) the Group has been executing consistently on the "Home • Living" strategy 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 and the transaction is an example of the Group conducting its ordinary and usual course of business;
- (iii) the Agreement was reached after arm's length negotiations, are on normal commercial terms, with the rent determined by the appraised rental of the Properties as at 28 February 2021 by the Independent Valuers by using market approach, through review with the Independent Valuers, we consider the relevant appraised value and the valuation methodologies used in the Rental Valuation are fair and reasonable;
- (iv) the commercial terms of the Supplemental Agreement were determined by the parties after arm's length negotiations, we consider the commercial terms and Early Termination Right under the Supplemental Agreement are in the interests of the Company and the Shareholders as a whole;
- (v) the entire equity interest in Hudson Assets was determined after arm's length negotiations and made reference to the original purchase price of the property, through review with the Property Valuer, we consider the relevant appraised value was fairly appraised by the Property Valuer;
- (vi) the Issue Price of the Consideration Shares represents a premium to the prevailing market price of the Shares and significantly above the range of the Comparable Issues, which in our view as a general reference, still able to provide a meaningful demonstration that the Issue Price of the Consideration Shares is still better off than the recent market practice;
- (vii) the Consideration Issue and the disposal of subsidiary represents an appropriate mean for the settlement of the consideration since it will preserve the financial resources of the Group whilst enlarge the capital base of the Group;
- (viii) the Agreement would have a positive financial impact on Group's earnings, working capital position and NAV; and
- (ix) the dilution effect to the shareholding interest of the public Shareholders arising from the Consideration Shares is acceptable,



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we are of the opinion that the entering into the Agreement, the Supplemental Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and the terms of the Agreement and the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the following:

- (a) we recommend the Connected Transaction IBC to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM in relation to the Agreement, the Supplemental Agreement and the Consideration Issue; and
- (b) we recommend the Whitewash Waiver IBC to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM in relation to the Whitewash Waiver.

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

*Mr. Li Lan is the Executive Director of Opus Capital Limited 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. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated financial information of the Group for each of the three financial years ended 31 December 2020, as extracted from the annual reports of the Company.

**Consolidated Statement of Profit or Loss**

	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	44,119,113	59,482,827	64,356,031
Consolidated gross profit margin <sup>#</sup>	12.16%	17.91%	16.80%
Loss before finance income/(costs) and tax	(5,703,518)	(1,234,043)	(4,894,002)
Loss before tax	(7,168,857)	(2,896,357)	(5,413,737)
Income tax expense	(34,790)	(72,295)	(80,142)
Loss for the year	<u>(7,203,647)</u>	<u>(2,968,652)</u>	<u>(5,493,879)</u>
Attributable to:			
Owners of the parent	(6,993,816)	(2,589,826)	(4,886,895)
Non-controlling interests	<u>(209,831)</u>	<u>(378,826)</u>	<u>(606,984)</u>
	<u>(7,203,647)</u>	<u>(2,968,652)</u>	<u>(5,493,879)</u>
Dividend	–	–	–
Loss per share attributable to ordinary equity holders of the parent			
Basic	(RMB34.8 fen)	(RMB12.9 fen)	(RMB23.7 fen)
Diluted	(RMB34.8 fen)	(RMB12.9 fen)	(RMB23.7 fen)

<sup>#</sup> Consolidated gross profit margin = (gross profit + other income and gains)/revenue

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	70,494,181	71,871,973	60,741,791
Total liabilities	<u>(69,226,535)</u>	<u>(63,710,921)</u>	<u>(49,658,027)</u>
Net assets	<u>1,267,646</u>	<u>8,161,052</u>	<u>11,083,764</u>

The reporting accountant and auditor of the Company, Ernst & Young, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion, disclaimer of opinion or material uncertainty related to going concern) on the consolidated financial statements of the Group for each of the three years ended 31 December 2020.

Save as disclosed in above, there were no exceptional or extraordinary items or items of any income or expense which are material for each of the three years ended 31 December 2020.

The dividend declared for each of the three years ended 31 December 2020 was nil.

## **2. CONSOLIDATED FINANCIAL STATEMENTS**

Financial information of the Group for each of the three years ended 31 December 2020 are disclosed on pages 79 to 207 of the annual report of the Company for the year ended 31 December 2018, pages 77 to 199 of the annual report of the Company for the year ended 31 December 2019, pages 78 to 199 of the annual report of the Company for the year ended 31 December 2020, all of which are published on the website of the Stock Exchange at <http://www.hkexnews.hk/>, and the website of the Company at <http://www.gome.com.hk/>.

Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262350.pdf>

Annual report of the Company for the year ended 31 December 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0506/2020050601109.pdf>

Annual report of the Company for the year ended 31 December 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043000452.pdf>

### 3. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2021, being the latest practicable date of the purpose of this indebtedness statement prior to printing of this Circular, the Group had outstanding borrowings of approximately RMB37,787 million, comprising of bonds payables, bank loans, other loans and lease liabilities.

#### **Bonds payables**

As at 30 June 2021, the Group had unsecured outstanding bonds payables of RMB4,450 million, comprising of corporate bonds and convertible bonds issued by the Group.

#### **Bank loans**

As at 30 June 2021, the Group had secured interest-bearing borrowing from financial institutions of RMB21,361 million, which was borrowed by the Group and was secured by certain buildings, investment properties, properties under development, leasehold land, time deposits and related interest receivables, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of the Group.

#### **Other loans**

As at 30 June 2021, the Group had secured other borrowings from financial institutions of RMB238 million, which was borrowed by the Group and was secured by the aircraft and certain securities of the Group.

#### **Lease liabilities**

As at 30 June 2021, the Group had outstanding lease liabilities amounting to RMB8,700 million, which were secured by rental deposits paid by the Group.

#### **Contingent liabilities and guarantees**

As at the close of business on 30 June 2021, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any material outstanding contingent liabilities and guarantees.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any material:

- (i) debt securities issued and outstanding, authorised or otherwise created but unissued;
- (ii) term loans;

- (iii) borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments;
- (iv) mortgages or charges; or
- (v) contingent liabilities or guarantees.

#### **4. MATERIAL CHANGE**

The Directors have confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

#### **5. WORKING CAPITAL**

The Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular, taking into account the Group's cash flow projection and the following:

- a) the existing banking facilities available to the Group as at the date of this circular and on the assumption that such facilities will continue to be available from the Group's principal bankers;
- b) the assumption that the Group's suppliers will continue to provide trade credit to the Group under the existing credit terms and scale to support the Group's business;
- c) the Group is able to obtain additional equity or debt financing and realise certain investments or properties to obtain additional working capital of the Group, when necessary.

ESTIMATION REPORT ON RENTAL FOR GOME COMMERCIAL CAPITAL,  
NO. 9 XIANGJIANG AND PENGUN BUILDING  
AS A PART OF THE PROPERTY TO BE LEASED OR USED BY  
GOME APPLIANCE COMPANY LIMITED

BFYSHCBZ [2021] No. 01-072

Estimation Institution



北京北方亚事资产评估事务所(特殊普通合伙)  
BEIJING NORTH ASIA ASSET ASSESSMENT FIRM (Special General Partnership)

18 July 2021

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STATEMENT

- I. The Client or other estimation report users shall use the Estimation Report within the application scope specified by applicable laws and administrative regulations and set forth in the Estimation Report; neither the Estimation Institution nor its estimators shall be held liable if the use of the Estimation Report by the Client or other estimation report users violates the aforesaid provisions.
- II. The Estimation Report shall be only for the use by the Client or other estimation report users specified in the *Estimation Assignment Contract* or the estimation report users specified by applicable laws and administrative regulations; any other institution or individual shall not become a user of the Estimation Report.
- III. The Estimation Institution and its estimators remind that a user of the Estimation Report shall correctly understand the estimation conclusions. The estimation conclusions are not equal to a realizable price of the estimation object, and shall not be considered as a guarantee for realizable price of the estimation object.
- IV. The Estimation Institution and its estimators comply with applicable laws, administrative regulations and relevant rules, make estimation on an independent, objective and impartial basis, and assume responsibilities for the estimation report issued by them in accordance with applicable laws.
- V. The list of assets concerned is declared by the Client and the Property Ownership Certificate Holders and confirmed by them through signature, official seal or any other method permitted by the applicable laws; the Client and other related parties are responsible for authenticity, completeness and legitimacy of the data provided by them.
- VI. Neither the Estimation Institution nor its estimators have any existing or anticipated interest or relationship with the estimation object stated herein or with any related party. Therefore, they have no prejudice against the related parties.
- VII. The estimators have conducted field investigations on the estimation object stated herein and the assets concerned; we have paid due attention to the legal ownership status of the estimation object and the assets concerned, verified the legal ownership documents of the estimation object and the assets concerned, truthfully disclosed the problems already identified, and requested the Client and other related parties to supplement the property ownership certification, in order to satisfy the requirements for issuance of the Estimation Report.
- VIII. The analysis, judgment and results in the Estimation Report issued by the Estimation Institution are subject to the assumptions and restrictions stated herein. A user of the Estimation Report shall fully consider the assumptions, restrictions, notes on special matters set forth in the Estimation Report, and their influence on the estimation conclusions.



**Abstract of the Estimation Report on Rental for  
GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building  
as a Part of the Property to Be Leased or Used by  
GOME Appliance Company Limited**

BFYSHCBZ [2021] No. 01-072

As engaged by GOME Appliance Company Limited, Beijing North Asia Asset Assessment Firm (Special General Partnership) (briefly hereinafter referred to as “we” or “Beijing North Asia”) has estimated the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on 31 May 2021, i.e. the Estimation Base Date, in accordance with applicable national laws, administrative regulations and relevant rules and on an independent, objective and impartial basis. The estimators have conducted field investigation and market survey on the property concerned by following necessary estimation procedures, and objectively reflected the present discounted value of the estimation object on 31 May 2021 with consideration to the purpose of estimation and the characteristics of the estimation object. The facts and results of estimation are briefly introduced as below:

- I. Purpose of the Estimation: To estimate the accumulative discounted value (on the Estimation Base Date) of rental for the concerned property of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building in the estimation period, so as to provide reference for the Property to be leased by GOME Appliance Company Limited.
  
- II. Object and Scope of the Estimation: The estimation objects are GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building and the scope of the Estimation is the accumulative discounted value on the Estimation Base Date of the respective rental of the estimation objects in the estimation period. According to the *Price Estimation Assignment Contract*, there are three properties which are included in the scope of estimation, namely GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building, with a total leasable area of 725,602.76 sq.m.. For details, refer to the table below:

Description of Property	Property Ownership Certificate	Location	Status	Leasable area (sq.m.)
GOME Commercial Capital	Block A J(2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	Vacant	364,906.00
	Block B XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	Vacant	159,731.76
No. 9 Xiangjiang	CHFQZHYLZ No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	Vacant	130,501.00

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

Description of Property	Property Ownership Certificate	Location	Status	Leasable area (sq.m.)
Pengrun Building	XJFQZHCHZ No. 1062429	No. 26 Xiaoyun Road, Chaoyang District, Beijing	Leased or in use or vacant	70,464.00
Total				725,602.76

III. Type of value: Market value

IV. The Estimation Base Date: 31 May 2021

V. Method of the Estimation: Market comparison approach

VI. Conclusions of the Estimation: The total present discounted value of rental for the concerned property on 31 May 2021, i.e. the Estimation Base Date, is RMB17,926,396,300 (SAY RMB SEVENTEEN BILLION NINE HUNDRED AND TWENTY SIX MILLION THREE HUNDRED AND NINETY SIX THOUSAND THREE HUNDRED ONLY).

For details, see the table below:

Project Name		Leasable area (sq.m.)	Results of Estimation (RMB10 thousand)
GOME Commercial Capital	Block A	364,906.00	873,023.42
	Block B	159,731.76	370,029.85
	Total	524,637.76	1,243,053.27
No. 9 Xiangjiang		130,501.00	230,613.94
Pengrun Building		70,464.00	318,972.42
Total		725,602.76	1,792,639.63

VII. Effective period for use of the estimation conclusions: The effective period of estimation conclusions in the Estimation Report is one year starting from the Estimation Base Date, i.e. from 31 May 2021 to 30 May 2022.

The above content is extracted from main body of the Estimation Report. Please carefully read the main body of the Estimation Report if you intend to learn about more details of the estimation project and reasonably understand the estimation conclusions. A user of the Estimation Report is required to pay attention to the assumptions, restrictions, notes on special matters set forth in the Estimation Report, and their influence on the estimation conclusions.

**Main Body of the Estimation Report on Rental for GOME Commercial Capital,  
No. 9 Xiangjiang and Pengrun Building as a Part of  
the Property to Be Leased or Used by GOME Appliance Company Limited**

BFYSHCBZ [2021] No. 01-072

**GOME Appliance Company Limited:**

As engaged by GOME Appliance Company Limited, Beijing North Asia Asset Assessment Firm (Special General Partnership) has estimated the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on 31 May 2021, i.e. the Estimation Base Date, in accordance with applicable national laws, administrative regulations and rules and on an independent, objective and impartial basis. The estimators have conducted field investigation and market survey regarding the assets concerned by following necessary estimation procedures, and objectively reflected the present discounted value of the estimation object on 31 May 2021.

The facts and results of estimation are briefly introduced below:

**I. THE CLIENT AND OTHER USERS OF THE ESTIMATION REPORT**

The Client herein refers to GOME Appliance Company Limited, and the Property Ownership Certificate Holders refer to Beijing GOME Commercial Capital Development Co., Ltd., Changsha Xiandao Zhendi Real Estate Development Co., Ltd., (“Changsha Xiandao”) and Beijing Xinhengji Real Estate Group Co., Ltd respectively.

**i. Overview of the Client and the Property Ownership Certificate Holders**

**1. The Client**

Name: GOME Appliance Company Limited

Unified Social Credit Code: 91110000748102517U

Type: Limited Liability Company (foreign-funded joint venture)

Address: Room 1205, No. 80 Hulang Road, Lucheng Town, Tongzhou District, Beijing

Legal Representative: Dong Xiaohong

Registered Capital: RMB1,000,000,000

Date of Establishment: 2 April 2003

Business Term: From 2 April 2003 to 1 April 2033

Business Scope: Sale of mechanical equipment, electric equipment, building materials, hardware and electric supplies (excluding electric bikes), chemical products (excluding hazardous chemicals), decoration materials, knitted textiles, and communication equipment; installation and maintenance services for the aforesaid commodities; economic and trade estimation; import and export of goods and technologies, import and export agency; sale of cosmetics, daily commodities, clothes, shoes and hats, toys, kitchen appliances, motor vehicles, computer software and auxiliary equipment, furniture, bathroom accessories, decorative accessories, electronic products, flowers, and daily necessities; storage and custody; loading and unloading services; lease of household appliances and electronic products; food and beverage services (limited to operation of affiliates); sale of foods; retail of publications; industrial design; and engaged in auction business. (This company was a domestic-funded enterprise before 20 April 2004 and transformed into a foreign-funded enterprise on 20 April 2004; it is engaged in auction business, sale of foods, retail of publications, industrial design, and other items that are required by applicable laws to obtain approval before carrying out any business activity as permitted by the competent authority.)

## **2. *The Property Ownership Certificate Holders***

### *(1) Beijing GOME Commercial Capital Development Co., Ltd.*

Unified Social Credit Code: 9111010677709793XU

Type: Limited Liability Company (legal person sole proprietorship)

Address: F7, F8 and F9, No. 2 Building, Block 6 of Headquarters Base, No. 182 South 4th Ring Road West, Fengtai District, Beijing

Legal Representative: Zhou Liansheng

Registered Capital: RMB50,000,000

Date of Establishment: 24 June 2005

Business Term: From 24 June 2005 to 23 June 2035

Business Scope: General contracting of construction projects; real estate information consultation; information consultation (excluding property agency); investment consultation; project investment; investment management; hotel management; and property management. (The enterprise may choose business independently and conduct business activities in accordance with applicable laws; in the case of the items that are required by applicable laws to obtain approval, the enterprise shall carry out business activities as approved by the competent authority; the enterprise shall not conduct business activities in the fields prohibited or restricted by the local industrial policies.)

(2) *Changsha Xiandao Zhendi Real Estate Development Co., Ltd.*

Unified Social Credit Code: 9143010069620449XP

Type: Limited Liability Company (non-natural person invested or controlled by a legal person sole proprietorship)

Address: F3, No. 3 Building, Jiu hao Commercial Plaza, No. 168 Binjiang Road, Guanshaling Subdistrict, Yuelu District, Changsha City, Hunan Province

Legal Representative: Liu Yanan

Registered Capital: RMB200,000,000

Date of Establishment: 10 October 2009

Business Term: From 10 October 2009 to 9 October 2029

Business Scope: Real estate development, operation and brokerage; investment in real estate, infrastructure construction, public utilities, hotels, tourism, and industry (investment without direct participation in operation management). (Excluding the items requiring prior approval and permission; for the above items subject to administrative approval of licensing, relevant approval or permit must be obtained prior to operation)

(3) *Beijing Xinhengji Real Estate Group Co., Ltd.*

Unified Social Credit Code: 91110000722611719H

Type: Other Limited Liability Company

Address: Room B0005, No. 7 Wuxing Road, Lucheng Town, Tongzhou District, Beijing

Legal Representative: Chen Ruowen

Registered Capital: RMB800,000,000

Date of Establishment: 27 July 2000

Business Term: From 27 July 2000 to 26 July 2050

Business Scope: Real estate development; sale of commodity housing; commission-based property management (including lease of office buildings). (The enterprise may choose business independently and conduct business activities in accordance with applicable laws; in the case of the items that are required by applicable laws to obtain approval, the enterprise shall carry out business activities as approved by the competent authority; the enterprise shall not conduct business activities in the fields prohibited or restricted by the local industrial policies.)

**3. *Relationship between the Client and the Property Ownership Certificate Holders***

GOME Appliance Company Limited, the Client, has no direct investment relationship with the Property Ownership Certificate Holders. They are independent legal persons controlled by the same controlling owner.

**ii. Users of the Estimation Report other than the Client**

The Estimation Report shall be used only by the Client and the Property Ownership Certificate Holders, their higher level authorities, and the estimation report users specified by applicable national laws and regulations, but may not be used or relied upon by any other third party.

**II. PURPOSE OF THE ESTIMATION**

To estimate the accumulative discounted value of rental in the estimation period for the concerned property of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date, so as to provide reference for the Property to be leased by GOME Appliance Company Limited

**III. OBJECT AND SCOPE OF THE ESTIMATION**

**i. Object of the Estimation**

The object included in the scope of estimation is the accumulative discounted value of rental in the estimation period for the concerned property of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date.

**ii. Scope of the Estimation**

**1. *Rental estimation period***

*(1) GOME Commercial Capital and No. 9 Xiangjiang*

From 1 July 2022 to 31 December 2040.

(2) *Pengrun Building*

From 1 March 2023 to 31 December 2040 for 42,500 sq.m. area, from 1 July 2021 to 31 December 2040 for 27,964 sq.m. area.

2. *For general information on the property concerned, see the table below:*

Description of Property	Property Ownership		Status	Leasable area (sq.m.)	
	Certificate	Location			
GOME Commercial Capital	Block A	J (2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	Vacant	364,906.00
	Block B	XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	Vacant	159,731.76
No. 9 Xiangjiang		CHFQZHYLZ No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	Vacant	130,501.00
Pengrun Building		XJFQZHCHZ No. 1062429	No. 26 Xiaoyun Road, Chaoyang District, Beijing	Leased or in use or vacant	70,464.00
Total					725,602.76

3. *Specific scope of the estimation*

(1) *For the scope of estimated rental for GOME Commercial Capital, see the table below:*

Building No.		Leasable area (sq.m.)
Block A of GOME Commercial Capital	Commercial conference & exhibition	197,083.63
	Apartments	55,403.69
	Warehouses	27,732.94
	Parking spaces	84,685.74
	Sub-total	364,906.00
Block B of GOME Commercial Capital	Commercial conference & exhibition	80,698.37
	Office spaces	35,532.03
	Warehouses	7,088.00
	Parking spaces	36,413.36
	Sub-total	159,731.76
Total		524,637.76

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

(2) For the scope of estimated rental for No. 9 Xiangjiang, see the table below:

S/N	Floor No.		Leasable area (sq.m.)
1	Basement Level 1	Underground commercial space	13,936.00
		Parking spaces (number of counts)	680
2	F1		34,473.00
3	F2		31,295.00
4	F3		31,271.00
5	F4		18,446.00
6	F5		1,080.00
7		Total	130,501.00

(3) For the scope of estimated rental for Pengrun Building, see the table below:

On Floor No.	Room No.	Leasable area (sq.m.)
-2	05/06	163.83
1	B109	61.62
5	B501-503, B505-509	3,634.91
6	B601-603, B605, B608, B610	2,789.36
7	B701-703, B705-709	3,634.91
8	B801-809, B816	3,424.57
10	B1001-B1003	1,101.98
	B1005	540.45
	B1006	591.45
	B1007-1009	1,671.55
11	B1101-1103, B1105-1109	3,380.96
12	B1201-03\06-09	3,062.38
	B1205	572.53
15	B1501-1503, B1505-1507, B1509-1512	3,152.27
	B1508	332.41
16	B1601-1603, B1609	1,589.42
	B1605-1606, B1608, B1610, B1612	1,720.40
17	B1701-1703, B1705-1709	3,634.91
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04
19	B1901-1903, B1905-1909	3,338.17
21	B2101-2103, B2105-2109	3,634.91
22	B2201	597.07
	B2202-2203, B2205	671.70
	B2206-2207	798.96
	B2211-2212	157.87
23	B2301-2303, B2305-2308	2,336.35
	B2310-2311, B2318	414.56
	B2316	74.00



**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

<b>On Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>
25	B2501, B2511	805.00
	B2506, B2512, B2515	1,628.74
	B2509-2510	402.48
26	B2603, B2605-2606	1,458.16
	B2610-2611	86.08
27	B2705-2706, B2708, B2710-2711	1,471.69
	B2707	597.16
28	B2801, B2806, B2810-2811	1,185.47
	B2802-2803, B2805	1,333.64
29	B2902, B2910-2911	275.36
	B2905-2906	1,341.42
30	B3001-3003, B3005-3009	3,293.35
31	B3101-3103, B3105-3110	3,634.91
	Total	70,464.00

**4. Real estate ownership information**

*(1) GOME Commercial Capital*

a. Real Estate Ownership Certificate for Block A of GOME Commercial Capital

Real Estate Ownership Certificate No.	J (2019) FBDCHQ No. 0046699
Owner	GOME Commercial Capital
Location	[54] suites including Room 401 on the 4th floor at No. 182 South 4th Ring Road West, Fengtai District
Type of right	State-owned construction land use right
Nature of right	Transfer
Parcel land area (sq.m.)	53,722.38 (after deduction of the civil air defense area, the shared land area is 50,592.55 sq.m.)
Gross floor area of buildings (sq.m.)	364,906
Purposes	Conference & exhibition, parking spaces, hotels, warehouses, commercial spaces
Date of expiry	Commercial spaces: From 27 May 2005 to 26 May 2045; Office spaces, underground parking spaces, and underground warehouses: From 27 May 2005 to 26 May 2055;

- b. Real Estate Ownership Certificate for Block B of GOME Commercial Capital

On 7 December 2006, GOME Commercial Capital obtained the *State-owned Land Use Rights Certificate* of land parcel for Block B. Specific information is shown as follows:

Land Use Rights Certificate No.	JFGY (2006) CH No. 002785
Owner of land use right	GOME Commercial Capital
Location	Land Parcel 35-A1, Phase II Industrial Base of Fengtai Park, Zhongguancun Science Park, Fengtai District
Nature of land use right	Transfer
Area of tenure (sq.m.)	22,770.16
Classification of land use (purposes)	Commercial spaces, composite buildings, underground parking spaces, and underground warehouses
Date of expiry	Commercial spaces: 26 May 2045; Composite buildings, underground parking spaces, and underground warehouses: 26 May 2055

On 1 June 2010, GOME Commercial Capital obtained the Property Ownership Certificate for property in Block B. Specific information is shown as follows:

Real Estate Ownership Certificate No.	XJFQZHFZ No. 235689
Owner	GOME Commercial Capital
Location	No. 180 South 4th Ring Road West, Fengtai District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	159,731.76
Planning purposes	Parking spaces, conference & exhibition, office spaces for financial industry, warehouses, and commercial spaces

(2) *No. 9 Xiangjiang*

On 19 March 2013, Changsha Xiandao obtained the State-owned Land Use Rights Certificate. Specific information is shown as follows:

Land Use Rights Certificate No.	CHGY (2013) No. 022987
Owner of land use right	Changsha Xiandao
Location	Binjiang New City, Yuelu District
Nature of land use right	Transfer
Area of tenure (sq.m.)	63,260.24
Classification of land use (purposes)	Land for commercial facilities
Date of expiry	16 March 2050

*Note:* According to the information recorded in the above-mentioned State-owned Land Use Rights Certificate and the relevant notes provided by Changsha Xiandao, (1) the leasable area of No. 9 Xiangjiang included in the estimation is 130,501 sq.m.; (2) the total land area occupied by the property of No. 9 Xiangjiang is 63,260.24 sq.m.. In terms of the above land, Changsha Xiandao has sold the property with a gross floor area of 8,132.2 sq.m. and the corresponding shared land use area of 2,881.13 sq.m..

As of 10 August 2016, the Property Ownership Certificates had been obtained for 13 properties of No. 9 Xiangjiang included in the scope of estimation. Specific information is shown as follows:

S/N	Owner	Certificate No.	Location of the Property	Gross floor area (sq.m.)	Purposes
1	Changsha Xiandao	CHFQZHYLZ No. 716237838	No. 1-11 Buildings and Basement 1001, Jiu hao Commercial Plaza, No. 168 Binjiang Road	41,586.79	Parking spaces, Commercial spaces
2	Changsha Xiandao	CHFQZHYLZ No. 716237850	No. 1-11 Buildings and Basement 1029, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,574.30	Commercial spaces

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

<b>S/N</b>	<b>Owner</b>	<b>Certificate No.</b>	<b>Location of the Property</b>	<b>Gross floor area (sq.m.)</b>	<b>Purposes</b>
3	Changsha Xiandao	CHFQZHYZ No. 716237851	No. 1-11 Buildings and Basement 1001, Jiu hao Commercial Plaza, No. 168 Binjiang Road	6,370.49	Commercial spaces
4	Changsha Xiandao	CHFQZHYZ No. 716237852	No. 1-11 Buildings and Basement 1002, Jiu hao Commercial Plaza, No. 168 Binjiang Road	18,320.71	Commercial spaces
5	Changsha Xiandao	CHFQZHYZ No. 716237853	No. 1-11 Buildings and Basement 1003, Jiu hao Commercial Plaza, No. 168 Binjiang Road	12,381.64	Commercial spaces
6	Changsha Xiandao	CHFQZHYZ No. 716237854	No. 1-11 Buildings and Basement 1004, Jiu hao Commercial Plaza, No. 168 Binjiang Road	845.13	Commercial spaces
7	Changsha Xiandao	CHFQZHYZ No. 716237855	No. 1-11 Buildings and Basement 1005, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,256.22	Commercial spaces
8	Changsha Xiandao	CHFQZHYZ No. 716237856	No. 1-11 Buildings and Basement 1006, Jiu hao Commercial Plaza, No. 168 Binjiang Road	5,085.66	Commercial spaces

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

S/N	Owner	Certificate No.	Location of the Property	Gross floor area (sq.m.)	Purposes
9	Changsha Xiandao	CHFQZHYLZ No. 716237857	No. 1-11 Buildings and Basement 1007, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,665.18	Commercial spaces
10	Changsha Xiandao	CHFQZHYLZ No. 716237858	No. 1-11 Buildings and Basement 1008, Jiu hao Commercial Plaza, No. 168 Binjiang Road	2,722.05	Commercial spaces
11	Changsha Xiandao	CHFQZHYLZ No. 716237859	No. 1-11 Buildings and Basement 1009, Jiu hao Commercial Plaza, No. 168 Binjiang Road	2,222.28	Commercial spaces
12	Changsha Xiandao	CHFQZHYLZ No. 716237860	No. 1-11 Buildings and Basement 1010, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,809.41	Commercial spaces
13	Changsha Xiandao	CHFQZHYLZ No. 716237861	No. 1-11 Buildings and Basement 1011, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,391.79	Commercial spaces

According to the *Notes on Matters Related to Estimation* provided by the Property Ownership Certificate Holders, in addition to the buildings of 97,231.65 sq.m. for which the Property Ownership Certificates have been obtained, there are also the buildings of 62,718.00 sq.m. for which the Property Ownership Certificates have not been obtained in the No. 9 Xiangjiang Project included in the scope of this estimation. The reason for not obtaining the Property Ownership Certificates is that, after obtaining Property Ownership Certificates for the aforesaid 13 properties, the Property Ownership Certificate Holder has constructed extra buildings including the 3rd floor, the 4th floor, the 5th floor and the corridors, but has not undergone relevant approval procedures for the aforesaid extra buildings.

(3) *Pengrun Building*

a. State-owned Land Use Rights Certificate

Land Use Rights Certificate No.	JCHGY (2009) CH No. 0131
Owner of land use right	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of land use right	Transfer
Area of tenure (sq.m.)	10,177.32
Classification of land use (purposes)	Residential and office spaces
Date of expiry	Residential space: 10 January 2070 Office space: 10 January 2050

b. Property Ownership Certificate

Real Estate Ownership Certificate No.	XJFQZHCHZ No. 1062429
Owner	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	210,005.46
Planning purposes	Parking spaces, composite buildings

5. *Current status of property use*

As of the Estimation Base Date, GOME Commercial Capital and No. 9 Xiangjiang are vacant.

In the properties of Pengrun Building included in the scope of estimation, there is 62,976.69 sq.m. leased or being used, while the remaining property is vacant. For details, see the table below:

On Floor No.	Room No.	Leasable area (sq.m.)	Status
-2	05/06	163.83	In use
1	B109	61.62	In use
5	B501-503, B505-509	3,634.91	In use
6	B601-603, B605, B608, B610	2,789.36	In use
7	B701-703, B705-709	3,634.91	In use
8	B801-809, B816	3,424.57	In use
10	B1001-B1003	1,101.98	In use
	B1005	540.45	In use
	B1006	591.45	In use
	B1007-1009	1,671.55	In use
11	B1101-1103, B1105-1109	3,380.96	In use
12	B1201-03\06-09	3,062.38	In use
	B1205	572.53	In use
15	B1501-1503, B1505-1507, B1509-1512	3,152.27	In use
	B1508	332.41	In use
16	B1601-1603, B1609	1,589.42	In use
	B1605-1606, B1608, B1610, B1612	1,720.40	In use
17	B1701-1703, B1705-1709	3,634.91	In use
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04	In use
19	B1901-1903, B1905-1909	3,338.17	In use
21	B2101-2103, B2105-2109	3,634.91	In use
22	B2201	597.07	In use
	B2202-2203, B2205	671.70	In use
	B2206-2207	798.96	In use
	B2211-2212	157.87	In use
23	B2301-2303, B2305-2308	2,336.35	In use
	B2310-2311, B2318	414.56	In use
	B2316	74.00	In use
25	B2501, B2511	805.00	Vacant
	B2506, B2512, B2515	1,628.74	In use
	B2509-2510	402.48	In use
26	B2603, B2605-2606	1,458.16	Vacant
	B2610-2611	86.08	In use

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

<b>On Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>	<b>Status</b>
27	B2705-2706, B2708, B2710-2711 B2707	1,471.69 597.16	In use Vacant
28	B2801, B2806, B2810-2811 B2802-2803, B2805	1,185.47 1,333.64	In use Vacant
29	B2902, B2910-2911 B2905-2906	275.36 1,341.42	In use In use
30	B3001-3003, B3005-3009	3,293.35	Vacant
31	B3101-3103, B3105-3110	3,634.91	In use
Vacant area (sq.m.)		7,487.31	
Leased or in use area (sq.m.)		62,976.69	
Total area (sq.m.)		70,464.00	

**6. Mortgage information**

For mortgage information of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building as of the Estimation Base Date, see the table below:

<b>S/N</b>	<b>Mortgagee</b>	<b>Mortgaged Property</b>	<b>Mortgaged Area (sq.m.)</b>	<b>Mortgage Registration Date</b>
1	Jilin Province Trust	F1, F2, F8, F9, Room 1606 and Room 1607 on F16, F19, F27 and F28 in Block B of Pengrun Building	23,017.27	9 August 2018
2	Sino Guarantee		23,017.27	13 August 2018
3	Beijing Branch of China Bohai Bank	A total of 80 suites on F5, F6, F9, F10, F17, F20, F21, F26, F27, and a part of F30 in Block B of Pengrun Building	32,481.79	25 August 2020
4	Northern Trust	Block A of Pengrun Building: 1801, 1802, 1803, 1805, 1806, 1807 Block B of Pengrun Building: 501, 502, 503, 505, 506, 507, 508, 509, 1601, 1602, 1603, 1605, 1608, 1609	7,700.01	30 June 2020
5	Beijing Branch of the Bank of Jiangsu	F11, F12, F14, F15, F18, F19, F22 and F25 in Block B of Pengrun Building	25,465.97	16 May 2018



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**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

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S/N	Mortgagee	Mortgaged Property	Mortgaged Area (sq.m.)	Mortgage Registration Date
6	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	13 November 2019
7	Beijing Branch of China Bohai Bank	Property and land use rights in Block B of GOME Commercial Capital	159,731.76	13 November 2019
8	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	29 June 2020
9	Guangdong Huarong	All property of No. 9 Xiangjiang	97,231.65	28 April 2020

The assets included in the scope of estimation are consistent with the scope of assets as stated in the Estimation Assignment Contract.

**IV. TYPE OF VALUE**

According to the purpose of estimation, the type of value is set to be market value.

Market value refers to the estimated value of the estimation object on the Estimation Base Date under a normal and fair transaction done by a voluntary buyer and a voluntary seller rationally instead of being forced.

Selecting market value as the type of value for the estimation is a decision made by giving due consideration to the market conditions as well as the estimation object's own conditions and other factors and following the principle that the type of value should match with the purpose of estimation.

**V. ESTIMATION BASE DATE**

The Estimation Base Date for this project is 31 May 2021.

Determination of such base date is based on the Client's requirements, and helpful to guarantee that the estimation results are able to effectively serve for the purpose of estimation and better reflect the status of assets concerned.

**VI. BASIS OF THE ESTIMATION**

i. Economic behavior basis

The Estimation Assignment Contract.

ii. Law and regulation basis

1. Civil Code of the People's Republic of China (approved at the 3rd Session of the 13th National People's Congress of People's Republic of China on 28 May 2020);
2. Urban Real Estate Management Law of the People's Republic of China (the 3rd amendment according to the 12th Session of the Standing Committee of the 13th National People's Congress of People's Republic of China on 26 August 2019);
3. Other applicable laws, regulations and notification documents, etc.

iii. Property ownership certification basis

1. Real Estate Ownership Certificate;
2. Land Use Rights Certificate;
3. Other property ownership documents.

iv. Price determination basis

1. Data obtained by the estimators through field investigation and market survey;
2. Quantity of the assets concerned etc. provided by the Property Ownership Certificate Holders.

**VII. METHOD OF THE ESTIMATION****i. Selection of the estimation method**

Based on the facts of the estimation object, the market comparison approach is used to estimate the market's rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date. Then, we discount and sum up the rental in the estimation period to derive the present discounted value of rental for the properties of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building included in the scope of estimation.

**ii. Introduction to the market comparison approach**

The market comparison approach refers to a method that is used to estimate the objective and reasonable price or value of the estimation object by comparing the estimation object with similar comparable examples near the Estimation Base Date and make proper correction of the known trading price based on the transaction status, date, regional factors and individual factors of such similar comparable examples in accordance with the principle of substitution (the principle of substitution is the basis adopted when applying the market approach in valuation, requiring the valuer to stand in the position of the purchaser, using the lower range of the value of acquiring an equivalent or similar substitute for the subject of valuation) when seeking the market's rental.

Basic calculation formula:

$$V=Vb \times A \times B \times C \times D$$

Where:

V – Price of the estimation object

Vb – Price of the comparable example

A – Trading index of the estimation object/trading index of the comparable example

B – Housing price index of the estimation object on the estimation date/housing price index of the comparable example on the date of quotation

C – Regional factor condition index of the estimation object/regional factor condition index of the comparable example

D – Individual factor condition index of the estimation object/individual factor condition index of the comparable example

**VIII. IMPLEMENTATION AND RELEVANT FACTS OF THE ESTIMATION PROCEDURE**

As engaged by GOME Appliance Company Limited, Beijing North Asia Asset Assessment Firm (Special General Partnership) has estimated the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building. The estimators have conducted necessary verification and checking of the real estate included in the scope of estimation, made verification against the detail list provided by the enterprises, obtained other relevant data, and completed the required estimation procedure. The specific estimation process is shown as follows:

**i. Specifying the basic matters of estimation service**

Our staff negotiates with the Client's representative to specify the Client and the estimation report users other than the Client; the purpose of estimation; the object and scope of estimation; the Estimation Base Date; the restrictions on use of the estimation report; the estimation report submission time and method; and other important matters to be specified such as the cooperation and assistance between the Client and the estimators.

**ii. Signing the Estimation Assignment Contract**

Considering the specific situation of estimation service, we make comprehensive analysis and evaluation on our professional competence, independence and operational risks. After that, the Estimation Institution decides to undertake the estimation assignment.

**iii. Developing the estimation plan**

After undertaking the estimation assignment, we arrange estimators to develop the estimation plan. The estimation plan covers the contents such as specific steps, timing, staffing and technical proposal of estimation.

**iv. Conducting field investigations**

Based on the specific situation of estimation, we have conducted field investigations on the estimation object. It includes the following:

The Client and the Property Ownership Certificate Holders are required to provide detailed information on the object and scope of estimation;

The Client and the Property Ownership Certificate Holders are required to confirm the estimation detail list and relevant supporting materials provided by them through signature, official seal or other methods;

The estimators conduct verification and survey by means of inquiry, checking, field investigation, and inspection, so as to obtain the basic data required by the estimation service, get to know the status of the estimation object, and pay attention to the legal ownership of the estimation object.

**v. Collecting estimation data**

We collect estimation data based on the specific situation of estimation business, and supplement the estimation data according to the estimation service needs and the changes in estimation implementation process. Such data include the data independently obtained directly from market and other channels, the data obtained from related parties such as the Client and the Property Ownership Certificate Holders, and the data obtained from various professional institutions and other relevant authorities; the forms such as inquiry records and government documents; the data created by the estimators through analysis, summarisation and sorting of the collected estimation data with consideration to the specific situation of estimation business.

**vi. Assessment and estimation**

Choose suitable methods to make estimation, conduct summarisation and analysis, so as to determine the results of estimation preliminarily.

**vii. Preparing and submitting the Estimation Report**

Prepare the initial draft of estimation report on the basis of aforesaid work. Then, we conduct internal audit on the initial draft of estimation report and the working papers at three levels and make necessary communication with the Client in terms of relevant content of the Estimation Report. After fully considering relevant opinions, we make necessary adjustment, modification and improvement on the estimation conclusions. Then, we review the report again by following our three-level internal audit system and procedures before submitting the official estimation report to the Client.

**IX. ESTIMATION ASSUMPTIONS**

Based on the facts of the estimation object, we must establish some assumptions to fully support the estimation conclusions drawn. The estimation assumptions used in the Estimation are as follows:

**i. Basic assumptions**

1. Transaction assumption: Assuming that the object of estimation is already in the process of transaction and the estimators make estimation under the simulated market such as transaction conditions of the estimation object.

2. Open market assumption: Assuming that the market condition to be accessed by the concerned assets is an open market. Open market refers to fully developed and refined market conditions. It refers to a competitive market with voluntary buyers and sellers. In this market, buyers and sellers have equal position. Both of them have the opportunity and time to obtain adequate market information. Both buyers and sellers conduct transactions on a voluntary and rational basis instead of being forced or restrained to do so.

**ii. General assumptions**

1. There is no major change in the current national macro-economy;
2. There is no major change in the social or economic environment of the Property Ownership Certificate Holders or in the tax or tax rate policies that are applicable to the Property Ownership Certificate Holders;
3. The parameters in the estimation are determined under the constant price system, without consideration to the influence of inflation factors.

**iii. Special assumptions**

1. The estimation is based on the specific purpose stated in the Estimation Report;
2. The assets concerned are based upon the actual quantity on the Estimation Base Date;
3. The estimation neither has taken into account possible mortgage guarantee to be provided in future or the influence of additional price possibly paid by a special trading party on the estimated value, nor has considered the influence of change in national macro-economic policies or natural force or other force majeure events on the price of assets;
4. The results of estimation are the conclusions drawn by assuming that the estimation object meets the conditions for lease and normal settle-down during the expected rental estimation period, and the engineering quality satisfies relevant requirements, is accepted in the quality inspection, and meets the project delivery standards. If such assumptions change, the results of estimation should be adjusted accordingly or re-estimation should be conducted;
5. Uniform inflow of rental during each year is assumed when making estimation.

If the aforesaid conditions change, the results of estimation will normally become ineffective.

The estimators deem that such prerequisites are met on the Estimation Base Date. If there is a major change in the future economic environment, the estimators will not take responsibility to derive different estimation results as a result of the change in prerequisites.

**X. CONCLUSIONS OF THE ESTIMATION**

Considering the facts of the estimation object, we use the market comparison approach to estimate the market’s rental of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date by following the necessary estimation procedures in accordance with applicable national laws, administrative regulations and relevant rules and on an independent, objective and impartial basis. After that, we discount and sum up the rental in the estimation period to derive the present discounted value of rental for the properties of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building included in the scope of estimation. Based on the aforesaid estimation, we have drawn the following estimation conclusions:

The total present discounted value of rental for the property concerned on 31 May 2021, i.e. the Estimation Base Date, is RMB17,926,396,300 (SAY RMB SEVENTEEN BILLION NINE HUNDRED AND TWENTY SIX MILLION THREE HUNDRED AND NINETY SIX THOUSAND THREE HUNDRED ONLY).

For details, see the table below:

<b>Project Name</b>	<b>Leasable area (sq.m.)</b>	<b>Results of estimation (RMB10 thousand)</b>
GOME Commercial Capital	Block A	873,023.42
	Block B	370,029.85
	Total	1,243,053.27
No. 9 Xiangjiang	130,501.00	230,613.94
Pengrun Building	70,464.00	318,972.42
Total	725,602.76	1,792,639.63

**XI. NOTES ON SPECIAL MATTERS**

When using the Estimation Report, a user shall pay attention to the possible influence of special matters on the estimation conclusions and give sufficient consideration when making a decision based on the Report.

- i. The estimation conclusions reflect current price of the estimation object as determined for the purpose of estimation by following the open market principle, without taking into account the influence of additional price possibly paid by a special trading party on the estimation conclusions or the influence of changes in national macro-economic policies or natural force or other force majeure events on the price of assets. If there is any change in the aforesaid conditions or the open market principle observed in estimation, the results of estimation will normally become ineffective.

- ii. The estimation is made by the Estimation Institution on an independent, objective and impartial basis. Neither the Estimation Institution nor its staff members participating in the estimation have any interest or relationship with the Client or other parties. The estimators have stringently observed the professional ethics and codes.
- iii. The estimation-related estimation declaration forms and relevant data provided by the Client and the Property Ownership Certificate Holders are the basis for preparing the Report; the estimators have carried out necessary and independent verification for the project, and the Client and the Property Ownership Certificate Holders shall be responsible for authenticity, legitimacy and completeness of the data provided by them.
- iv. The purpose of the asset estimation made by the estimators is to estimate the value of the estimation object and express professional opinions. Making confirmation or giving advice on the legal ownership of the estimation object is beyond the service scope of estimators. The estimators have paid due attention to the legal ownership status of the estimation object and the assets concerned, verified the legal ownership documents of the estimation object and the assets concerned, and truthfully disclosed the problems already identified. However, the estimators will not give any form of guarantee for legal ownership of the estimation object.
- v. Defects that should be noted:
  - 1. As of the Estimation Base Date, GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building are still under mortgage loans as mortgage registration has been made; the principal debtor guaranteed by GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building undertakes that as a debtor, it will take all practicable measures to ensure the timely and full performance of the relevant debt contracts signed with creditors in accordance with the agreements of all the existing and future debt contracts with creditors. It will also ensure that there is sufficient sources of funding to settle debts when the debtor is required to repay the debts to the creditor according to relevant debtor contracts, including but not limited to debts to be paid in advance, or take other security measures acceptable to the creditor, to guarantee the normal collection of the rental for such properties in the estimation period.
  - 2. According to the Notes on Matters Related to the Rental Estimation provided by the Client and the Property Ownership Certificate Holders, the leasable area of No. 9 Xiangjiang used in the Estimation is 130,501.00 sq.m., of which the additional area without a registered property ownership certificate is 62,718.00 sq.m.. The owner of the property has undertook that it would refund the rent for the part that has not been actually used under the circumstances that No. 9 Xiangjiang fails to obtain a legal property certificate, fails to obtain the approval and construction procedure, fails to complete the completion acceptance, fails to meet the safety standards, etc, which leads to demolition, or unavailable due to any other reasons in the estimation period.



3. According to the Notes on Matters Related to the Rental Estimation provided by the Client and the Property Ownership Certificate Holders, the Property Owner recorded currently in the Property Ownership Certificate of Pengrun Building is Beijing Xinhengji Real Estate Group Co., Ltd.; on 25 October 2007, GOME Property Co., Ltd. (formerly known as Beijing GOME Real Estate Co., Ltd) signed the Contract for Sale of Finished Commodity Housing in Beijing with Beijing Xinhengji Real Estate Group Co., Ltd. regarding purchase of the premises in Block B of Pengrun Building. After entering into the contract by both parties, GOME Property Co., Ltd. had already paid in full the purchase price to Beijing Xinhengji Real Estate Group Co., Ltd., without completing ownership transfer procedure. The Property Owner was still Beijing Xinhengji Real Estate Group Co., Ltd. In the operation of property lease of Block B of Pengrun Building, Beijing Xinhengji Real Estate Group Co., Ltd authorizes GOME Property Co., Ltd. as the leasing party. GOME Property Co., Ltd. is not only the party signing the Lease Contracts but also the party receiving payment. At the same time, Beijing Xinhengji Real Estate Group Co., Ltd. undertakes that before 31 December 2040, it will ensure the normal collection of rental for the use of property included in scope of estimation during estimation period.
4. According to the Notes on Matters Related to the Rental Estimation provided by the Client and the Property Ownership Certificate Holders, as of the Estimation Base Date, there is a part of property in the No. 9 Xiangjiang Project, for which the lease contracts have not expired. The lessees under the aforesaid lease contracts have not actually moved into the leased premises or have already withdrawn from the leased premises but the parties have not signed an official agreement on termination of the lease contract. For details of the lease contract, see the table below:

S/N	Room No.	Leasable area (sq.m.)	Lessee	Term of Lease
1	B007, B008	249	Sun Bo	1 October 2016 to 30 September 2021
2	A026, A027	271	Hunan Chanzhiwei Food & Beverage Management Co., Ltd.	24 December 2016 to 23 December 2022
3	A003	199.73	Changsha Daxiang Yanshi Food & Beverage Management Co., Ltd.	1 May 2017 to 30 April 2022
4	B010, B011	486	Peng Zhuyang	1 November 2016 to 31 October 2021
5	B009	81	Hunan Songze Trading Co., Ltd.	1 October 2016 to 30 September 2021

In accordance with the lease contracts of the above properties, we notices that the lease contract of item 2 remained in force on 1 July 2022, the starting date of the estimation period. The property owner undertakes that it will ensure the handover of such property to tenant at the starting date of the rent estimation period.

5. As of the Estimation Base Date, in the property of Pengrun Building included in the scope of estimation, there is 62,976.69 sq.m. leased or being used; GOME Property Co., Ltd. undertakes that such leased or utilized properties will reach usable status before delivery to the lessees according to the leasing agreement.
- vi. The analysis, opinions and conclusions herein are effective only on the basis of assumptions and restrictions set forth in the Estimation Report. They reflect the professional analysis, opinions and conclusions of the estimators without prejudice.
- vii. The rental mentioned in the estimation includes property management fees.
- viii. Matters after the Estimation Base Date

Within the effective period of the estimation conclusions after the Estimation Base Date, if the quantity and pricing standards of assets change, the following principles shall be observed:

1. The data declared by the Estimation Institution are determined jointly by the estimators and the Client and Property Ownership Certificate Holders on site. When the quantity of assets changes, the amount of assets should be adjusted accordingly by using the original estimation method.
2. When the pricing standards of assets change and such change poses obvious influence on the estimation results, the Client should adjust the estimation results or make re-estimation on a timely basis.
3. When determining the actual prices, the Client should give due consideration to the change in quantity and pricing standards of assets after the Estimation Base Date, and make adjustment accordingly.

**XII. RESTRICTIONS ON USE OF THE ESTIMATION REPORT**

- i. The estimation conclusions herein are derived on the basis of the aforesaid principles, basis, assumptions, methods and procedures, and remain effective only on the conditions of such principles, basis, and assumptions.
- ii. The Estimation Report shall not be used for any purpose or application other than the purpose and application of estimation stated herein; the Estimation Report shall not be extracted, quoted or disclosed to public media in whole or in part without a prior consent of the Estimation Institution unless otherwise specified by the applicable laws or regulations or relevant parties; any consequence of improper use has nothing to do with the Estimation Institution.
- iii. The Estimation Report shall be used only by the estimation report users specified in the Estimation Report.
- iv. If there is no major change in the market conditions or status of assets since the Estimation Base Date, the effective period of the estimation conclusions drawn in the Estimation Report shall be one year from the Estimation Base Date, i.e. from 31 May 2021 to 30 May 2022.
- v. In case of a matter that poses significant influence on the estimation conclusions, the Estimation Base Date should be determined again and re-estimation should be conducted.

**XIII. ESTIMATION REPORT DATE**

The date of the Estimation Report refers to the date when the estimators formulate the final professional opinions. The estimation report date of this project is 18 July 2021.

**XIV. SEAL OF THE ESTIMATION INSTITUTION**

Beijing North Asia Asset Assessment Firm (Special General Partnership)  
18 July 2021

NOTES ON ESTIMATION OF RENTAL FOR GOME COMMERCIAL CAPITAL,  
NO. 9 XIANGJIANG AND PENGGRUN BUILDING  
AS A PART OF THE PROPERTY TO BE LEASED OR USED BY  
GOME APPLIANCE COMPANY LIMITED

BFYSHCBZ [2021] No. 01-72



北京北方亚事资产评估事务所(特殊普通合伙)  
BEIJING NORTH ASIA ASSET ASSESSMENT FIRM (Special General Partnership)

18 July 2021

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**PART 1 STATEMENT ON APPLICATION SCOPE OF THE NOTES ON ESTIMATION**

The Notes on Estimation shall be used only for the specified purpose of estimation or used by the competent evaluation authority or enterprise regulator for the purpose of reviewing the Estimation Report or inspecting the Estimation Institution's work; unless required by the applicable laws or administrative regulations, the Estimation Report shall neither be provided to any other entity or individual nor be disclosed to public media in whole or in part.

Beijing North Asia Asset Assessment Firm (Special General Partnership)  
18 July 2021

PART 2 TECHNICAL NOTES ON THE ESTIMATION

I. OBJECT AND SCOPE OF THE ESTIMATION

i. Object of the Estimation

The object included in the scope of estimation is the accumulative discounted value of rental in the estimation period for the concerned property of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date.

ii. Scope of the Estimation

1. Rental estimation period

(1) GOME Commercial Capital and No. 9 Xiangjiang

From 1 July 2022 to 31 December 2040.

(2) Pengrun Building

From 1 March 2023 to 31 December 2040 for 42,500 sq.m. area, from 1 July 2021 to 31 December 2040 for 27,964 sq.m. area.

2. For general information on the properties concerned, see the table below:

Description of Property	Property Ownership Certificate	Location	Status	Leasable area (sq.m.)
GOME Commercial Capital	Block A J (2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	Vacant	364,906.00
	Block B XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	Vacant	159,731.76
No. 9 Xiangjiang	CHFQZHYZLZ No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	Vacant	130,501.00
Pengrun Building	XJFQZHCHZ No. 1062429	No. 26 Xiaoyun Road, Chaoyang District, Beijing	Leased or in use or vacant	70,464.00
Total				725,602.76

3. *Specific scope of the estimation*

(1) *For the scope of estimated rental for GOME Commercial Capital, see the table below:*

<b>Building No.</b>		<b>Leasable area (sq.m.)</b>
Block A of GOME Commercial Capital	Commercial conference & exhibition	197,083.63
	Apartments	55,403.69
	Warehouses	27,732.94
	Parking spaces	84,685.74
	Total	364,906.00
Block B of GOME Commercial Capital	Commercial conference & exhibition	80,698.37
	Office spaces	35,532.03
	Warehouses	7,088.00
	Parking spaces	36,413.36
	Total	159,731.76
Grand Total		524,637.76

(2) *For the scope of estimated rental for No. 9 Xiangjiang, see the table below:*

<b>S/N</b>	<b>Floor No.</b>		<b>Leasable area (sq.m.)</b>
1	Basement Level 1	Underground commercial space	13,936.00
		Parking spaces (number of counts)	680
2	F1		34,473.00
3	F2		31,295.00
4	F3		31,271.00
5	F4		18,446.00
6	F5		1,080.00
7		Total	130,501.00



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(3) For the scope of estimated rental for Pengrun Building, see the table below:

<b>Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>
-2	05/06	163.83
1	B109	61.62
5	B501-503, B505-509	3,634.91
6	B601-603, B605, B608, B610	2,789.36
7	B701-703, B705-709	3,634.91
8	B801-809, B816	3,424.57
10	B1001-B1003	1,101.98
	B1005	540.45
	B1006	591.45
	B1007-1009	1,671.55
11	B1101-1103, B1105-1109	3,380.96
12	B1201-03\06-09	3,062.38
	B1205	572.53
15	B1501-1503, B1505-1507, B1509-1512	3,152.27
	B1508	332.41
16	B1601-1603, B1609	1,589.42
	B1605-1606, B1608, B1610, B1612	1,720.40
17	B1701-1703, B1705-1709	3,634.91
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04
19	B1901-1903, B1905-1909	3,338.17
21	B2101-2103, B2105-2109	3,634.91
22	B2201	597.07
	B2202-2203, B2205	671.70
	B2206-2207	798.96
	B2211-2212	157.87
23	B2301-2303, B2305-2308	2,336.35
	B2310-2311, B2318	414.56
	B2316	74.00
25	B2501, B2511	805.00
	B2506, B2512, B2515	1,628.74
	B2509-2510	402.48
26	B2603, B2605-2606	1,458.16
	B2610-2611	86.08
27	B2705-2706, B2708, B2710-2711	1,471.69
	B2707	597.16
28	B2801, B2806, B2810-2811	1,185.47
	B2802-2803, B2805	1,333.64
29	B2902, B2910-2911	275.36
	B2905-2906	1,341.42
30	B3001-3003, B3005-3009	3,293.35
31	B3101-3103, B3105-3110	3,634.91
	<b>Total</b>	<b>70,464.00</b>

4. *Real estate ownership information*

(1) *GOME Commercial Capital*

a. Real Estate Ownership Certificate for Block A of GOME Commercial Capital

Real Estate Ownership Certificate No.	J (2019) FBDCHQ No. 0046699
Owner	GOME Commercial Capital
Location	[54] suites including Room 401 on the 4th floor at No. 182 South 4th Ring Road West, Fengtai District
Type of right	State-owned construction land use right
Nature of right	Transfer
Parcel land area (sq.m.)	53,722.38 (after deduction of the civil air defense area, the shared land area is 50,592.55 sq.m.)
Gross floor area of buildings (sq.m.)	364,906
Purposes	Conference & exhibition, parking spaces, hotels, warehouses, commercial spaces
Date of expiry	Commercial spaces: From 27 May 2005 to 26 May 2045; Office spaces, underground parking spaces, and underground warehouses: From 27 May 2005 to 26 May 2055

b. Real Estate Ownership Certificate for Block B of GOME Commercial Capital

On 7 December 2006, GOME Commercial Capital obtained the State-owned Land Use Rights Certificate of land parcel for Block B. Specific information is shown as follows:

Land Use Rights Certificate No.	JFGY (2006) CH No. 002785
Owner of land use right	GOME Commercial Capital
Location	Land Parcel 35-A1, Phase II Industrial Base of Fengtai Park, Zhongguancun Science Park, Fengtai District
Nature of land use right	Transfer
Area of tenure (sq.m.)	22,770.16
Classification of land use (purposes)	Commercial spaces, composite buildings, underground parking spaces, and underground warehouses
Date of expiry	Commercial spaces: 26 May 2045; Composite buildings, underground parking spaces, and underground warehouses: 26 May 2055

On 1 June 2010, GOME Commercial Capital obtained the Property Ownership Certificate for property in Block B. Specific information is shown as follows:

Real Estate Ownership Certificate No.	XJFQZHFZ No. 235689
Owner	GOME Commercial Capital
Location	No. 180 South 4th Ring Road West, Fengtai District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	159,731.76
Planning purposes	Parking spaces, conference & exhibition, office spaces for financial industry, warehouses, and commercial spaces

(2) *No. 9 Xiangjiang*

On 19 March 2013, Changsha Xiandao obtained the State-owned Land Use Rights Certificate. Specific information is shown as follows:

Land Use Rights Certificate No.	CHGY (2013) No. 022987
Owner of land use right	Changsha Xiandao
Location	Binjiang New City, Yuelu District
Nature of land use right	Transfer
Area of tenure (sq.m.)	63,260.24
Classification of land use (purposes)	Land for commercial facilities
Date of expiry	16 March 2050

*Note:* According to the information recorded in the above-mentioned State-owned Land Use Rights Certificate and the relevant notes provided by Changsha Xiandao, (1) the leasable area of No. 9 Xiangjiang included in the estimation is 130,501 sq.m.; (2) the total land area occupied by the property of No. 9 Xiangjiang is 63,260.24 sq.m.. In terms of the above land, Changsha Xiandao has sold the property with a gross floor area of 8,132.2 sq.m. and the corresponding shared land use area of 2,881.13 sq.m..

As of 10 August 2016, the Property Ownership Certificates had been obtained for 13 properties of No. 9 Xiangjiang included in the scope of estimation. Specific information is shown as follows:

S/N	Owner	Certificate No.	Location of the Property	Gross floor area (sq.m.)	Purposes
1	Changsha Xiandao	CHFQZHYZLZ No. 716237838	No. 1-11 Buildings and Basement 1001, Jiu hao Commercial Plaza, No. 168 Binjiang Road	41,586.79	Parking spaces, Commercial spaces
2	Changsha Xiandao	CHFQZHYZLZ No. 716237850	No. 1-11 Buildings and Basement 1029, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,574.30	Commercial spaces

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<b>S/N</b>	<b>Owner</b>	<b>Certificate No.</b>	<b>Location of the Property</b>	<b>Gross floor area (sq.m.)</b>	<b>Purposes</b>
3	Changsha Xiandao	CHFQZHYLZ No. 716237851	No. 1-11 Buildings and Basement 1001, Jiu hao Commercial Plaza, No. 168 Binjiang Road	6,370.49	Commercial spaces
4	Changsha Xiandao	CHFQZHYLZ No. 716237852	No. 1-11 Buildings and Basement 1002, Jiu hao Commercial Plaza, No. 168 Binjiang Road	18,320.71	Commercial spaces
5	Changsha Xiandao	CHFQZHYLZ No. 716237853	No. 1-11 Buildings and Basement 1003, Jiu hao Commercial Plaza, No. 168 Binjiang Road	12,381.64	Commercial spaces
6	Changsha Xiandao	CHFQZHYLZ No. 716237854	No. 1-11 Buildings and Basement 1004, Jiu hao Commercial Plaza, No. 168 Binjiang Road	845.13	Commercial spaces
7	Changsha Xiandao	CHFQZHYLZ No. 716237855	No. 1-11 Buildings and Basement 1005, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,256.22	Commercial spaces
8	Changsha Xiandao	CHFQZHYLZ No. 716237856	No. 1-11 Buildings and Basement 1006, Jiu hao Commercial Plaza, No. 168 Binjiang Road	5,085.66	Commercial spaces

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S/N	Owner	Certificate No.	Location of the Property	Gross floor area (sq.m.)	Purposes
9	Changsha Xiandao	CHFQZHYZLZ No. 716237857	No. 1-11 Buildings and Basement 1007, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,665.18	Commercial spaces
10	Changsha Xiandao	CHFQZHYZLZ No. 716237858	No. 1-11 Buildings and Basement 1008, Jiu hao Commercial Plaza, No. 168 Binjiang Road	2,722.05	Commercial spaces
11	Changsha Xiandao	CHFQZHYZLZ No. 716237859	No. 1-11 Buildings and Basement 1009, Jiu hao Commercial Plaza, No. 168 Binjiang Road	2,222.28	Commercial spaces
12	Changsha Xiandao	CHFQZHYZLZ No. 716237860	No. 1-11 Buildings and Basement 1010, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,809.41	Commercial spaces
13	Changsha Xiandao	CHFQZHYZLZ No. 716237861	No. 1-11 Buildings and Basement 1011, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,391.79	Commercial spaces

According to the *Notes on Matters Related to Estimation* provided by the Property Ownership Certificate Holders, in addition to the buildings of 97,231.65 sq.m. for which the Property Ownership Certificates have been obtained, there are also the buildings of 62,718.00 sq.m. for which the Property Ownership Certificates have not been obtained in the No. 9 Xiangjiang Project included in the scope of this estimation. The reason for not obtaining the Property Ownership Certificates is that, after obtaining Property Ownership Certificates for the aforesaid 13 properties, the Property Ownership Certificate Holder has constructed extra buildings including the 3rd floor, the 4th floor, the 5th floor and the corridors, but has not undergone relevant approval procedures for the aforesaid extra buildings.

(3) *Pengrun Building*

a. State-owned Land Use Rights Certificate

Land Use Rights Certificate No.	JCHGY (2009) CH No. 0131
Owner of land use right	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of land use right	Transfer
Area of tenure (sq.m.)	10,177.32
Classification of land use (purposes)	Residential and office spaces
Date of expiry	Residential space: 10 January 2070 Office space: 10 January 2050

b. Property Ownership Certificate

Real Estate Ownership Certificate No.	XJFQZHCHZ No. 1062429
Owner	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	210,005.46
Planning purposes	Parking spaces, composite buildings

5. *Current status of property use*

As of the Estimation Base Date, GOME Commercial Capital and No. 9 Xiangjiang are vacant.

In the properties of Pengrun Building included in the scope of estimation, there is 62,976.69 sq.m. leased or being used, while the remaining property is vacant. For details, see the table below:

On Floor No.	Room No.	Leasable area (sq.m.)	Status
-2	05/06	163.83	In use
1	B109	61.62	In use
5	B501-503, B505-509	3,634.91	In use
6	B601-603, B605, B608, B610	2,789.36	In use
7	B701-703, B705-709	3,634.91	In use
8	B801-809, B816	3,424.57	In use
10	B1001-B1003	1,101.98	In use
	B1005	540.45	In use
	B1006	591.45	In use
	B1007-1009	1,671.55	In use
11	B1101-1103, B1105-1109	3,380.96	In use
12	B1201-03\06-09	3,062.38	In use
	B1205	572.53	In use
15	B1501-1503, B1505-1507, B1509-1512	3,152.27	In use
	B1508	332.41	In use
16	B1601-1603, B1609	1,589.42	In use
	B1605-1606, B1608, B1610, B1612	1,720.40	In use
17	B1701-1703, B1705-1709	3,634.91	In use
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04	In use
19	B1901-1903, B1905-1909	3,338.17	In use
21	B2101-2103, B2105-2109	3,634.91	In use
22	B2201	597.07	In use
	B2202-2203, B2205	671.70	In use
	B2206-2207	798.96	In use
	B2211-2212	157.87	In use
23	B2301-2303, B2305-2308	2,336.35	In use
	B2310-2311, B2318	414.56	In use
	B2316	74.00	In use
25	B2501, B2511	805.00	Vacant
	B2506, B2512, B2515	1,628.74	In use
	B2509-2510	402.48	In use



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<b>On Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>	<b>Status</b>
26	B2603, B2605-2606	1,458.16	Vacant
	B2610-2611	86.08	In use
27	B2705-2706, B2708, B2710-2711	1,471.69	In use
	B2707	597.16	Vacant
28	B2801, B2806, B2810-2811	1,185.47	In use
	B2802-2803, B2805	1,333.64	Vacant
29	B2902, B2910-2911	275.36	In use
	B2905-2906	1,341.42	In use
30	B3001-3003, B3005-3009	3,293.35	Vacant
31	B3101-3103, B3105-3110	3,634.91	In use
	Vacant area (sq.m.)	7,487.31	
	Leased or in use area (sq.m.)	62,976.69	
	Total area (sq.m.)	70,464.00	

**6. Mortgage information**

For mortgage information of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building as of the Estimation Base Date, see the table below:

<b>S/N</b>	<b>Mortgagee</b>	<b>Mortgaged Property</b>	<b>Mortgaged Area (sq.m.)</b>	<b>Mortgage Registration Date</b>
1	Jilin Province Trust	F1, F2, F8, F9, Room 1606 and Room 1607 on F16,	23,017.27	9 August 2018
2	Sino Guarantee	F19, F27 and F28 in Block B of Pengrun Building	23,017.27	13 August 2018
3	Beijing Branch of China Bohai Bank	A total of 80 suites on F5, F6, F9, F10, F17, F20, F21, F26, F27, and a part of F30 in Block B of Pengrun Building	32,481.79	25 August 2020
4	Northern Trust	Block A of Pengrun Building: 1801, 1802, 1803, 1805, 1806, 1807 Block B of Pengrun Building: 501, 502, 503, 505, 506, 507, 508, 509, 1601, 1602, 1603, 1605, 1608, 1609	7,700.01	30 June 2020

S/N	Mortgagee	Mortgaged Property	Mortgaged Area (sq.m.)	Mortgage Registration Date
5	Beijing Branch of the Bank of Jiangsu	F11, F12, F14, F15, F18, F19, F22 and F25 in Block B of Pengrun Building	25,465.97	16 May 2018
6	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	13 November 2019
7	Beijing Branch of China Bohai Bank	Property and land use rights in Block B of GOME Commercial Capital	159,731.76	13 November 2019
8	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	29 June 2020
9	Guangdong Huarong	All property of No. 9 Xiangjiang	97,231.65	28 April 2020

**II. METHOD OF THE ESTIMATION**

**i. Selection of the estimation method**

Based on the facts of the estimation object, the market comparison approach is used to estimate the market’s rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date. Then, we discount and sum up the rental in the estimation period to derive the present discounted value of rental for the properties of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building included in the scope of estimation.

**ii. Introduction to the market comparison approach**

The market comparison approach refers to a method that is used to estimate the objective and reasonable price or value of the estimation object by comparing the estimation object with similar comparable examples near the Estimation Base Date and make proper correction of the known trading price based on the transaction status, date, regional factors and individual factors of such similar comparable examples in accordance with the principle of substitution when seeking the market’s rental.

Basic calculation formula:

$$V=Vb \times A \times B \times C \times D$$

Where:

V – Price of the estimation object

Vb – Price of the comparable example

A – Trading index of the estimation object/trading index of the comparable example

B – Housing price index of the estimation object on the estimation date/housing price index of the comparable example on the date of quotation

C – Regional factor condition index of the estimation object/regional factor condition index of the comparable example

D – Individual factor condition index of the estimation object/individual factor condition index of the comparable example

### **III. STEPS AND RESULTS OF THE ESTIMATION**

#### **i. Steps of the estimation**

1. Use the market comparison approach to estimate the market rental

Adopt the method of market survey to study the rental level of similar properties around the target property (within 5km principally) and select 3 cases from them. Compare the property concerned with such cases in terms of transaction status, regional factors, individual factors etc., and make correction to obtain the rental level of the property concerned on the Estimation Base Date.

2. Consider the average annual growth rate of rental based on the rental level of various properties on the Estimation Base Date, so as to obtain the annual rental in the estimation period.
3. Discount the annual rental in the estimation period and add them up to derive the accumulative discounted value of the properties in the estimation period.

#### **ii. Results of the estimation**

The total present discounted value of rental for the property concerned on 31 May 2021, i.e. the Estimation Base Date, is RMB17,926,396,300 (SAY RMB SEVENTEEN BILLION NINE HUNDRED AND TWENTY SIX MILLION THREE HUNDRED AND NINETY SIX THOUSAND THREE HUNDRED ONLY).

## APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES

For details, see the table below:

Project Name	Leasable area (sq.m.)	Results of estimation (RMB10 thousand)
GOME Commercial Capital	Block A	364,906.00
	Block B	159,731.76
	Total	524,637.76
No. 9 Xiangjiang		1,243,053.27
Pengrun Building		230,613.94
Total		318,972.42
		1,792,639.63

### IV. EXAMPLES FOR RENTAL ESTIMATION

**Example 1:** Unit price estimation of rental for commercial spaces in Block A of GOME Commercial Capital

#### 1. Select comparable examples

In the estimation, three comparable examples are selected from the transactions known by the estimators in accordance with the principle of substitution. For details, see the table below:

Comparable examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project name	Shop No. 1 at Huarun City of Beijing Capital Development	Shop at Huaxiang Aolai Village	Shop at Zhengguang Tianhe Commercial Plaza
Property type	Commercial	Commercial	Commercial
Distance from the object of estimation	approximately 3.5km	approximately 4.5km	approximately 1.5km
On Floor No.	F1	F1	F1
Gross floor area (sq.m.)	258	65	20
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys and real estate agencies on the website www.58.com, the rental excluding property management fee for a gross floor area of 258 sq.m. is RMB77,400/month and the property management fee is RMB10/month/sq.m.; the rental is tax inclusive; the final transaction rental is expected to be 95% of the quotation.	According to online surveys and real estate agencies on the website www.58.com, the rental excluding property management fee for a gross floor area of 65 sq.m. is RMB19,500/month and the property management fee is RMB13/month/sq.m.; the rental is tax inclusive; the final transaction rental is expected to be 95% of the quotation.	According to online surveys and real estate agencies on the website www.58.com, the rental excluding property management fee for a gross floor area of 20 sq.m. is RMB6,000/month and the property management fee is RMB10/month/sq.m.; the rental is tax inclusive; the final transaction rental is expected to be 95% of the quotation.
Expected transaction rental (RMB/sq.m./month)	295.00	298.00	295.00

**2. Considering the conditions of estimation object, the main factors influencing the price of estimation object are as follows:**

- ① Date of quotation: Determine the price index;
- ② Status of transaction: Is it a normal, fair and open transaction;
- ③ Regional factors: Commercial prosperity, traffic conditions, infrastructure conditions, commercial supporting facilities, surrounding environment, frontage road status, floor no., etc;
- ④ Individual factors: Gross floor area, architectural structure, public decoration, interior decoration, facilities and equipment, ceiling height, orientation, spatial layout, freshness of property etc.

**3. Prepare the unit price schedule of comparative rental for the first floor of GOME Commercial Capital**

Regarding the calculation results of comparative rental for the first floor of GOME Commercial Capital, see the table below:

Project	Estimation object Commercial spaces on the first floor in Block A of GOME Commercial Capital	Comparable Example 1 Shop No. 1 at Huarun City of Beijing Capital Development		Comparable Example 2 Shop at Huaxiang Aolai Village		Comparable Example 3 Shop at Zhengguang Tianhe Commercial Plaza	
Expected transaction rental (RMB/sq.m./month)	To be estimated		295.00		298.00		295.00
Date of quotation	31 May 2021 (Estimation Base Date)	100 May 2021	100	100 May 2021	100	100 May 2021	100
Locational factors	Commercial prosperity	Good	100 Ordinary	98 Ordinary	98 Ordinary	98 Ordinary	98
	Traffic conditions	Excellent	100 Ordinary	96 Relatively perfect	98 Ordinary	98 Ordinary	96
	Infrastructure conditions	Perfect	100 Perfect	100 Relatively perfect	98 Relatively perfect	98 Relatively perfect	98
	Surrounding environment	Excellent	100 Good	98 Good	98 Good	98 Good	98
Individual factors	On Floor No.	F1	100 F1	100 F1	100 F1	100 F1	100
	Gross floor area (sq.m.)	3,320.53	100 258	110 65	110 20	110 20	110
	Architectural structure	Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

Project	Estimation object Commercial spaces on the first floor in Block A of GOME Commercial Capital	100	Comparable Example 1	Comparable Example 2	Comparable Example 3			
			Shop No. 1 at Huarun City of Beijing Capital Development	Shop at Huaxiang Aolai Village	Shop at Zhengguang Tianhe Commercial Plaza			
Interior decoration	Undecorated	100	Ordinary	104	Ordinary	104	Ordinary	104
Facilities and equipment	Good	100	Ordinary	98	Ordinary	98	Good	100
Ceiling height	Normal	100	Normal	100	Normal	100	Normal	100
Spatial layout	Good	100	Ordinary	98	Ordinary	98	Ordinary	98
Frontage road status	Excellent	100	Good	98	Good	98	Good	98
Freshness of the property	High	100	High	100	High	100	High	100
Correction coefficient (II)				1.0073		1.0069		1.0073
Comparable rental (RMB/sq.m./month)				297.15		300.06		297.15
Reference weight				1/3		1/3		1/3
Estimated unit price of rental (RMB/sq.m./month)		298						

**4. Determine the unit price of rental for commercial spaces on different floors of GOME Commercial Capital**

Regarding the unit price of rental for commercial spaces on different floors of GOME Commercial Capital, see the table below:

<b>Floor No.</b>	<b>Unit price of rental (RMB/sq.m./month)</b>
F1	298.00
F2	253.30
F3	223.50
F4	208.60
F5	193.70
F6	149.00
F7	134.10

**Example 2:** Unit price estimation of rental for office spaces of Pengrun Building

**1. Select comparable examples**

In the estimation, three comparable examples are selected from the transactions known by the estimators in accordance with the principle of substitution. For details, see the table below:

Comparable examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Air China Century Building	21st Century Building	World Profit Center
Property type	Office	Office	Office
Distance from the object of estimation	approximately 1.5km	approximately 3.0km	approximately 1.5km
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys and verification through phone calls with the Leasing Department of Air China Century Building, the average daily rental excluding property management fee is RMB9/sq.m./day, and the property management fee is RMB30/sq.m./month; the rental is tax inclusive. The final transaction rental is expected to be 95% of the quotation.	According to online surveys and verification through phone calls with the Leasing Department of 21st Century Building, the average daily rental excluding property management fee is RMB9/sq.m./day, and the property management fee is RMB30/sq.m./month; the rental is tax inclusive. The final transaction rental is expected to be 95% of the quotation.	According to online surveys and verification through phone calls with the Leasing Department of World Profit Center, the average daily rental excluding property management fee is RMB10/sq.m./day, and the property management fee is RMB33/sq.m./month; the rental is tax inclusive. The final transaction rental is expected to be 95% of the quotation.
Expected transaction rental (RMB/sq.m./month)	287.00	287.00	318.00

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

**2. Prepare the unit price schedule of comparative rental for office spaces in Pengrun Building**

Regarding the calculation results of comparative rental for Pengrun Building, see the table below:

Project		Estimation object Office building of Pengrun Building	Comparable Example 1 Air China Century Building	Comparable Example 2 21st Century Building	Comparable Example 3 World Profit Center	
Expected transaction rental (RMB/sq.m./month)		To be estimated		287.00	287.00	318.00
Date of quotation		31 May 2021 (Estimation Base Date)	100 May 2021	100 May 2021	100 May 2021	100
Locational factors	Degree of aggregation in office spaces	Good	100 Good	100 Good	100 Good	100
	Traffic conditions	Good	100 Excellent	102 Good	100 Good	100
	Infrastructure conditions	Good	100 Good	100 Good	100 Good	100
	Commercial supporting facilities	Good	100 Good	100 Good	100 Good	100
	Surrounding environment	Good	100 Good	100 Good	100 Good	100
Individual factors	Frontage status	Good	100 Excellent	102 Excellent	102 Excellent	102
	Architectural structure	Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100
	Public decoration	Medium-level decoration	100 Medium-level decoration	100 Medium-level decoration	100 Medium-level decoration	100
	Interior decoration	Ordinary decoration	100 Medium-level decoration	102 Medium-level decoration	102 Medium-level decoration	102
	Facilities and equipment	Relatively perfect	100 Relatively perfect	100 Relatively perfect	100 Relatively perfect	100
	Ceiling height	Normal ceiling height	100 Normal ceiling height	100 Normal ceiling height	100 Normal ceiling height	100
	Spatial layout	Relatively reasonable	100 Relatively reasonable	100 Relatively reasonable	100 Relatively reasonable	100
	Property management level	Good	100 Good	100 Good	100 Good	100
	Freshness of the property	High	100 High	100 High	100 High	100
	Correction coefficient (II)			0.9423	0.9612	0.9612
Comparable rental (RMB/sq.m./month)			270.44	275.86	305.66	
Reference weight			1/3	1/3	1/3	
Estimated unit price of rental (RMB/sq.m./month)			284			



**Example 3:** Unit price estimation of rental for commercial spaces in No. 9 Xiangjiang

**1. Select comparable examples**

In the estimation, three comparable examples are selected from the transactions known by the estimators in accordance with the principle of substitution. For details, see the table below:

Comparable examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Shops in Guangming E City	Shops in Yulong Tianxia	Shops in east of Chazishan Road
Property type	Commercial	Commercial	Commercial
Distance from the object of estimation	approximately 3.0km	approximately 3.5km	approximately 1.5km
Floor No.	F1	F1	F1
Gross floor area (sq.m.)	68	55	22
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys, verification through phone calls, and cases of real estate agencies on the website www.58.com, the quotation of rental excluding property management fee is RMB9,800/month for the property with a gross floor area of 68 sq.m.; the rental is tax inclusive and the property management fee is RMB1.3/month/sq.m.; the final transaction rental is expected to be 95% of the quotation.	According to online surveys, verification through phone calls, and cases of real estate agencies on the website www.58.com, the quotation of rental excluding property management fee is RMB7,500/month for the property with a gross floor area of 55 sq.m.; the rental is tax inclusive and the property management fee is RMB1.5/month/sq.m.; the final transaction rental is expected to be 95% of the quotation.	According to online surveys, verification through phone calls, and cases of real estate agencies on the website www.58.com, the quotation of rental excluding property management fee is RMB3,000/month for the property with a gross floor area of 22 sq.m.; the rental is tax inclusive and the property management fee is RMB1.2/month/sq.m.; the final transaction rental is expected to be 95% of the quotation.
Expected transaction rental (RMB/sq.m./month)	138.00	131.00	131.00

**2. Considering the conditions of estimation object, the main factors influencing the price of estimation object are as follows:**

- ① Date of quotation: Determine the price index;
- ② Status of transaction: Is it a normal, fair and open transaction;
- ③ Regional factors: Commercial prosperity, traffic conditions, infrastructure conditions, commercial supporting facilities, surrounding environment, frontage road status, Floor No., etc;

**APPENDIX IIA1 THE FIRST VALUATION ON THE RENTAL OF THE PROPERTIES**

- ④ Individual factors: Gross floor area, architectural structure, public decoration, interior decoration, facilities and equipment, ceiling height, orientation, spatial layout, freshness of property, etc.

**3. Prepare the unit price schedule of comparative rental for the first floor of No. 9 Xiangjiang**

Regarding the calculation results of comparative rental for the first floor of No. 9 Xiangjiang, see the table below:

Project		Estimation object	Comparable Example 1		Comparable Example 2		Comparable Example 3	
		Commercial spaces on the first floor of No. 9 Xiangjiang	Shops in Guangming E City		Shops in Yulong Tianxia		Shops in east of Chazishan Road	
Expected transaction rental (RMB/sq.m./month)		To be estimated		138.00		131.00		131.00
Date of quotation		31 May 2021 (Estimation Base Date)	100 May 2021	100 May 2021	100 May 2021	100 May 2021	100 May 2021	100
Locational factors	Commercial prosperity	Good	100 Good	100 Good	100 Good	100 Good	100 Good	100
	Traffic conditions	Excellent	100 Good	98 Ordinary	96 Ordinary	96 Ordinary	96 Ordinary	96
	Infrastructure conditions	Perfect	100 Perfect	100 Perfect	100 Perfect	100 Perfect	100 Perfect	100
	Surrounding environment	Excellent	100 Good	98 Good	98 Good	98 Good	98 Good	98
Floor No.		F1	100 F1	100 F1	100 F1	100 F1	100 F1	100
Individual factors	Gross floor area (sq.m.)	34,473	100 68	110 55	110 22	110 22	110 22	110
	Architectural structure	Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100 Reinforced concrete	100
	Interior decoration	Simple	100 Ordinary	102 Ordinary	102 Ordinary	102 Ordinary	102 Ordinary	102
	Facilities and equipment	Good	100 Ordinary	98 Ordinary	98 Ordinary	98 Ordinary	98 Ordinary	98
	Ceiling height	Normal	100 Normal	100 Normal	100 Normal	100 Normal	100 Normal	100
	Spatial layout	Good	100 Ordinary	98 Ordinary	98 Ordinary	98 Ordinary	98 Ordinary	98
	Frontage road status	Excellent	100 Good	98 Good	98 Good	98 Good	98 Good	98
	Freshness of the property	High	100 High	100 High	100 High	100 High	100 High	100
Correction coefficient (II)				0.986		1.0065		1.0065
Comparable rental (RMB/sq.m./month)				136.07		131.85		131.85
Reference weight				1/3		1/3		1/3
Estimated unit price of rental (RMB/sq.m./month)				133				

**4. Determine the unit price of rental for commercial spaces on different floors of No. 9 Xiangjiang**

Regarding the unit price of rental for commercial spaces on different floors of No. 9 Xiangjiang, see the table below:

S/N	Floor No.	Unit price of rental (RMB/sq.m./month)
1	Basement Level 1	106.40
2	F1	133.00
3	F2	113.05
4	F3	99.75
5	F4	79.80
6	F5	66.50

**Example 4:** Estimation of rental for underground parking spaces of GOME Commercial Capital

**1. Select comparable examples**

In the estimation, three comparable examples are selected from the transactions known by the estimators in accordance with the principle of substitution. For details, see the table below:

Comparable Examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Headquarters base	Huarun City of Beijing Capital Development	Sihe xinyuan
Property type	Car parking	Car parking	Car parking
Distance from the object of estimation	approximately 0.5km	approximately 4.5km	approximately 4.0km
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys and real estate agencies on the website www.58.com, the rental including property management fee is RMB500/month for an underground parking space of Headquarters base with a gross floor area of 15 sq.m..	According to online surveys and real estate agencies on the website www.58.com, the rental including property management fee is RMB900/month for an underground parking space of Huarun City of Beijing Capital Development with a gross floor area of 32 sq.m..	According to online surveys and real estate agencies on the website www.58.com, the rental is RMB450/month for an underground parking space of Sihe xinyuan with a gross floor area of 10 sq.m.. The rental includes property management fee.
Expected transaction price (RMB/month/parking space)	500	900	450

2. Prepare the notes on comparative factor conditions

For comparative factor conditions of the estimation object and comparable examples, see the table below:

Comparative Factors	Estimation Object vs. Comparable Examples			
	Estimation object	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Underground parking spaces of GOME Commercial Capital	Headquarters base	Huarun City of Beijing Capital Development	Sihe xinyuan
Expected transaction price (RMB/month/parking space)	To be estimated	500	900	450
Date of quotation	31 May 2021 (Estimation Base Date)	May 2021	May 2021	May 2021
Status of transaction	Normal	Normal	Normal	Normal
Locational status	Commercial prosperity	Good commercial prosperity	Good commercial prosperity	Good commercial prosperity
	Public transport convenience	close to Fengtai Science and Technology Park Station of Metro Line 10, good public transport convenience with No. 969, and No. 407 bus passing by	close to Fengtai Science and Technology Park Station of Metro Line 10, good public transport convenience with No. 969, and No. 407 bus passing by	close to Baipenyao Station of Metro Line 10, good public transport convenience with No. 400, No. 912 and No. 969 bus passing by
	Road accessibility	Good road accessibility	Ordinary road accessibility	Good road accessibility
Physical condition of property	Area of the parking space	Large	Ordinary	Large
	Architectural structure	Reinforced concrete structure	Reinforced concrete structure	Reinforced concrete structure
	Type of parking space	Standalone parking space	Standalone parking space	Standalone parking space
	Project rating	High-level	Medium-level	High-level
Rights and interests	Purposes of the property	Underground garage	Underground garage	Underground garage
	Nature of property right	Commodity housing	Commodity housing	Commodity housing

3. Prepare the list of comparative factor condition indexes

Determine relative indexes for factors of the comparable examples based on the differences between the estimation object and comparable examples. For details, see the table below:

Comparable Factors	Estimation Object vs. Comparable Examples			
	Object of estimation	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Underground parking spaces of GOME Commercial Capital	Headquarters base	Huarun City of Beijing Capital Development	Sihe xinyuan
Expected transaction price (RMB/month/parking space)	To be estimated	500	900	450
Date of quotation	100	100	100	100
Status of transaction	100	100	100	100
Locational status	Commercial	100	100	100
	prosperity			
	Public transport convenience	100	100	100
	Road accessibility	100	98	102
Physical condition of property	Area of the parking space	100	96	100
	Architectural structure	100	100	100
	Type of parking space	100	100	100
	Project rating	100	98	100
Rights and interests	Purposes of the property	100	100	100
	Nature of property right	100	100	100

**4. List of correction coefficients for the comparative factors**

Prepare the list of correction coefficients for the comparative factors based on the list of comparative factor condition indexes. For details, see the table below:

Comparative factors	Estimation object vs. comparable examples		
	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project name	Headquarters base	Huarun City of Beijing Capital Development	Sihe xinyuan
Expected transaction price (RMB/month/parking space)	500	900	450
Date of quotation	100/100	100/100	100/100
Status of transaction	100/100	100/100	100/100
Locational status	100/100	100/100	100/100
	Commercial prosperity		
	Public transport convenience	100/100	100/100
	Road accessibility	100/98	100/98
Physical condition of property	Area of the parking space	100/96	100/96
	Architectural structure	100/100	100/100
	Type of parking space	100/100	100/100
	Project rating	100/98	100/98
Rights and interests	Purposes of the property	100/100	100/100
	Nature of property right	100/100	100/100

**5. Determine the unit price of rental for parking spaces**

Comparable examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
	Headquarters base	Huarun City of Beijing Capital Development	Sihe xinyuan
Expected transaction price (RMB/parking space/month)	500	900	450
Correction coefficient (II)	1.0846	0.9804	1.0846
Comparative price (RMB/parking space/month)	542	882	488
Reference weight	1/3	1/3	1/3
Comparative unit price (RMB/parking space/month)	637		

**PART 3 CONCLUSIONS OF THE ESTIMATION**

In line with the applicable national laws, administrative regulations and relevant rules, and on an independent, objective and impartial basis, we use the market comparison approach to estimate the market rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Estimation Base Date by considering the facts of the estimation object and following the required estimation procedure. After that, we discount and sum up the rental in all estimation periods to derive the present discounted value of rental for the property of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building included in the scope of estimation. Based on the aforesaid estimation, the estimation conclusions are drawn as follows:

The total present discounted value of rental for the property concerned on 31 May 2021, i.e. the Estimation Base Date, is RMB17,926,396,300 (SAY RMB SEVENTEEN BILLION NINE HUNDRED AND TWENTY SIX MILLION THREE HUNDRED AND NINETY SIX THOUSAND THREE HUNDRED ONLY).

For details, see the table below:

<b>Project name</b>		<b>Leasable area (sq.m.)</b>	<b>Results of estimation (RMB10 thousand)</b>
GOME Commercial Capital	Block A	364,906.00	873,023.42
	Block B	159,731.76	370,029.85
	Total	524,637.76	1,243,053.27
No. 9 Xiangjiang		130,501.00	230,613.94
Pengrun Building		70,464.00	318,972.42
Total		725,602.76	1,792,639.63

**VALUATION REPORT ON RENTAL FOR  
GOME COMMERCIAL CAPITAL, NO. 9 XIANGJIANG  
AND PENGGRUN BUILDING AS THE PROPERTY TO BE  
LEASED OR USED BY GOME APPLIANCE COMPANY LIMITED**

ZHQYLZBZ [2021] No. 657049

Valuation Institution  
Beijing Zhongqin Yongli Asset Evaluation Co., Ltd.  
15 July 2021



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**ABSTRACT**

**I. PURPOSE OF THE VALUATION**

To value the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building, so as to provide reference for the Property to be leased by GOME Appliance Company Limited.

**II. OBJECT AND SCOPE OF THE VALUATION**

The object of valuation is the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building.

According to the *Valuation Assignment Contract*, there are three properties which are included in the scope of this valuation, namely GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building, with a total leasable area of 725,602.76 sq.m.. For details, refer to the table below:

Description of Property	Property Ownership Certificate	Location	Leasable area (sq.m.)
GOME Commercial Capital	Block A J (2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	364,906.00
	Block B XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	159,731.76
No. 9 Xiangjiang	CHFQZHYZ No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	130,501.00
Pengrun Building	XJFQZHCHZ No. 1062429	No. 26 Xiaoyun Road, Chaoyang District, Beijing	70,464.00
Total			725,602.76

**III. VALUATION BASE DATE**

31 May 2021

**IV. METHOD OF THE VALUATION**

Market approach

**V. CONCLUSIONS AND EFFECTIVE PERIOD OF THE VALUATION**

The present discounted value of total rental for the property concerned is RMB18,272,613,300 on 31 May 2021, i.e. the Valuation Base Date.

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## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

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The valuation conclusions in the Valuation Report shall be effective for a period of one year starting from the Valuation Base Date, i.e. from 31 May 2021 to 30 May 2022.

**The above content is extracted from the main body of the Valuation Report. Please carefully read the main body of the Valuation Report if you intend to learn about more details of the valuation project and reasonably understand the valuation conclusions.**

**VALUATION REPORT ON RENTAL FOR  
GOME COMMERCIAL CAPITAL, NO. 9 XIANGJIANG AND  
PENGRUN BUILDING AS THE PROPERTY TO BE  
LEASED OR USED BY GOME APPLIANCE COMPANY LIMITED**

ZHQYLZBZ [2021] No. 657049

GOME Appliance Company Limited:

As engaged by GOME Appliance Company Limited, we have valued the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building on the Valuation Base Date, 31 May 2021, in accordance with applicable national laws, administrative regulations and rules and on an independent, objective and impartial basis. The valuers have conducted field investigations and market surveys regarding the assets included in the scope of valuation by following necessary valuation procedures, and objectively reflected the present discounted value of the valuation object as at 31 May 2021.

The details and results of the Valuation are hereby reported as follows:

**I. GENERAL INFORMATION ON THE CLIENT, THE PROPERTY OWNERSHIP  
CERTIFICATE HOLDERS AND OTHER USERS OF THE VALUATION REPORT**

**i. Overview of the Client**

Name: GOME Appliance Company Limited

Unified Social Credit Code: 91110000748102517U

Type: Limited Liability Company (foreign-funded joint venture)

Address: Room 1205, No. 80 Hulang Road, Lucheng Town, Tongzhou District, Beijing

Legal Representative: Dong Xiaohong

Registered Capital: RMB1,000,000,000

Date of Establishment: 2 April 2003

Business Term: From 2 April 2003 to 1 April 2033

Business Scope: Sale of mechanical equipment, electric equipment, building materials, hardware and electric supplies (excluding electric bikes), chemical products (excluding hazardous chemicals), decoration materials, knitted textiles, and communication equipment; installation and maintenance services for the aforesaid commodities; economic and trade valuation; import and export of goods and technologies, import and export agency; sale of

cosmetics, daily commodities, clothes, shoes and hats, toys, kitchen appliances, motor vehicles, computer software and auxiliary equipment, furniture, bathroom accessories, decorative accessories, electronic products, flowers, and daily necessities; storage and custody; loading and unloading services; lease of household appliances and electronic products; food and beverage services (limited to operation of affiliates); sale of foods; retail of publications; industrial design; and engaged in auction business. (This company was a domestic-funded enterprise before 20 April 2004 and transformed into a foreign-funded enterprise on 20 April 2004; it is engaged in auction business, sale of foods, retail of publications, industrial design, and other items that are required by applicable laws to obtain approval before carrying out any business activities as permitted by the competent authority.)

**ii. The Property Ownership Certificate Holders**

**1. *Beijing GOME Commercial Capital Development Co., Ltd.***

Unified Social Credit Code: 9111010677709793XU

Type: Limited Liability Company (legal person sole proprietorship)

Address: F7, F8 and F9, No. 2 Building, Block 6 of Headquarters Base, No. 182 South 4th Ring Road West, Fengtai District, Beijing

Legal Representative: Zhou Liansheng

Registered Capital: RMB50,000,000

Date of Establishment: 24 June 2005

Business Term: From 24 June 2005 to 23 June 2035

Business Scope: General contracting of construction projects; real estate information consultation; information consultation (excluding property agency); investment consultation; project investment; investment management; hotel management; and property management. (The enterprise may choose business independently and conduct business activities in accordance with applicable laws; in the case of the items that are required by applicable laws to obtain approval, the enterprise shall carry out business activities as approved by the competent authority; the enterprise shall not conduct business activities in the fields prohibited or restricted by the local industrial policies.)

**2. *Changsha Xiandao Zhendi Real Estate Development Co., Ltd. (“Changsha Xiandao”)***

Unified Social Credit Code: 9143010069620449XP

Type: Limited Liability Company (non-natural person invested or controlled by a legal person sole proprietorship)

Address: F3, No. 3 Building, Jiu hao Commercial Plaza, No. 168 Binjiang Road, Guanshaling Subdistrict, Yuelu District, Changsha City, Hunan Province

Legal Representative: Liu Yanan

Registered Capital: RMB200,000,000

Date of Establishment: 10 October 2009

Business Term: From 10 October 2009 to 9 October 2029

Business Scope: Real estate development, operation and brokerage; investment in real estate, infrastructure construction, public utilities, hotels, tourism, and industry (investment without direct participation in operation management). (Excluding the items requiring prior approval and permission; for the above items subject to administrative approval of licensing, relevant approval or permit must be obtained prior to operation)

**3. *Beijing Xinhengji Real Estate Group Co., Ltd.***

Unified Social Credit Code: 91110000722611719H

Type: Other Limited Liability Company

Address: Room B0005, No. 7 Wuxing Road, Lucheng Town, Tongzhou District, Beijing

Legal Representative: Chen Ruowen

Registered Capital: RMB800,000,000

Date of Establishment: 27 July 2000

Business Term: From 27 July 2000 to 26 July 2050

Business Scope: Real estate development; sale of commodity housing; commission-based property management (including lease of office buildings). (The enterprise may choose business independently and conduct business activities in accordance with applicable laws; in the case of the items that are required by applicable laws to obtain approval, the enterprise shall carry out business activities as approved by the competent authority; the enterprise shall not conduct business activities in the fields prohibited or restricted by the local industrial policies.)

**iii. General information on other users of the Valuation Report**

The *Valuation Assignment Contract* has not appointed any user of the Valuation Report other than the Client and the valuation report users specified by the applicable national laws or regulations.

**II. PURPOSE OF THE VALUATION**

To value the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building, in order to provide reference for the Property to be leased by GOME Appliance Company Limited.

**III. OBJECT AND SCOPE OF THE VALUATION**

**i. Object of the Valuation**

The object of valuation is the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building.

**ii. Scope of the Valuation**

**1. Rental valuation period**

*(1) GOME Commercial Capital and No. 9 Xiangjiang*

From 1 July 2022 to 31 December 2040.

*(2) Pengrun Building*

From 1 March 2023 to 31 December 2040 for the utilized property, and from 1 July 2021 to 31 December 2040 for the vacant property.

**2. For general information on the properties concerned, see the table below:**

Description of Property	Property Ownership		Location	Status	Leasable area (sq.m.)
	Block	Certificate			
GOME Commercial Capital	Block A	J (2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	Vacant	364,906.00
	Block B	XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	Vacant	159,731.76

**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

Description of Property	Property Ownership		Status	Leasable area (sq.m.)
	Certificate	Location		
No. 9 Xiangjiang	CHFQZHYLZ No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	Vacant	130,501.00
Pengrun Building	XJFQZHCHZ No. 1062429	No. 26 Xiaoyun Road, Chaoyang District, Beijing	Leased or utilized or vacant	70,464.00
Total				725,602.76

**3. Specific scope of the valuation**

(1) *For the scope of valuated rental for GOME Commercial Capital, see the table below:*

Building No.		Leasable area (sq.m.)
Block A of GOME Commercial Capital	Commercial conference & exhibition	197,083.63
	Apartments	55,403.69
	Warehouses	27,732.94
	Parking spaces	84,685.74
	Total	364,906.00
Block B of GOME Commercial Capital	Commercial conference & exhibition	80,698.37
	Office spaces	35,532.03
	Warehouses	7,088.00
	Parking spaces	36,413.36
	Total	159,731.76
Grand Total		524,637.76

(2) *For the scope of valuated rental for No. 9 Xiangjiang, see the table below:*

S/N	Floor No.	Leasable area (sq.m.)	
1	Basement Level 1	Underground commercial space	13,936.00
		Parking spaces (number of counts)	680
2	F1	34,473.00	
3	F2	31,295.00	
4	F3	31,271.00	
5	F4	18,446.00	



**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

S/N	Floor No.	Leasable area (sq.m.)
6	F5	1,080.00
7	Total	130,501.00

(3) For the scope of valuated rental for Pengrun Building, see the table below:

Floor No.	Room No.	Leasable area (sq.m.)
-2	05/06	163.83
1	B109	61.62
5	B501-503, B505-509	3,634.91
6	B601-603, B605, B608, B610	2,789.36
7	B701-703, B705-709	3,634.91
8	B801-809, B816	3,424.57
10	B1001-B1003	1,101.98
	B1005	540.45
	B1006	591.45
	B1007-1009	1,671.55
11	B1101-1103, B1105-1109	3,380.96
12	B1201-03\06-09	3,062.38
	B1205	572.53
15	B1501-1503, B1505-1507, B1509-1512	3,152.27
	B1508	332.41
16	B1601-1603, B1609	1,589.42
	B1605-1606, B1608, B1610, B1612	1,720.40
17	B1701-1703, B1705-1709	3,634.91
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04
19	B1901-1903, B1905-1909	3,338.17
21	B2101-2103, B2105-2109	3,634.91
22	B2201	597.07
	B2202-2203, B2205	671.70
	B2206-2207	798.96
	B2211-2212	157.87
23	B2301-2303, B2305-2308	2,336.35
	B2310-2311, B2318	414.56
	B2316	74.00
25	B2501, B2511	805.00
	B2506, B2512, B2515	1,628.74
	B2509-2510	402.48
26	B2603, B2605-2606	1,458.16
	B2610-2611	86.08
27	B2705-2706, B2708, B2710-2711	1,471.69
	B2707	597.16

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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<b>Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>
28	B2801, B2806, B2810-2811	1,185.47
	B2802-2803, B2805	1,333.64
29	B2902, B2910-2911	275.36
	B2905-2906	1,341.42
30	B3001-3003, B3005-3009	3,293.35
31	B3101-3103, B3105-3110	3,634.91
Total		70,464.00

**IV. VALUATION BASE DATE**

Valuation Base Date is 31 May 2021.

When determining the Valuation Base Date, the Client mainly considers the factors including the time required to conduct the economic behaviors and selects the end of accounting period, so as to clearly define the scope of valuation and accurately and efficiently check the assets.

**V. BASIS OF THE VALUATION****i. Applicable laws and regulations**

1. Company Law of the People's Republic of China (Revised on 26 October 2018);
2. Asset Appraisal Law of the People's Republic of China (No. 46 Order of the President of the People's Republic of China);
3. Other laws and regulations related to valuation.

**ii. Basis for pricing decision**

1. The information obtained by the valuers from field investigations and market surveys;
2. Quantity of the valuation objects as provided by the Property Ownership Certificate Holders, etc;
3. The valuation declaration schedule and relevant information provided by the Property Ownership Certificate Holders.

**VI. METHOD AND PROCESS OF THE VALUATION****i. Selection of and introduction to the method of valuation**

Considering the facts of the valuation object, the market approach is used for valuation when seeking the market's rental.

The market approach refers to a method that is used to value the objective and reasonable price or value of valuation object by comparing the valuation object with similar comparable examples near the Valuation Base Date and make proper correction of the known trading price based on the transaction status, date, regional factors and individual factors of such similar comparable examples in accordance with the principle of substitution when seeking the market's rental.

Basic calculation formula:

$$V=Vb \times A \times B \times C \times D$$

Where:

V – Price of the valuation object

Vb – Price of the comparable examples

A – Trading index of the valuation object/trading index of the comparable examples

B – Housing price index of the valuation object on the valuation date/housing price index of the comparable examples on the date of quotation

C – Regional factor condition index of the valuation object/regional factor condition index of the comparable examples

D – Individual factor condition index of the valuation object/individual factor condition index of the comparable examples

**ii. Process of the valuation**

1. Use the market comparison approach to value the market rental

Adopt the method of market survey to study the rental level of similar properties around the target property (within 5km principally) and select 3-5 cases from them. Compare the property concerned with such cases in terms of transaction status, regional factors, individual factors, etc., and make correction to obtain the rental level of the property concerned at the Valuation Base Date.

2. Consider the average annual growth rate of rental based on the rental level of various properties at the Valuation Base Date, so as to obtain the annual rental in the valuation period.

3. Discount the annual rental in the valuation period and add them up to derive the accumulative discounted value of the property in the valuation period.

## **VII. IMPLEMENTATION AND RELEVANT FACTS OF THE VALUATION PROCEDURE**

### **i. Accept the assignment**

Negotiate and communicate with the Client to learn about general information on the assets included in the scope of valuation, and make clear the purpose, object, scope, and Valuation Base Date as well as other basic matters. After comprehensive analysis on our professional competence and independence and assessment of the operational risks, a decision is made to accept the assignment and conclude the Valuation Assignment Contract. Determine the type of value concerned, develop the valuation plan, and organize the work team by considering the specific situation.

### **ii. Field investigations and information collection**

Provide guidance for the Property Ownership Certificate Holders to check the assets and prepare information for valuation. On this basis, conduct field investigations on the valuation object, collect the information required by valuation, learn about the assets, business and financial status of the object concerned, macroeconomic and regional economic factors influencing the enterprise's operation, status and prospects of the industry where the enterprise is engaged, and pay attention to the legal ownership of the valuation object. Check and verify the information used in valuation activities according to applicable laws.

### **iii. Assessment and estimation**

Carry out the analysis, summarisation and sorting on the information collected for valuation with consideration to the specific circumstances, thus providing a basis for assessment, estimation, and preparation of the Valuation Report; select the method of valuation in line with the purpose and object of valuation, the type of value, the information collection results, and other relevant conditions. Based on the valuation method adopted, choose suitable formulas and parameters for analysis, calculation and judgment, and then analyze and identify the valuation assumptions and restrictive conditions that may influence the valuation service and the valuation conclusions, and finally provide the valuation results; make comprehensive analysis on the valuation results to submit valuation conclusions.

### **iv. Issuance of the Valuation Report**

After assessment and estimation, the responsible person of the project will make the valuation conclusions and prepare the preliminary valuation report. The company will conduct internal audit on the preliminary valuation report in compliance with the applicable laws, administrative regulations and internal quality control system, and issue the Valuation Report after making necessary communication with the Client and other relevant parties in terms of its contents.

**VIII. VALUATION ASSUMPTIONS**

The main valuation assumptions used in the Valuation Report include:

**i. Basic assumptions**

1. Transaction assumption.

Transaction assumption is to assume that all assets concerned are already in the process of transaction and they are valued under the simulated market such as transaction conditions of the assets concerned.

2. Open market assumption.

Open market assumption is to assume that the assets may be traded freely in a fully competitive market and their prices depend on the judgment of asset value by independent buyers or sellers under certain market supply circumstances. Open market refers to a fully competitive market with numerous buyers and sellers. In this market, buyers and sellers have equal position. Both of them have the opportunity and time to obtain adequate market information. Both buyers and sellers conduct transactions on a voluntary and rational basis instead of being forced or restrained to do so.

3. In-service and renewal assumption.

In-service and renewal assumption is to assume that the in-service assets concerned will continue its current purpose and usage after the occurrence of changes in property ownership or the occurrence of asset operations.

**ii. Specific assumptions**

1. There is no major change in the current national macro-economy;

2. There is no major change in the social and economic environment of the Property Ownership Certificate Holders and in the tax or tax rate policies that are applicable to the Property Ownership Certificate Holders;

3. The parameters used in valuation are determined under the constant price system, without consideration to the influence of inflation factors;

4. The valuation is intended for the specific purpose stated in the Valuation Report;

5. The assets included in the scope of valuation are based upon the actual quantity on the Valuation Base Date, and the domestic effective price on the Valuation Base Date is used as a basis for current market price of the relevant assets.

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

According to the requirements of valuation, such assumptions are confirmed as being met on the Valuation Base Date. If there is a major change in the future economic environment, we will not take responsibility to derive different valuation conclusions as a result of the change in assumptions.

### IX. VALUATION CONCLUSIONS

We have valued the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building in accordance with the necessary valuation procedure. The following conclusions are derived from the above valuation.

The present discounted value of total rental for the valuation object is RMB18,272,613,300 on 31 May 2021, i.e. the Valuation Base Date. For details, see the table below:

Project Name		Leasable area (sq.m.)	Result of the Valuation (RMB10 thousand)
GOME Commercial Capital	Block A	364,906.00	881,224.78
	Block B	159,731.76	377,402.19
	Total	524,637.76	1,258,626.97
No. 9 Xiangjiang		130,501.00	235,271.91
Pengrun Building		70,464.00	333,362.45
Total		725,602.76	1,827,261.33

The effective period of valuation conclusions is one year starting from the Valuation Base Date, i.e. from 31 May 2021 to 30 May 2022.

### X. NOTES ON SPECIAL MATTERS

- i. The valuation conclusions in this Valuation Report reflect the value of valuation object on the Valuation Base Date for the purpose stated herein under the assumption that ongoing operation is maintained and there is no change in the external macro-economic environment.
- ii. The Valuation Report is based on the valuation-related data provided by the Client and relevant parties of the Property Ownership Certificate Holders. It is a responsibility of the Client and relevant parties to provide required data and guarantee authenticity, legitimacy and completeness of the data provided; the valuers have the responsibility to make analysis and valuation and give professional advice on the value of valuation object on the Valuation Base Date for the specified purpose. Necessary checking, verification and disclosure of such data and their sources by the valuers shall not constitute any guarantee for authenticity, legitimacy and completeness of the said data. Making confirmation or giving advice on such data and their sources is beyond the service scope of valuers.

iii. Defects in the Valuation

1. According to the *Notes on Matters Related to Valuation* provided by the Client and the Property Ownership Certificate Holders, as of the Valuation Base Date, GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building are still under mortgage loans as mortgage registration has been made; the principal debtor guaranteed by GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building undertakes that as a debtor, it will take all practicable measures to guarantee the normal collection of the rental for such properties in the estimation period in accordance with the agreements of all the existing and future debt contracts with creditors.
2. According to the *Notes on Matters Related to Valuation* provided by the Client and the Property Ownership Certificate Holders, the leasable area of No. 9 Xiangjiang used in the Valuation is 130,501.00 sq.m., of which the additional area without a registered property ownership certificate is 62,718.00 sq.m.. The owner of the property has undertook that it would refund the rent for the part that has not been actually used under the circumstances that No. 9 Xiangjiang fails to obtain a legal property certificate, fails to obtain the approval and construction procedure, fails to complete the completion acceptance, fails to meet the safety standards, etc, which leads to demolition, or unavailable due to any other reasons in the valuation period.
3. As of the Valuation Base Date, in the property of Pengrun Building included in the scope of valuation, there is 62,976.69 sq.m. leased or being used; GOME Property Co., Ltd. undertakes that such leased or utilized properties will reach usable status before delivery to the lessees according to the leasing agreement.

## **XI. RESTRICTIONS ON USE OF THE VALUATION REPORT**

- i. The Valuation Report shall be used only for the purpose and application stated herein; if the Valuation Report is extracted, quoted or disclosed to public media in whole or in part, relevant contents shall be reviewed by the valuation institution unless otherwise specified by the applicable laws or regulations or relevant parties;
- ii. Neither the valuation institution nor its valuers shall be held liable when the Client or any other user of the Valuation Report fails to use the Valuation Report in compliance with the applicable laws and administrative regulations and within the scope of application stated herein;
- iii. Except for the Client, other valuation report users specified in the *Valuation Assignment Contract* and the valuation report users specified by the applicable laws and administrative regulations, any other institution or individual shall not become a user of the Valuation Report;

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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- iv. A user of the Valuation Report shall correctly understand the valuation conclusions. The valuation conclusions are not equal to a realizable price of the valuation object, and shall not be considered as a guarantee for realizable price of the valuation object.

**XII. VALUATION REPORT DATE**

The Valuation Report is dated 15 July 2021.

Beijing Zhongqin Yongli Asset Evaluation Co., Ltd.  
15 July 2021



**NOTES ON VALUATION OF RENTAL FOR GOME COMMERCIAL CAPITAL,  
NO. 9 XIANGJIANG AND PENGUN BUILDING AS THE  
PROPERTY TO BE LEASED OR USED BY  
GOME APPLIANCE COMPANY LIMITED**

ZHQYLZBZ [2021] No. 657049

Beijing Zhongqin Yongli Asset Evaluation Co., Ltd.  
15 July 2021

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**PART 1 STATEMENT ON APPLICATION SCOPE OF THE NOTES ON VALUATION**

The Notes on Valuation shall be used only for the specified purpose of valuation or used by the competent evaluation authority or enterprise regulator for the purpose of reviewing the Valuation Report or inspecting the valuation institution's work; unless required by the applicable laws or administrative regulations, the Valuation Report shall neither be provided to any entity or individual in whole or in part, nor be disclosed to public media.

Beijing Zhongqin Yongli Asset Evaluation Co., Ltd.  
15 July 2021

**PART 2 NOTES ON MATTERS RELATED TO VALUATION**

This part shall be prepared by the Client and the Property Ownership Certificate Holders and signed by their respective principals with an official seal affixed.

**I. THE CLIENT AND THE PROPERTY OWNERSHIP CERTIFICATE HOLDERS**

The Client herein refers to GOME Appliance Company Limited; the Property Ownership Certificate Holders refer to Beijing GOME Commercial Capital Development Co., Ltd., Changsha Xiandao Zhendi Real Estate Development Co., Ltd., and Beijing Xinhengji Real Estate Group Co., Ltd respectively.

**i. Overview of the Client and the Property Ownership Certificate Holders**

**1. *The Client***

Name: GOME Appliance Company Limited

Unified Social Credit Code: 91110000748102517U

Type: Limited Liability Company (foreign-funded joint venture)

Address: Room 1205, No. 80 Hulang Road, Lucheng Town, Tongzhou District, Beijing

Legal Representative: Dong Xiaohong

Registered Capital: RMB1,000,000,000

Date of Establishment: 2 April 2003

Business Term: From 2 April 2003 to 1 April 2033

Business Scope: Sale of mechanical equipment, electric equipment, building materials, hardware and electric supplies (excluding electric bikes), chemical products (excluding hazardous chemicals), decoration materials, knitted textiles, and communication equipment; installation and maintenance services for the aforesaid commodities; economic and trade valuation; import and export of goods and technologies, import and export agency; sale of cosmetics, daily commodities, clothes, shoes and hats, toys, kitchen appliances, motor vehicles, computer software and auxiliary equipment, furniture, bathroom accessories, decorative accessories, electronic products, flowers, and daily necessities; storage and custody; loading and unloading services; lease of household appliances and electronic products; food and beverage services (limited to operation of affiliates); sale of foods; retail of publications; industrial design; and engaged in auction business. (This company was a domestic-funded enterprise before 20 April 2004 and transformed into a foreign-funded enterprise on 20 April 2004; it is engaged in auction business, sale of foods, retail of publications, industrial design, and other items that are required by applicable laws to obtain approval before carrying out any business activities as permitted by the competent authority.)

2. *The Property Ownership Certificate Holders*

(1) *Beijing GOME Commercial Capital Development Co., Ltd.*

Unified Social Credit Code: 9111010677709793XU

Type: Limited Liability Company (legal person sole proprietorship)

Address: F7, F8 and F9, No. 2 Building, Block 6 of Headquarters Base, No. 182 South 4th Ring Road West, Fengtai District, Beijing

Legal Representative: Zhou Liansheng

Registered Capital: RMB50,000,000

Date of Establishment: 24 June 2005

Business Term: From 24 June 2005 to 23 June 2035

Business Scope: General contracting of construction projects; real estate information valuation; information valuation (excluding property agency); investment valuation; project investment; investment management; hotel management; and property management. (The enterprise may choose business independently and conduct business activities in accordance with applicable laws; in the case of the items that are required by applicable laws to obtain approval, the enterprise shall carry out business activities as approved by the competent authority; the enterprise shall not conduct business activities in the fields prohibited or restricted by the local industrial policies.)

(2) *Changsha Xiandao Zhendi Real Estate Development Co., Ltd.*

Unified Social Credit Code: 9143010069620449XP

Type: Limited Liability Company (non-natural person invested or controlled by a legal person sole proprietorship)

Address: F3, No. 3 Building, Jiuhao Commercial Plaza, No. 168 Binjiang Road, Guanshaling Subdistrict, Yuelu District, Changsha City, Hunan Province

Legal Representative: Liu Yanan

Registered Capital: RMB200,000,000

Date of Establishment: 10 October 2009

Business Term: From 10 October 2009 to 9 October 2029

Business Scope: Real estate development, operation and brokerage; investment in real estate, infrastructure construction, public utilities, hotels, tourism, and industry (investment without direct participation in operation management). (Excluding the items requiring prior approval and permission; for the above items subject to administrative approval of licensing, relevant approval or permit must be obtained prior to operation)

(3) *Beijing Xinhengji Real Estate Group Co., Ltd.*

Unified Social Credit Code: 91110000722611719H

Type: Other Limited Liability Company

Address: Room B0005, No. 7 Wuxing Road, Lucheng Town, Tongzhou District, Beijing

Legal Representative: Chen Ruowen

Registered Capital: RMB800,000,000

Date of Establishment: 27 July 2000

Business Term: From 27 July 2000 to 26 July 2050

Business Scope: Real estate development; sale of commodity housing; commission-based property management (including lease of office buildings). (The enterprise may choose business independently and conduct business activities in accordance with applicable laws; in the case of the items that are required by applicable laws to obtain approval, the enterprise shall carry out business activities as approved by the competent authority; the enterprise shall not conduct business activities in the fields prohibited or restricted by the local industrial policies.)

**3. *Relationship between the Client and the Property Ownership Certificate Holders***

GOME Appliance Company Limited, the Client, has no direct investment relationship with each of the Property Ownership Certificate Holders. They are independent legal persons controlled by the same controlling owner.

**ii. Users of the Valuation Report other than the Client**

The Valuation Report shall be used only by the Client and the Property Ownership Certificate Holders, their higher level authorities, and the valuation report users specified by applicable national laws and regulations, but shall not be used or relied upon by any other third party.

**II. NOTES ON THE ECONOMIC BEHAVIOR**

The Valuation is intended to value the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building, in order to provide reference for the Property to be leased by GOME Appliance Company Limited.

**III. NOTES ON OBJECT AND SCOPE OF THE VALUATION**

**i. Object of the Valuation**

The object of valuation is the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building.

**ii. Scope of the Valuation**

**1. Rental valuation period**

(1) *GOME Commercial Capital and No. 9 Xiangjiang*

From 1 July 2022 to 31 December 2040.

(2) *Pengrun Building*

From 1 March 2023 to 31 December 2040 for the utilized property, and from 1 July 2021 to 31 December 2040 for the vacant property.

**2. For general information on the properties concerned, see the table below:**

Description of Property	Property Ownership		Location	Status	Leasable area (sq.m.)
	Block	Certificate			
GOME Commercial Capital	Block A	J (2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	Vacant	364,906.00
	Block B	XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	Vacant	159,731.76
No. 9 Xiangjiang		CHFQZHYZLZ No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	Vacant	130,501.00
Pengrun Building		XJFQZHCHZ No. 1062429	No. 26 Xiaoyun Road, Chaoyang District, Beijing	Leased or utilized or vacant	70,464.00
Total					725,602.76

**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

**3. Specific scope of the valuation**

(1) *For the scope of valuated rental for GOME Commercial Capital, see the table below:*

<b>Building No.</b>		<b>Leasable area (sq.m.)</b>
Block A of GOME Commercial Capital	Commercial conference & exhibition	197,083.63
	Apartments	55,403.69
	Warehouses	27,732.94
	Parking spaces	84,685.74
	Total	364,906.00
Block B of GOME Commercial Capital	Commercial conference & exhibition	80,698.37
	Office spaces	35,532.03
	Warehouses	7,088.00
	Parking spaces	36,413.36
	Total	159,731.76
	<b>Total</b>	<b>524,637.76</b>

(2) *For the scope of valuated rental for No. 9 Xiangjiang, see the table below:*

<b>S/N</b>	<b>Floor No.</b>		<b>Leasable area (sq.m.)</b>
1	Basement Level 1	Underground commercial space	13,936.00
		Parking spaces (number of counts)	680
2	F1		34,473.00
3	F2		31,295.00
4	F3		31,271.00
5	F4		18,446.00
6	F5		1,080.00
7	Total		130,501.00



**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

(3) For the scope of valuated rental for Pengrun Building, see the table below:

<b>Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>
-2	05/06	163.83
1	B109	61.62
5	B501-503, B505-509	3,634.91
6	B601-603, B605, B608, B610	2,789.36
7	B701-703, B705-709	3,634.91
8	B801-809, B816	3,424.57
10	B1001-B1003	1,101.98
	B1005	540.45
	B1006	591.45
	B1007-1009	1,671.55
11	B1101-1103, B1105-1109	3,380.96
12	B1201-03\06-09	3,062.38
	B1205	572.53
15	B1501-1503, B1505-1507, B1509-1512	3,152.27
	B1508	332.41
16	B1601-1603, B1609	1,589.42
	B1605-1606, B1608, B1610, B1612	1,720.40
17	B1701-1703, B1705-1709	3,634.91
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04
19	B1901-1903, B1905-1909	3,338.17
21	B2101-2103, B2105-2109	3,634.91
22	B2201	597.07
	B2202-2203, B2205	671.70
	B2206-2207	798.96
	B2211-2212	157.87
23	B2301-2303, B2305-2308	2,336.35
	B2310-2311, B2318	414.56
	B2316	74.00
25	B2501, B2511	805.00
	B2506, B2512, B2515	1,628.74
	B2509-2510	402.48
26	B2603, B2605-2606	1,458.16
	B2610-2611	86.08
27	B2705-2706, B2708, B2710-2711	1,471.69
	B2707	597.16
28	B2801, B2806, B2810-2811	1,185.47
	B2802-2803, B2805	1,333.64
29	B2902, B2910-2911	275.36
	B2905-2906	1,341.42
30	B3001-3003, B3005-3009	3,293.35
31	B3101-3103, B3105-3110	3,634.91
Total		70,464.00

**4. Real estate ownership information***(1) GOME Commercial Capital***a. Real Estate Ownership Certificate for Block A of GOME Commercial Capital**

Real Estate Ownership Certificate No.	J (2019) FBDCHQ No. 0046699
Owner	GOME Commercial Capital
Location	[54] suites including Room 401 on the 4th floor at No. 182 South 4th Ring Road West, Fengtai District
Type of right	State-owned construction land use right
Nature of right	Transfer
Parcel land area (sq.m.)	53,722.38 (after deducting the civil air defense area, the shared land area is 50,592.55 sq.m.)
Gross floor area of buildings (sq.m.)	364,906
Purposes	Conference & exhibition, parking spaces, hotels, warehouses, commercial spaces
Date of expiry	Commercial spaces: From 27 May 2005 to 26 May 2045; Office spaces, underground parking spaces, and underground warehouses: From 27 May 2005 to 26 May 2055

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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b. Real Estate Ownership Certificate for Block B of GOME Commercial Capital

On 7 December 2006, GOME Commercial Capital obtained the State-owned Land Use Rights Certificate of land parcel for Block B. Specific information is shown as follows:

Land Use Rights Certificate No.	JFGY (2006) CH No. 002785
Owner of land use right	GOME Commercial Capital
Location	Land Parcel 35-A1, Phase II Industrial Base of Fengtai Park, Zhongguancun Science Park, Fengtai District
Nature of land use right	Transfer
Area of tenure (sq.m.)	22,770.16
Classification of land use (purposes)	Commercial spaces, composite buildings, underground parking spaces, and underground warehouses
Date of expiry	Commercial spaces: 26 May 2045; Composite buildings, underground parking spaces, and underground warehouses: 26 May 2055

On 1 June 2010, GOME Commercial Capital obtained the Property Ownership Certificate for buildings in Block B. Specific information is shown as follows:

Real Estate Ownership Certificate No.	XJFQZHFZ No. 235689
Owner	GOME Commercial Capital
Location	No. 180 South 4th Ring Road West, Fengtai District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	159,731.76
Planning purposes	Parking spaces, conference & exhibition, office spaces for financial industry, warehouses, and commercial spaces

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

(2) *No. 9 Xiangjiang*

On 19 March 2013, Changsha Xiandao obtained the State-owned Land Use Rights Certificate. Specific information is shown as follows:

Land Use Rights Certificate No.	CHGY (2013) No. 022987
Owner of land use right	Changsha Xiandao
Location	Binjiang New City, Yuelu District
Nature of land use right	Transfer
Area of tenure (sq.m.)	63,260.24
Classification of land use (purposes)	Land for commercial facilities
Date of expiry	16 March 2050

*Note:* According to the information recorded in the above-mentioned State-owned Land Use Rights Certificate and the relevant notes provided by Changsha Xiandao, (1) the leasable area of No. 9 Xiangjiang included in the valuation is 130,501 sq.m.; (2) the total land area occupied by the property of No. 9 Xiangjiang is 63,260.24 sq.m.. In terms of the above land, Changsha Xiandao has sold the property with a gross floor area of 8,132.2 sq.m. and the corresponding shared land use area of 2,881.13 sq.m..

On 10 August 2016, Changsha Xiandao obtained Property Ownership Certificates for 13 items of property in total. Specific information is shown as follows:

S/N	Owner	Certificate No.	Location	Gross floor area (sq.m.)	Purposes
1	Changsha Xiandao	CHFQZHYZLZ No. 716237838	No. 1-11 Buildings and Basement 1001, Jiu hao Commercial Plaza, No. 168 Binjiang Road	41,586.79	Parking spaces
2	Changsha Xiandao	CHFQZHYZLZ No. 716237850	No. 1-11 Buildings and Basement 1029, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,574.30	Commercial spaces

**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

<b>S/N</b>	<b>Owner</b>	<b>Certificate No.</b>	<b>Location</b>	<b>Gross floor area (sq.m.)</b>	<b>Purposes</b>
3	Changsha Xiandao	CHFQZHYZ No. 716237851	No. 1-11 Buildings and Basement 1001, Jiu hao Commercial Plaza, No. 168 Binjiang Road	6,370.49	Commercial spaces
4	Changsha Xiandao	CHFQZHYZ No. 716237852	No. 1-11 Buildings and Basement 1002, Jiu hao Commercial Plaza, No. 168 Binjiang Road	18,320.71	Commercial spaces
5	Changsha Xiandao	CHFQZHYZ No. 716237853	No. 1-11 Buildings and Basement 1003, Jiu hao Commercial Plaza, No. 168 Binjiang Road	12,381.64	Commercial spaces
6	Changsha Xiandao	CHFQZHYZ No. 716237854	No. 1-11 Buildings and Basement 1004, Jiu hao Commercial Plaza, No. 168 Binjiang Road	845.13	Commercial spaces
7	Changsha Xiandao	CHFQZHYZ No. 716237855	No. 1-11 Buildings and Basement 1005, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,256.22	Commercial spaces
8	Changsha Xiandao	CHFQZHYZ No. 716237856	No. 1-11 Buildings and Basement 1006, Jiu hao Commercial Plaza, No. 168 Binjiang Road	5,085.66	Commercial spaces
9	Changsha Xiandao	CHFQZHYZ No. 716237857	No. 1-11 Buildings and Basement 1007, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,665.18	Commercial spaces

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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<b>S/N</b>	<b>Owner</b>	<b>Certificate No.</b>	<b>Location</b>	<b>Gross floor area (sq.m.)</b>	<b>Purposes</b>
10	Changsha Xiandao	CHFQZHYZ No. 716237858	No. 1-11 Buildings and Basement 1008, Jiu hao Commercial Plaza, No. 168 Binjiang Road	2,722.05	Commercial spaces
11	Changsha Xiandao	CHFQZHYZ No. 716237859	No. 1-11 Buildings and Basement 1009, Jiu hao Commercial Plaza, No. 168 Binjiang Road	2,222.28	Commercial spaces
12	Changsha Xiandao	CHFQZHYZ No. 716237860	No. 1-11 Buildings and Basement 1010, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,809.41	Commercial spaces
13	Changsha Xiandao	CHFQZHYZ No. 716237861	No. 1-11 Buildings and Basement 1011, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,391.79	Commercial spaces

In addition to the above-mentioned buildings of 97,231.65 sq.m. for which the Property Ownership Certificates have been obtained, there are also the buildings of 62,718.00 sq.m. for which the Property Ownership Certificates have not been obtained in the No. 9 Xiangjiang Project included in the scope of this valuation. The reason for not obtaining the Property Ownership Certificates is that, after obtaining Property Ownership Certificates for the aforesaid 13 properties, the Property Ownership Certificate Holder has constructed extra buildings including the 3rd floor, the 4th floor, the 5th floor and the corridors, but has not undergone relevant approval procedures for the aforesaid extra buildings.

(3) *Pengrun Building*

a. State-owned Land Use Rights Certificate

Land Use Rights Certificate No.	JCHGY (2009) CH No. 0131
Owner of land use right	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of land use right	Transfer
Area of tenure (sq.m.)	10,177.32
Classification of land use (purposes)	Residential and office spaces
Date of expiry	Residential space: 10 January 2070 Office space: 10 January 2050

b. Property Ownership Certificate

Real Estate Ownership Certificate No.	XJFQZHCHZ No. 1062429
Owner	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	210,005.46
Planning purposes	Parking spaces, composite buildings

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 5. *Current status of property use*

As of the Valuation Base Date, GOME Commercial Capital and No. 9 Xiangjiang are vacant.

In the properties of Pengrun Building included in the scope of valuation, there is 62,976.69 sq.m. leased or being used, while the remaining spaces are vacant. For details, see the table below:

Floor No.	Room No.	Leasable area (sq.m.)	Status
-2	05/06	163.83	In use
1	B109	61.62	In use
5	B501-503, B505-509	3,634.91	In use
6	B601-603, B605, B608, B610	2,789.36	In use
7	B701-703, B705-709	3,634.91	In use
8	B801-809, B816	3,424.57	In use
10	B1001-B1003	1,101.98	In use
	B1005	540.45	In use
	B1006	591.45	In use
	B1007-1009	1,671.55	In use
11	B1101-1103, B1105-1109	3,380.96	In use
12	B1201-03\06-09	3,062.38	In use
	B1205	572.53	In use
15	B1501-1503, B1505-1507, B1509-1512	3,152.27	In use
	B1508	332.41	In use
16	B1601-1603, B1609	1,589.42	In use
	B1605-1606, B1608, B1610, B1612	1,720.40	In use
17	B1701-1703, B1705-1709	3,634.91	In use
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04	In use
19	B1901-1903, B1905-1909	3,338.17	In use
21	B2101-2103, B2105-2109	3,634.91	In use
22	B2201	597.07	In use
	B2202-2203, B2205	671.70	In use
	B2206-2207	798.96	In use
	B2211-2212	157.87	In use



**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

Floor No.	Room No.	Leasable area	
		(sq.m.)	Status
23	B2301-2303, B2305-2308	2,336.35	In use
	B2310-2311, B2318	414.56	In use
	B2316	74.00	In use
25	B2501, B2511	805.00	Vacant
	B2506, B2512, B2515	1,628.74	In use
	B2509-2510	402.48	In use
26	B2603, B2605-2606	1,458.16	Vacant
	B2610-2611	86.08	In use
27	B2705-2706, B2708, B2710-2711	1,471.69	In use
	B2707	597.16	Vacant
28	B2801, B2806, B2810-2811	1,185.47	In use
	B2802-2803, B2805	1,333.64	Vacant
29	B2902, B2910-2911	275.36	In use
	B2905-2906	1,341.42	In use
30	B3001-3003, B3005-3009	3,293.35	Vacant
31	B3101-3103, B3105-3110	3,634.91	In use
Vacant area (sq.m.)		7,487.31	
Leased or in use area (sq.m.)		62,976.69	
Total area (sq.m.)		70,464.00	

**6. Mortgage information**

For mortgage information of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building as of the Valuation Base Date, see the table below:

S/N	Mortgagee	Mortgaged Property	Mortgage	
			Mortgaged Area (sq.m.)	Registration Date
1	Jilin Province Trust	F1, F2, F8, F9, Room 1606 and Room 1607 on F16,	23,017.27	9 August 2018
2	Sino Guarantee	F19, F27 and F28 in Block B of Pengrun Building	23,017.27	13 August 2018
3	Beijing Branch of China Bohai Bank	A total of 80 suites on F5, F6, F9, F10, F17, F20, F21, F26, F27, and a part of F30 in Block B of Pengrun Building	32,481.79	25 August 2020

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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S/N	Mortgagee	Mortgaged Property	Mortgaged Area (sq.m.)	Mortgage Registration Date
4	Northern Trust	Block A of Pengrun Building: 1801, 1802, 1803, 1805, 1806, 1807 Block B of Pengrun Building: 501, 502, 503, 505, 506, 507, 508, 509, 1601, 1602, 1603, 1605, 1608, 1609	7,700.01	30 June 2020
5	Beijing Branch of the Bank of Jiangsu	F11, F12, F14, F15, F18, F19, F22 and F25 in Block B of Pengrun Building	25,465.97	16 May 2018
6	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	13 November 2019
7	Beijing Branch of China Bohai Bank	Property and land use rights in Block B of GOME Commercial Capital	159,731.76	13 November 2019
8	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	29 June 2020
9	Guangdong Huarong	All property of No. 9 Xiangjiang	97,231.65	28 April 2020

The assets included in the scope of this valuation are consistent with the scope of assets as stated in the Valuation Assignment Contract.

**IV. NOTES ON THE VALUATION BASE DATE**

The Valuation Base Date is 31 May 2021.

Determination of such base date is based on the Client's requirements, and helpful to guarantee that the valuation results are able to effectively serve for the purpose of valuation and better reflect the status of assets concerned.

All price selection standards in the valuation of assets are the effective price standard on the Valuation Base Date.

**V. NOTES ON MAJOR MATTERS THAT MAY INFLUENCE THE VALUATION**

1. As of the Valuation Base Date, GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building are still under mortgage loans as mortgage registration has been made; the principal debtor guaranteed by GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building undertakes that as a debtor, it will take all practicable measures to guarantee the normal collection of the rental for such properties in the valuation period in accordance with the agreements of all the existing and future debt contracts with creditors.
2. The leasable area of No. 9 Xiangjiang used in the Valuation is 130,501.00 sq.m., of which the additional area without a registered property ownership certificate is 62,718.00 sq.m.. The owner of the property has undertaken that it would refund the rent for the part that has not been actually used under the circumstances that No. 9 Xiangjiang fails to obtain a legal property certificate, fails to obtain the approval and construction procedure, fails to complete the completion acceptance, fails to meet the safety standards, etc, which leads to demolition, or unavailable due to any other reasons in the valuation period.
3. As of the Valuation Base Date, in the property of Pengrun Building included in the scope of valuation, there is 62,976.69 sq.m. leased or being used; GOME Property Co., Ltd. undertakes that such leased or utilized properties will reach usable status before delivery to the lessees according to the leasing agreement.

**VI. NOTES ON ASSETS CHECKING****i. Assets included in the object of checking and valuation**

The object of checking and valuation refers to the assets included in the scope of valuation. For details, see “III. Notes on Object and Scope of the Valuation” herein.

**ii. Organization of assets checking**

Upon receiving the list of data from the valuation institution, we immediately arranged competent staff to prepare relevant information as per the list. The valuers have carefully checked and verified the assets based on the data provided by us.

**iii. Conclusions of assets checking**

On the basis of our careful checking, the results of assets checking are consistent with the assets for which we have reported in the valuation.

**VII. LIST OF INFORMATION**

We have provided the following data to the assets valuation institution:

- i. Duplicate copy of the Business License for Enterprise Legal Person (Counterpart);
- ii. Economic behavior documents;
- iii. Commitment Letter of the Client and the Property Ownership Certificate Holders;
- iv. Valuation declaration schedule;
- v. The enterprise's notes on matters related to valuation;
- vi. Property ownership certificate or certification of the assets, etc.

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**PART 3 OBJECT AND SCOPE OF THE VALUATION**

**I. OBJECT OF THE VALUATION**

The object of valuation is the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building.

**II. SCOPE OF THE VALUATION**

**1. Rental valuation period**

*(1) GOME Commercial Capital and No. 9 Xiangjiang*

From 1 July 2022 to 31 December 2040.

*(2) Pengrun Building*

From 1 March 2023 to 31 December 2040 for the utilized property, and from 1 July 2021 to 31 December 2040 for the vacant portion.

**2. For general information on the properties concerned, see the table below:**

Description of Property	Property Ownership		Status	Leasable area (sq.m.)	
	Certificate	Location			
GOME Commercial Capital	Block A	J (2019) FBDCHQ No. 0046699	No. 182 South 4th Ring Road West, Fengtai District, Beijing	Vacant	364,906.00
	Block B	XJFQZHFZ No. 235689	No. 180 South 4th Ring Road West, Fengtai District, Beijing	Vacant	159,731.76
No. 9 Xiangjiang	CHFQZHYZ	No. 726237850-726237861 and No. 726237838	No. 168 Binjiang Road, Yuelu District, Changsha City, Hunan Province	Vacant	130,501.00
Pengrun Building	J (2019) FBDCHQ No. 0046699	No. 26 Xiaoyun Road, Chaoyang District, Beijing	Leased or in use or vacant		70,464.00
	Total				725,602.76

**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

**3. Specific scope of the valuation**

*(1) For the scope of valuated rental for GOME Commercial Capital, see the table below:*

<b>Building No.</b>		<b>Leasable area (sq.m.)</b>
Block A of GOME Commercial Capital	Commercial conference & exhibition	197,083.63
	Apartments	55,403.69
	Warehouses	27,732.94
	Parking spaces	84,685.74
	Total	364,906.00
Block B of GOME Commercial Capital	Commercial conference & exhibition	80,698.37
	Office spaces	35,532.03
	Warehouses	7,088.00
	Parking spaces	36,413.36
	Total	159,731.76
<b>Total</b>		<b>524,637.76</b>

*(2) For the scope of valuated rental for No. 9 Xiangjiang, see the table below:*

<b>S/N</b>	<b>Floor No.</b>		<b>Leasable area (sq.m.)</b>
1	Basement Level 1	Underground commercial space	13,936.00
		Parking spaces (number of counts)	680
2	F1		34,473.00
3	F2		31,295.00
4	F3		31,271.00
5	F4		18,446.00
6	F5		1,080.00
7	Total		130,501.00

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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(3) *For the scope of valuated rental for Pengrun Building, see the table below:*

<b>Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>
-2	05/06	163.83
1	B109	61.62
5	B501-503, B505-509	3,634.91
6	B601-603, B605, B608, B610	2,789.36
7	B701-703, B705-709	3,634.91
8	B801-809, B816	3,424.57
10	B1001-B1003	1,101.98
	B1005	540.45
	B1006	591.45
	B1007-1009	1,671.55
11	B1101-1103, B1105-1109	3,380.96
12	B1201-03\06-09	3,062.38
	B1205	572.53
15	B1501-1503, B1505-1507, B1509-1512	3,152.27
	B1508	332.41
16	B1601-1603, B1609	1,589.42
	B1605-1606, B1608, B1610, B1612	1,720.40
17	B1701-1703, B1705-1709	3,634.91
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04
19	B1901-1903, B1905-1909	3,338.17
21	B2101-2103, B2105-2109	3,634.91
22	B2201	597.07
	B2202-2203, B2205	671.70
	B2206-2207	798.96
	B2211-2212	157.87
23	B2301-2303, B2305-2308	2,336.35
	B2310-2311, B2318	414.56
	B2316	74.00
25	B2501, B2511	805.00
	B2506, B2512, B2515	1,628.74
	B2509-2510	402.48
26	B2603, B2605-2606	1,458.16
	B2610-2611	86.08
27	B2705-2706, B2708, B2710-2711	1,471.69
	B2707	597.16
28	B2801, B2806, B2810-2811	1,185.47
	B2802-2803, B2805	1,333.64
29	B2902, B2910-2911	275.36
	B2905-2906	1,341.42
30	B3001-3003, B3005-3009	3,293.35
31	B3101-3103, B3105-3110	3,634.91
Total		70,464.00

**4. Real estate ownership information****(1) GOME Commercial Capital***a. Real Estate Ownership Certificate for Block A of GOME Commercial Capital*

Real Estate Ownership Certificate No.	J (2019) FBDCHQ No. 0046699
Owner	GOME Commercial Capital
Location	[54] suites including Room 401 on the 4th floor at No. 182 South 4th Ring Road West, Fengtai District
Type of rights	State-owned construction land use rights
Nature of rights	Transfer
Parcel land area (sq.m.)	53,722.38 (after deducting the civil air defense area, the shared land area is 50,592.55 sq.m.)
Gross floor area of buildings (sq.m.)	364,906
Purposes	Conference & exhibition, parking spaces, hotels, warehouses, commercial spaces
Date of expiry	Commercial spaces: From 27 May 2005 to 26 May 2045; Office spaces, underground parking spaces, and underground warehouses: From 27 May 2005 to 26 May 2055



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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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*b. Real Estate Ownership Certificate for Block B of GOME Commercial Capital*

On 7 December 2006, GOME Commercial Capital obtained the State-owned Land Use Rights Certificate of land parcel for Block B. Specific information is shown as follows:

Land Use Rights Certificate No.	JFGY (2006) CH No. 002785
Owner of land use right	GOME Commercial Capital
Location	Land Parcel 35-A1, Phase II Industrial Base of Fengtai Park, Zhongguancun Science Park, Fengtai District
Nature of land use right	Transfer
Area of tenure (sq.m.)	22,770.16
Classification of land use (purposes)	Commercial spaces, composite buildings, underground parking spaces, and underground warehouses
Date of expiry	Commercial spaces: 26 May 2045; Composite buildings, underground parking spaces, and underground warehouses: 26 May 2055

On 1 June 2010, GOME Commercial Capital obtained the Property Ownership Certificate for buildings in Block B. Specific information is shown as follows:

Real Estate Ownership Certificate No.	XJFQZHFZ No. 235689
Owner	GOME Commercial Capital
Location	No. 180 South 4th Ring Road West, Fengtai District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	159,731.76
Planning purposes	Parking spaces, conference & exhibition, office spaces for financial industry, warehouses, and commercial spaces

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### (2) No. 9 Xiangjiang

On 19 March 2013, Changsha Xiandao obtained the State-owned Land Use Rights Certificate. Specific information is shown as follows:

Land Use Rights Certificate No.	CHGY (2013) No. 022987
Owner of land use right	Changsha Xiandao
Location	Binjiang New City, Yuelu District
Nature of land use right	Transfer
Area of tenure (sq.m.)	63,260.24
Classification of land use (purposes)	Land for commercial facilities
Date of expiry	16 March 2050

*Note:* According to the information recorded in the above-mentioned State-owned Land Use Rights Certificate and the relevant notes provided by Changsha Xiandao, (1) the leasable area of No. 9 Xiangjiang included in the valuation is 130,501 sq.m.; (2) the total land area occupied by the property of No. 9 Xiangjiang is 63,260.24 sq.m.. In terms of the above land, Changsha Xiandao has sold the property with a gross floor area of 8,132.2 sq.m. and the corresponding shared land use area of 2,881.13 sq.m..

On 10 August 2016, Changsha Xiandao obtained Property Ownership Certificates for 13 items of property in total. Specific information is shown as follows:

S/N	Owner	Certificate No.	Location	Gross floor area (sq.m.)	Purposes
14	Changsha Xiandao	CHFQZHYZLZ No. 716237838	No. 1-11 Buildings and Basement -1001, Jiuhao Commercial Plaza, No. 168 Binjiang Road	41,586.79	Parking spaces
15	Changsha Xiandao	CHFQZHYZLZ No. 716237850	No. 1-11 Buildings and Basement -1029, Jiuhao Commercial Plaza, No. 168 Binjiang Road	1,574.30	Commercial spaces
16	Changsha Xiandao	CHFQZHYZLZ No. 716237851	No. 1-11 Buildings and Basement 1001, Jiuhao Commercial Plaza, No. 168 Binjiang Road	6,370.49	Commercial spaces

**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

<b>S/N</b>	<b>Owner</b>	<b>Certificate No.</b>	<b>Location</b>	<b>Gross floor area (sq.m.)</b>	<b>Purposes</b>
17	Changsha Xiandao	CHFQZHYZ No. 716237852	No. 1-11 Buildings and Basement 1002, Jiuhao Commercial Plaza, No. 168 Binjiang Road	18,320.71	Commercial spaces
18	Changsha Xiandao	CHFQZHYZ No. 716237853	No. 1-11 Buildings and Basement 1003, Jiuhao Commercial Plaza, No. 168 Binjiang Road	12,381.64	Commercial spaces
19	Changsha Xiandao	CHFQZHYZ No. 716237854	No. 1-11 Buildings and Basement 1004, Jiuhao Commercial Plaza, No. 168 Binjiang Road	845.13	Commercial spaces
20	Changsha Xiandao	CHFQZHYZ No. 716237855	No. 1-11 Buildings and Basement 1005, Jiuhao Commercial Plaza, No. 168 Binjiang Road	1,256.22	Commercial spaces
21	Changsha Xiandao	CHFQZHYZ No. 716237856	No. 1-11 Buildings and Basement 1006, Jiuhao Commercial Plaza, No. 168 Binjiang Road	5,085.66	Commercial spaces
22	Changsha Xiandao	CHFQZHYZ No. 716237857	No. 1-11 Buildings and Basement 1007, Jiuhao Commercial Plaza, No. 168 Binjiang Road	1,665.18	Commercial spaces
23	Changsha Xiandao	CHFQZHYZ No. 716237858	No. 1-11 Buildings and Basement 1008, Jiuhao Commercial Plaza, No. 168 Binjiang Road	2,722.05	Commercial spaces
24	Changsha Xiandao	CHFQZHYZ No. 716237859	No. 1-11 Buildings and Basement 1009, Jiuhao Commercial Plaza, No. 168 Binjiang Road	2,222.28	Commercial spaces
25	Changsha Xiandao	CHFQZHYZ No. 716237860	No. 1-11 Buildings and Basement 1010, Jiuhao Commercial Plaza, No. 168 Binjiang Road	1,809.41	Commercial spaces

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S/N	Owner	Certificate No.	Location	Gross floor area (sq.m.)	Purposes
26	Changsha Xiandao	CHFQZHYZ No. 716237861	No. 1-11 Buildings and Basement 1011, Jiu hao Commercial Plaza, No. 168 Binjiang Road	1,391.79	Commercial spaces

In addition to the above-mentioned buildings of 97,231.65 sq.m. for which the Property Ownership Certificates have been obtained, according to the *Notes on Matters Related to Valuation* provided by the Property Ownership Certificate Holders, there are also the buildings of 62,718.00 sq.m. for which the Property Ownership Certificates have not been obtained in the No. 9 Xiangjiang Project included in the scope of this valuation. The reason for not obtaining the Property Ownership Certificates is that, after obtaining Property Ownership Certificates for the 13 items of property, the Property Ownership Certificate Holder has constructed additional buildings including the 3rd floor, the 4th floor, the 5th floor and the corridors, and has failed to undergo relevant approval procedures for the aforesaid extra buildings.

**(3) Pengrun Building**

*a. State-owned Land Use Rights Certificate*

Land Use Rights Certificate No.	JCHGY (2009) CH No. 0131
Owner of land use right	Beijing Xinhengji
Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of land use right	Transfer
Area of tenure (sq.m.)	10,177.32
Classification of land use (purposes)	Residential and office spaces
Date of expiry	Residential space: 10 January 2070 Office space: 10 January 2050

*b. Property Ownership Certificate*

Real Estate Ownership Certificate No.	XJFQZHCHZ No. 1062429
Owner	Beijing Xinhengji

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

Location	No. 26 Xiaoyun Road, Chaoyang District
Nature of property	Commodity housing
Gross floor area of buildings (sq.m.)	210,005.46
Planning purposes	Parking spaces, composite buildings

### 5. Current status of property use

As of the Valuation Base Date, GOME Commercial Capital and No. 9 Xiangjiang are vacant.

In the properties of Pengrun Building included in the scope of valuation, there is 62,976.69 sq.m. leased or being used, while the remaining spaces are vacant. For details, see the table below:

Floor No.	Room No.	Leasable area (sq.m.)	Status
-2	05/06	163.83	In use
1	B109	61.62	In use
5	B501-503, B505-509	3,634.91	In use
6	B601-603, B605, B608, B610	2,789.36	In use
7	B701-703, B705-709	3,634.91	In use
8	B801-809, B816	3,424.57	In use
10	B1001-B1003	1,101.98	In use
	B1005	540.45	In use
	B1006	591.45	In use
	B1007-1009	1,671.55	In use
11	B1101-1103, B1105-1109	3,380.96	In use
12	B1201-03\06-09	3,062.38	In use
	B1205	572.53	In use
15	B1501-1503, B1505-1507, B1509-1512	3,152.27	In use
	B1508	332.41	In use
16	B1601-1603, B1609	1,589.42	In use
	B1605-1606, B1608, B1610, B1612	1,720.40	In use
17	B1701-1703, B1705-1709	3,634.91	In use
18	A1801-1803, A1805-1807, B1801-1803, B1805-1809	5,867.04	In use
19	B1901-1903, B1905-1909	3,338.17	In use
21	B2101-2103, B2105-2109	3,634.91	In use
22	B2201	597.07	In use
	B2202-2203, B2205	671.70	In use
	B2206-2207	798.96	In use
	B2211-2212	157.87	In use

**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

<b>Floor No.</b>	<b>Room No.</b>	<b>Leasable area (sq.m.)</b>	<b>Status</b>
23	B2301-2303, B2305-2308	2,336.35	In use
	B2310-2311, B2318	414.56	In use
	B2316	74.00	In use
25	B2501, B2511	805.00	Vacant
	B2506, B2512, B2515	1,628.74	In use
	B2509-2510	402.48	In use
26	B2603, B2605-2606	1,458.16	Vacant
	B2610-2611	86.08	In use
27	B2705-2706, B2708, B2710-2711	1,471.69	In use
	B2707	597.16	Vacant
28	B2801, B2806, B2810-2811	1,185.47	In use
	B2802-2803, B2805	1,333.64	Vacant
29	B2902, B2910-2911	275.36	In use
	B2905-2906	1,341.42	In use
30	B3001-3003, B3005-3009	3,293.35	Vacant
31	B3101-3103, B3105-3110	3,634.91	In use
	Vacant area (sq.m.)	7,487.31	
	Leased or in use area (sq.m.)	62,976.69	
	Total area (sq.m.)	70,464.00	

**6. Mortgage information**

For mortgage information of GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building as of the Valuation Base Date, see the table below:

<b>S/N</b>	<b>Mortgagee</b>	<b>Mortgaged Property</b>	<b>Mortgaged Area (sq.m.)</b>	<b>Mortgage Registration Date</b>
10	Jilin Province Trust	F1, F2, F8, F9,	23,017.27	9 August 2018
11	Sino Guarantee	Room 1606 and Room 1607 on F16, F19, F27 and F28 in Block B of Pengrun Building	23,017.27	13 August 2018
12	Beijing Branch of China Bohai Bank	A total of 80 suites on F5, F6, F9, F10, F17, F20, F21, F26, F27, and a part of F30 in Block B of Pengrun Building	32,481.79	25 August 2020

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**APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES**

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S/N	Mortgagee	Mortgaged Property	Mortgaged Area (sq.m.)	Mortgage Registration Date
13	Northern Trust	Block A of Pengrun Building: 1801, 1802, 1803, 1805, 1806, 1807 Block B of Pengrun Building: 501, 502, 503, 505, 506, 507, 508, 509, 1601, 1602, 1603, 1605, 1608, 1609	7,700.01	30 June 2020
14	Beijing Branch of the Bank of Jiangsu	F11, F12, F14, F15, F18, F19, F22 and F25 in Block B of Pengrun Building	25,465.97	16 May 2018
15	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	13 November 2019
16	Beijing Branch of China Bohai Bank	Property and land use rights in Block B of GOME Commercial Capital	159,731.76	13 November 2019
17	Beijing Branch of China Bohai Bank	Property and land use rights in Block A of GOME Commercial Capital	364,906	29 June 2020
18	Guangdong Huarong	All property of No. 9 Xiangjiang	97,231.65	28 April 2020

The assets included in the scope of valuation are consistent with the scope of assets stated in the *Valuation Assignment Contract*.

**PART 4 TECHNICAL NOTES ON VALUATION**

**I. METHOD OF THE VALUATION**

**i. Selection of the valuation method**

Considering the facts of the valuation object, the market approach is used for valuation when seeking the market's rental.

**ii. Introduction to the valuation method**

The market approach refers to a method that is used to value the objective and reasonable price or value of valuation object by comparing the valuation object with similar comparable examples transacted near the Valuation Base Date and make proper correction of the known trading price based on the transaction status, date, regional factors and individual factors of such similar comparable examples in accordance with the principle of substitution when seeking the market's rental.

Basic calculation formula:

$$V=Vb \times A \times B \times C \times D$$

Where:

V – Price of the valuation object

Vb – Price of the comparable examples

A – Trading index of the valuation object/trading index of the comparable examples

B – Housing price index of the valuation object on the valuation date/housing price index of the comparable examples on the date of quotation

C – Regional factor condition index of the valuation object/regional factor condition index of the comparable examples

D – Individual factor condition index of the valuation object/individual factor condition index of the comparable examples



## II. STEPS OF THE VALUATION

### i. Steps of the valuation

#### 1. *Use the market comparison approach to value the market's rental*

Adopt the method of market survey to study the rental level of similar properties around the target property (within 5km principally) and select 3 cases from them. Compare the property concerned with such cases in terms of transaction status, regional factors, individual factors, etc, and make correction to obtain the rental level of the property concerned on the Valuation Base Date.

2. Consider the average annual growth rate of rental based upon the rental level of various properties on the Valuation Base Date to obtain the annual rental in the valuation period.
3. Discount the annual rental in the valuation period and add them up to derive the accumulative discounted value of the property in the valuation period.

### ii. Implementation and relevant facts of the valuation procedure

#### 1. *Accept the assignment*

Negotiate and communicate with the Client to know general information on the assets included in the scope of valuation, and make clear the purpose, object, scope, and Valuation Base Date and other basic matters. After comprehensive analysis of our professional competence and independence and assessment of the operational risks, a decision is made to accept the assignment and conclude the Valuation Assignment Contract. Determine the type of value concerned, develop the valuation plan, and organize the work team by considering the specific situation.

#### 2. *Field investigations and information collection*

Provide guidance for the Property Ownership Certificate Holders to check the assets and prepare information for valuation. On this basis, conduct field investigations on the valuation object, collect the information required by valuation, get to know the assets, business and financial status of the object concerned, macroeconomic and regional economic factors influencing the enterprise's operation, status and prospects of the industry where the enterprise is engaged, and pay attention to the legal ownership of the valuation object. Check and verify the information used in valuation activities according to applicable laws.

### **3. Assessment and estimation**

Carry out the analysis, summarisation and sorting on the information collected for valuation with consideration to the specific business circumstances, thus providing a basis for assessment, estimation, and preparation of the Valuation Report; select the method of valuation in line with the purpose and object of valuation, the type of value, the information collection results, and other relevant conditions. Based on the valuation method adopted, choose suitable formulas and parameters for analysis, calculation and judgment, and then analyze and identify the valuation assumptions and restrictive conditions that may influence the valuation service and the valuation conclusions, and finally provide the valuation results; make comprehensive analysis on the valuation results to submit valuation conclusions.

### **4. Issuance of the Valuation Report**

After assessment and estimation, the responsible person of the project will make the valuation conclusions and prepare the preliminary Valuation Report. The company will conduct internal audit on the preliminary Valuation Report in compliance with the applicable laws, administrative regulations and internal quality control system, and issue the Valuation Report after making necessary communication with the Client and other relevant parties in terms of its contents.

## **III. RESULTS OF THE VALUATION**

The total present discounted value of rental for the property concerned is RMB18,272,613,300 on 31 May 2021, i.e. the Valuation Base Date. For details, see the table below:

<b>Project Name</b>		<b>Leasable area (sq.m.)</b>	<b>Result of the Valuation (RMB10 thousand)</b>
GOME Commercial Capital	Block A	364,906.00	881,224.78
	Block B	159,731.76	377,402.19
	Total	524,637.76	1,258,626.97
No. 9 Xiangjiang		130,501.00	235,271.91
Pengrun Building		70,464.00	333,362.45
Total		725,602.76	1,827,261.33

**IV. EXAMPLES FOR RENTAL VALUATION**

**Example 1:** Unit price valuation of rental for office spaces of GOME Commercial Capital

**1. Select comparable examples**

In the valuation, three comparable examples are selected from the transactions known by the valuers in accordance with the principle of substitution. For details, see the table below:

<b>Comparable Examples</b>	<b>Comparable Example 1</b>	<b>Comparable Example 2</b>	<b>Comparable Example 3</b>
Project Name	Times Fortune Plaza	Hanwei International Plaza	Hagrid Communication Industry Park
Property type	Office	Office	Office
Distance from the object of valuation	Approximately 1 km	Approximately 2.5 km	Approximately 3.5 km
Gross floor area (sq.m.)	123	500	582
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys and real estate agencies on the website www.58.com, the average daily rental is RMB4.5/sq.m./day for the property with gross floor area of 123 sq.m.. The rental covers property management fee, but excludes the expenses for water, electricity, heating and other utilities. The final transaction price is expected to be 95% of the quotation.	According to online surveys and real estate agencies on the website www.58.com, the average daily rental is RMB4.5/sq.m./day for the property with gross floor area of 500 sq.m.. The rental covers property management fee, but excludes the expenses for water, electricity, heating and other utilities. The final transaction price is expected to be 95% of the quotation.	According to online surveys and real estate agencies on the website www.58.com, the average daily rental is RMB4.7/sq.m./day for the property with gross floor area of 582 sq.m.. The rental covers property management fee, but excludes the expenses for water, electricity, heating and other utilities. The final transaction price is expected to be 95% of the quotation.
Expected transaction rental (RMB/sq.m./month)	128.25	128.25	133.95

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 2. Prepare the unit price schedule of comparative rental for office spaces of GOME Commercial Capital

Regarding the calculation results of comparative rental for office spaces of GOME Commercial Capital, see the table below:

Project		Object of Valuation	Comparable Example 1		Comparable Example 2		Comparable Example 3		
		Office buildings in Block B of GOME Commercial Capital	Times Fortune Plaza		Hanwei International Plaza		Hagrid Communication Industry Park		
Expected transaction rental (RMB/sq.m./month)		To be valued	128.25		128.25		133.95		
Date of quotation		31 May 2021 (Valuation Base Date)	100	May 2021	100	May 2021	100	May 2021	100
Locational factors	Degree of aggregation in office spaces	Good	100	Good	100	Good	100	Good	100
	Traffic conditions	Good	100	Good	100	Good	100	Good	100
	Infrastructure conditions	Good	100	Good	100	Good	100	Good	100
	Commercial supporting facilities	Good	100	Good	100	Good	100	Good	100
	Surrounding environment	Excellent	100	Good	98	Good	98	Excellent	100
	Frontage status	Excellent	100	Good	98	Good	98	Good	98
Individual factors	Gross floor area (sq.m.)	2205.75	100	123	105	500	105	582	105
	Architectural structure	Reinforced concrete	100	Reinforced concrete	100	Reinforced concrete	100	Reinforced concrete	100
	Public decoration	Medium-level decoration	100	Medium-level decoration	100	Medium-level decoration	100	Medium-level decoration	100
	Interior decoration	Simple decoration	100	Fine decoration	106	Fine decoration	106	Fine decoration	106
	Facilities and equipment	Relatively perfect	100	Ordinary	98	Relatively perfect	100	Ordinary	98
	Ceiling height	Normal ceiling height	100	Normal ceiling height	100	Normal ceiling height	100	Normal ceiling height	100
	Spatial layout	Relatively reasonable	100	Relatively reasonable	100	Relatively reasonable	100	Relatively reasonable	100
	Property management level	Good	100	Good	100	Good	100	Good	100
	Freshness of the property	Relatively high	100	Relatively high	100	Relatively high	100	Relatively high	100
	Correction coefficient (II)				0.9546		0.9355		0.9355
Comparative rental (RMB/sq.m./month)				122.43		119.98		125.31	
Reference weight				1/3		1/3		1/3	
Valuated unit price of rental (RMB/sq.m./month)				122.57					

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### Example 2: Unit price valuation of rental for office spaces of Pengrun Building

#### 1. Select comparable examples

In the valuation, three comparable examples are selected from the transactions known by the valuers in accordance with the principle of substitution. For details, see the table below:

Comparable Examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Genesis Center 1	Genesis Center 2	Genesis Center 3
Property type	Office	Office	Office
Distance from the object of valuation	Approximately 2.5 km	Approximately 2.5 km	Approximately 2.5 km
Gross floor area (sq.m.)	800	400	200
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys of real estate agencies on the website www.fang.com, the average daily rental is RMB11/sq.m./day for the property with gross floor area of 800 sq.m.. The rental covers property management fee, but excludes the expenses for water, electricity, heating and other utilities. The final transaction price is expected to be 95% of the quotation.	According to online surveys of real estate agencies on the website www.fang.com, the average daily rental is RMB11/sq.m./day for the property with gross floor area of 400 sq.m.. The rental covers property management fee, but excludes the expenses for water, electricity, heating and other utilities. The final transaction price is expected to be 95% of the quotation.	According to online surveys of real estate agencies on the website www.fang.com, the average daily rental is RMB11/sq.m./day for the property with gross floor area of 200 sq.m.. The rental covers property management fee, but excludes the expenses for water, electricity, heating and other utilities. The final transaction price is expected to be 95% of the quotation.
Expected transaction rental (RMB/sq.m./month)	313.50	313.50	313.50

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 2. Prepare the unit price schedule of comparative rental for office spaces of Pengrun Building

Regarding the calculation results of comparative rental of Pengrun Building, see the table below:

Project		Object of Valuation	Comparable Example 1		Comparable Example 2		Comparable Example 3		
		Office spaces of Pengrun Building	Genesis Center 1		Genesis Center 2		Genesis Center 3		
Expected transaction rental (RMB/sq.m./month)		To be valuated	313.50		313.50		313.50		
Date of quotation		31 May 2021 (Valuation Base Date)	100	May 2021	100	May 2021	100	May 2021	100
Locational factors	Degree of aggregation in office spaces	Good	100	Good	100	Good	100	Good	100
	Traffic conditions	Good	100	Excellent	102	Excellent	102	Excellent	102
	Infrastructure conditions	Good	100	Good	100	Good	100	Good	100
	Commercial supporting facilities	Good	100	Excellent	102	Excellent	102	Excellent	102
	Surrounding environment	Good	100	Excellent	102	Excellent	102	Excellent	102
	Frontage status	Good	100	Excellent	102	Excellent	102	Excellent	102
Individual factors	Gross floor area (sq.m.)	332.41	100	800	100	400	100	200	100
	Architectural structure	Reinforced concrete	100	Reinforced concrete	100	Reinforced concrete	100	Reinforced concrete	100
	Public decoration	Medium-level decoration	100	Medium-level decoration	100	Medium-level decoration	100	Medium-level decoration	100
	Interior decoration	Ordinary decoration	100	Medium-level decoration	102	Medium-level decoration	102	Medium-level decoration	102
	Facilities and equipment	Relatively perfect	100	Relatively perfect	100	Relatively perfect	100	Relatively perfect	100
	Ceiling height	Normal ceiling height	100	Normal ceiling height	100	Normal ceiling height	100	Normal ceiling height	100
	Spatial layout	Relatively reasonable	100	Relatively reasonable	100	Relatively reasonable	100	Relatively reasonable	100
	Property management level	Good	100	Good	100	Good	100	Good	100
	Freshness of the property	Relatively high	100	Relatively high	100	Relatively high	100	Relatively high	100
	Correction coefficient (II)				0.9057		0.9057		0.9057
Comparative rental (RMB/sq.m./month)				283.94		283.94		283.94	
Reference weight				1/3		1/3		1/3	
Valuated unit price of rental (RMB/sq.m./month)				283.94					

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

**Example 3:** Unit price valuation of rental for commercial spaces of No. 9 Xiangjiang

### 1. Select comparable examples

In the valuation, three comparable examples are selected from the transactions known by the valuers in accordance with the principle of substitution. For details, see the table below:

Comparable Examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Chashan Xinyuan	Shops at No. 26 Yuelu Avenue	Shops at Bafang Residential Area
Property type	Commercial	Commercial	Commercial
Distance from the object of valuation	Approximately 1.5 km	Approximately 4.0 km	Approximately 4.0 km
On Floor No.	F1	F1	F1
Gross floor area (sq.m.)	12	50	40
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys, verification through phone calls, and cases of real estate agencies on the website www.58.com, the quotation is RMB1,500/month for the property with gross floor area of 12 sq.m., including taxes and property management fees; the final transaction price is expected to be 95% of the quotation.	According to online surveys, verification through phone calls, and cases of real estate agencies on the website www.58.com, the quotation is RMB6,000/month for the property with gross floor area of 50 sq.m., including taxes and property management fees; the final transaction price is expected to be 95% of the quotation.	According to online surveys, verification through phone calls, and cases of real estate agencies on the website www.58.com, the quotation is RMB5,000/month for the property with gross floor area of 40 sq.m., including taxes and property management fees; the final transaction price is expected to be 95% of the quotation.
Expected transaction rental (RMB/sq.m./month)	118.75	114.00	118.75

### 2. Considering the conditions of valuation object, the main factors influencing the price of valuation object are as follows:

- ① Date of quotation: Determine the price index;
- ② Status of transaction: Is it a normal, fair and open transaction;
- ③ Regional factors: Commercial prosperity, traffic conditions, infrastructure conditions, commercial supporting facilities, surrounding environment, frontage road status, floor no., etc;

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

- ④ Individual factors: Gross floor area, architectural structure, public decoration, interior decoration, facilities and equipment, ceiling height, orientation, spatial layout, freshness of property, etc.

### 3. Prepare the unit price schedule of comparative rental for the first floor of No. 9 Xiangjiang

Regarding the calculation results of comparative rental for the first floor of No. 9 Xiangjiang, see the table below:

Project	Object of Valuation		Comparable Example 1		Comparable Example 2		Comparable Example 3		
	Commercial spaces on the first floor of No. 9 Xiangjiang		Chashan Xinyuan		Shops at No. 26 Yuelu Avenue		Shops at Bafang Residential Area		
Expected transaction rental (RMB/sq.m./month)	To be valuated		118.75		114.00		118.75		
Date of quotation	31 May 2021	100	May 2021	100	May 2021	100	May 2021	100	
	(Valuation Base Date)								
Locational factors	Commercial prosperity	Good	100	Good	100	Good	100	Good	100
	Traffic conditions	Excellent	100	Ordinary	96	Ordinary	96	Ordinary	96
	Infrastructure conditions	Perfect	100	Perfect	100	Perfect	100	Perfect	100
	Surrounding environment	Excellent	100	Good	98	Ordinary	96	Good	98
On Floor No.	F1	100	F1	100	F1	100	F1	100	
Individual factors	Gross floor area (sq.m.)	34,473	100	12	105	50	105	40	105
	Architectural structure	Reinforced concrete	100	Reinforced concrete	100	Reinforced concrete	100	Reinforced concrete	100
	Interior decoration	Undecorated	100	Ordinary	104	Ordinary	104	Ordinary	104
	Facilities and equipment	Excellent	100	Ordinary	96	Ordinary	96	Ordinary	96
	Ceiling height	Normal	100	Normal	100	Normal	100	Normal	100
	Spatial layout	Excellent	100	Ordinary	96	Ordinary	96	Ordinary	96
	Frontage road status	Excellent	100	Ordinary	96	Ordinary	96	Ordinary	96
	Freshness of the property	Relatively high	100	Relatively high	100	Relatively high	100	Relatively high	100
	Correction coefficient (II)			1.1002		1.1231		1.1002	
	Comparative rental (RMB/sq.m./month)			130.65		128.03		130.65	
Reference weight			1/3		1/3		1/3		
Valuated unit price of rental (RMB/sq.m./month)			129.78						



## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 4. Determine the unit price level of rental for commercial spaces on different floors of No. 9 Xiangjiang

Regarding the unit price level of rental for commercial spaces on different floors of No. 9 Xiangjiang, see the table below:

S/N	Floor No.	Unit price of rental (RMB/sq.m./month)
1	Basement Level 1	103.82
2	F1	129.78
3	F2	110.31
4	F3	97.34
5	F4	77.87
6	F5	64.89

**Example 4:** Valuation of rental for underground parking spaces of No. 9 Xiangjiang

#### 1. Select comparable examples

In the valuation, three comparable examples are selected from the transactions known by the valuers in accordance with the principle of substitution. For details, see the table below:

Comparable examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Underground parking spaces of Xiexin Xinglanhui Residential Area	Underground parking spaces of Fenglin lvzhou Residential Area	Underground parking spaces of Hengda Yujingwan
Property type	Car parking	Car parking	Car parking
Distance from the object of valuation	Approximately 0.5km	Approximately 4.5km	Approximately 1.0km
Date of quotation	May 2021	May 2021	May 2021
Data sources and relevant notes	According to online surveys and real estate agencies on the website www.58.com, the rental is RMB240/month for an underground parking space of Xiexin Xinglanhui with gross floor area of 15 sq.m..	According to online surveys and real estate agencies on the website www.58.com, the rental is RMB300/month for an underground parking space of Fenglin Lvzhou Residential Area with gross floor area of 20 sq.m..	According to online surveys and real estate agencies on the website www.58.com, the rental is RMB300/month for an underground parking space of Hengda Yujingwan with gross floor area of 15 sq.m..
Expected transaction price (RMB/parking space/month)	240	300	300

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 2. Prepare the notes on comparative factor conditions

For comparative factor conditions of the valuation object and comparable examples, see the table below:

Comparable factors	Object of valuation	Valuation Object vs. Comparable Examples		
		Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Underground parking spaces of No. 9 Xiangjiang	Underground parking spaces of Xiexin Xinglanhui Residential Area	Underground parking spaces of Fenglin lvzhou Residential Area	Underground parking spaces of Hengda Yujingwan
Expected transaction price (RMB/parking space/month)	To be valuated	240	300	300
Date of quotation	31 May 2021 (Valuation Base Date)	May 2021	May 2021	May 2021
Status of transaction	Normal	Normal	Normal	Normal
Locational status	Commercial prosperity	Good commercial prosperity	Ordinary commercial prosperity	Good commercial prosperity
	Public transport convenience	Closely adjacent to the bus station named "Financial Center Station"; good public transport convenience with No. 30, No. 51 and No. 73 bus passing by	Closely adjacent to the bus station named "Financial Center Station"; good public transport convenience with No. 330, No. 561 and No. 73 bus passing by	Closely adjacent to the bus station named "Financial Center Station"; good public transport convenience with No. 30, No. 51 and No. 73 bus passing by
Physical condition of property	Road accessibility	Excellent road accessibility	Ordinary road accessibility	Good road accessibility
	On Floor No.	Basement Level 1	Basement Level 1	Basement Level 1
Area of the parking space	Architectural structure	Large	Relatively large	Relatively large
	Type of parking space	Reinforced concrete structure	Reinforced concrete structure	Reinforced concrete structure
Project rating	Standalone parking space	Standalone parking space	Standalone parking space	Standalone parking space
Rights and interests	Project rating	High-level	Medium-level	Medium-level
	Purposes of the property	Underground garage	Underground garage	Underground garage
Nature of property right	Commodity housing	Commodity housing	Commodity housing	Commodity housing

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 3. Prepare the list of comparative factor condition indexes

Determine relative indexes for factors of the comparable examples based on the differences between the valuation object and the comparable examples. For details, see the table below:

Comparable Factors	Valuation Object vs. Comparable Examples			
	Object of valuation	Comparable Example 1	Comparable Example 2	Comparable Example 3
Project Name	Underground parking spaces of No. 9 Xiangjiang	Underground parking spaces of Xiexin Xinglanhui Residential Area	Underground parking spaces of Fenglin Ivzhou Residential Area	Underground parking spaces of Hengda Yujingwan
Expected transaction price (RMB/parking space/month)	To be valuated	240	300	300
Date of quotation	100	100	100	100
Status of transaction	100	100	100	100
Locational status	Commercial prosperity	100	98	100
	Public transport convenience	100	100	100
	Road accessibility	100	96	98
	On Floor No.	100	100	100
Physical condition of property	Area of the parking space	100	98	98
	Architectural structure	100	100	100
	Type of parking space	100	100	100
	Project rating	100	98	98
Rights and interests	Purpose of the property	100	100	100
	Nature of property right	100	100	100

## APPENDIX IIA2 THE SECOND VALUATION ON THE RENTAL OF THE PROPERTIES

### 4. List of correction coefficients for the comparative factors

Prepare the list of correction coefficients for the comparative factors based on the list of comparative factor condition indexes. For details, see the table below:

Comparable Factors		Valuation Object vs. Comparable Examples		
		Comparable Example 1	Comparable Example 2	Comparable Example 3
		Underground parking spaces of Xiexin Xinglanhui Residential Area	Underground parking spaces of Fenglin lvzhou Residential Area	Underground parking spaces of Hengda Yujingwan
Project Name				
Expected transaction price (RMB/parking space/month)		240	300	300
Date of quotation		100/100	100/100	100/100
Status of transaction		100/100	100/100	100/100
Locational status	Commercial prosperity	100/98	100/100	100/100
	Public transport convenience	100/100	100/100	100/100
	Road accessibility	100/96	100/98	100/98
	On Floor No.	100/100	100/100	100/100
Physical				
condition of property	Area of the parking space	100/98	100/98	100/98
	Architectural structure	100/100	100/100	100/100
	Type of parking space	100/100	100/100	100/100
	Project rating	100/98	100/98	100/98
Rights and interests	Purposes of the property	100/100	100/100	100/100
	Nature of property right	100/100	100/100	100/100

### 5. Determine the unit price of rental for parking spaces

Comparable Examples	Comparable Example 1	Comparable Example 2	Comparable Example 3
	Underground parking spaces of Xiexin Xinglanhui Residential Area	Underground parking spaces of Fenglin lvzhou Residential Area	Underground parking spaces of Hengda Yujingwan
Expected transaction rental (RMB/parking space/month)	240	300	300
Correction coefficient (II)	1.1068	1.0625	1.0625
Comparative price (RMB/parking space/month)	266	319	319
Reference weight	1/3	1/3	1/3
Comparative unit price (RMB/parking space/month)	301		

**PART 5 CONCLUSIONS OF THE VALUATION**

In line with the applicable national laws, administrative regulations and relevant rules, and on an independent, objective and impartial basis, Beijing Zhongqin Yongli Asset Evaluation Co., Ltd. has valued the present discounted value of rental for GOME Commercial Capital, No. 9 Xiangjiang and Pengrun Building by implementing the necessary valuation procedures. Based on the aforesaid valuation, the valuation conclusions are drawn as follows:

The total present discounted value of rental for the property concerned is RMB18,272,613,300 on 31 May 2021, i.e. the Valuation Base Date. For details, see the table below:

<b>Project Name</b>		<b>Leasable area (sq.m.)</b>	<b>Result of the Valuation (RMB10 thousand)</b>
GOME Commercial Capital	Block A	364,906.00	881,224.78
	Block B	159,731.76	377,402.19
	Total	524,637.76	1,258,626.97
No. 9 Xiangjiang		130,501.00	235,271.91
Pengrun Building		70,464.00	333,362.45
Total		725,602.76	1,827,261.33

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**APPENDIX IIB      LETTER ON THE VALUATION ON THE RENTAL  
OF THE PROPERTIES**

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*Set out below is the text of a report from the Independent Financial Adviser, Opus Capital Limited, to the Board of Directors, in respect of the Rental Valuation Reports produced by Beijing North Asia Asset Assessment Firm (Special General Partnership) and Beijing Zhongqin Yongli Asset Assessment Limited, which has been prepared for the purpose of inclusion in this Circular.*



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

13 August 2021

The Board of Directors  
**GOME RETAIL HOLDINGS LIMITED**  
Suite 2915, 29th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

Dear Sirs,

We refer to the valuation reports dated 18 July 2021 and 15 July 2021 (the “**Rental Valuation Reports**”) setting out the independent valuation on the rental of the Properties prepared by Beijing North Asia Asset Assessment Firm (Special General Partnership) and Beijing Zhongqin Yongli Asset Assessment Limited (collectively the “**Independent Valuers**”), respectively as set out in Appendix IIA1 and Appendix IIA2 to the Circular of the Company as of the date of this letter. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

This letter constitutes our report under Rule 11.1(b) of the Takeovers Code.

We have reviewed the Rental Valuation Reports and discussed the same with the Management of the Group and the Independent Valuers. In particular, we have reviewed and discussed the qualifications, bases and assumptions set out in such Rental Valuation Reports with the Group’s Management and with the Independent Valuers.

As regards the qualifications and experience of the Independent Valuers, we have conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Independent Valuers, including reviewing supporting documents and have discussed with the Independent Valuers their qualifications and experience.

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**APPENDIX IIB      LETTER ON THE VALUATION ON THE RENTAL  
OF THE PROPERTIES**

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In arriving at our views, we have relied on information and materials supplied to us by or on behalf of third parties including the Group and the Independent Valuers, and the opinion expressed by, and the representations of, the employees and/or the Management of the Group and the Independent Valuers, which we have assumed to be true, accurate, complete and not misleading and remain so as of the date hereof, and that no material fact or information has been omitted therefrom. Circumstances could have developed or could develop in the future that, if known to us at the time of the issue of this letter, may alter our assessment and review. Further, we could caution that qualifications, bases and assumptions of the Rental Valuation Reports are inherently subject to potential significant business, economic and competitive uncertainties and contingencies, which are beyond the control of the Company and the Independent Valuers.

Our work does not constitute any valuation of the Properties and we have assumed, without independent verification, the accuracy of the parameters stated in the Rental Valuation Reports.

We are acting only as the independent financial adviser to the Company in relation to the Agreement. We and our respective directors and affiliates will not, whether jointly or severally, owe any responsibility to anyone other than the Company. For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties are specifically disclaimed, except those of our responsibilities under the Takeovers Code that cannot be disclaimed.

Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Agreement, the Supplemental Agreement, the Consideration Issue or Whitewash Waiver or the transactions contemplated thereunder. Independent Shareholders are recommended to read all information (including the letter from the Independent Board Committees and the letter from the Independent Financial Adviser) as set out in the Circular.

On the basis of the foregoing and the information contained in the Rental Valuation Reports, we are of the opinion that the bases and assumptions set out therein, for which the Directors are solely responsible, have been made with due care, consideration and objectivity, and on a reasonable basis. We are also satisfied that the Independent Valuers have the qualifications and experience to prepare the Rental Valuation Reports.

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

## APPENDIX III FINANCIAL INFORMATION OF HUDSON ASSETS

*Set out below is a summary of the audited financial information of Hudson Assets for the three financial years ended 31 December 2020 and the three months ended 31 March 2021, as extracted from the audited financial statements of Hudson Assets.*

### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<b>Three months</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>ended</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>31 March</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Other income and gains	14	144,357	234,404	296
Fair value gain/(loss) on investment property	23,700,508	(84,382,180)	(2,949,872)	(22,036,317)
Administrative expenses	(687,226)	(2,709,408)	(2,708,077)	(2,214,327)
Foreign exchange difference, net	1,796	(2,450)	(3,255)	1,592
	<u>23,015,092</u>	<u>(86,949,681)</u>	<u>(5,426,800)</u>	<u>(24,248,756)</u>
PROFIT/(LOSS) BEFORE TAX				
Income tax expense	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR/PERIOD	<u>23,015,092</u>	<u>(86,949,681)</u>	<u>(5,426,800)</u>	<u>(24,248,756)</u>



## APPENDIX III FINANCIAL INFORMATION OF HUDSON ASSETS

### STATEMENT OF FINANCIAL POSITION

	<b>31 March</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>NON-CURRENT ASSETS</b>				
Property and equipment	1,087,749	1,194,520	1,611,833	2,019,297
Investment property	<u>239,470,929</u>	<u>215,770,421</u>	<u>300,152,601</u>	<u>303,102,473</u>
<b>Total non-current assets</b>	<u>240,558,678</u>	<u>216,964,941</u>	<u>301,764,434</u>	<u>305,121,770</u>
<b>CURRENT ASSETS</b>				
Prepayments and deposits	455,859	947,635	902,645	870,066
Cash and bank balances	<u>631,265</u>	<u>633,139</u>	<u>835,978</u>	<u>780,990</u>
<b>Total current assets</b>	<u>1,087,124</u>	<u>1,580,774</u>	<u>1,738,623</u>	<u>1,651,056</u>
<b>CURRENT LIABILITIES</b>				
Due to a related party	1,595	1,595	1,595	1,595
Other payables	<u>2,044</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Total current liabilities</b>	<u>3,639</u>	<u>1,595</u>	<u>1,595</u>	<u>1,595</u>
<b>NET CURRENT ASSETS</b>	<u>1,083,485</u>	<u>1,579,179</u>	<u>1,737,028</u>	<u>1,649,461</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>241,642,163</u>	<u>218,544,120</u>	<u>303,501,462</u>	<u>306,771,231</u>
<b>NON-CURRENT LIABILITIES</b>				
Due to a related party	<u>340,378,329</u>	<u>340,295,378</u>	<u>338,303,039</u>	<u>336,146,008</u>
<b>Total non-current liabilities</b>	<u>340,378,329</u>	<u>340,295,378</u>	<u>338,303,039</u>	<u>336,146,008</u>
<b>Net liabilities</b>	<u>(98,736,166)</u>	<u>(121,751,258)</u>	<u>(34,801,577)</u>	<u>(29,374,777)</u>
<b>EQUITY</b>				
Share capital	8	8	8	8
Accumulated losses	<u>(98,736,174)</u>	<u>(121,751,266)</u>	<u>(34,801,585)</u>	<u>(29,374,785)</u>
<b>Deficiency in assets</b>	<u>(98,736,166)</u>	<u>(121,751,258)</u>	<u>(34,801,577)</u>	<u>(29,374,777)</u>

**APPENDIX III FINANCIAL INFORMATION OF HUDSON ASSETS**

**STATEMENT OF CHANGES IN EQUITY**

**Years ended 31 December 2020, 2019 and 2018 and the three months ended 31 March 2021**

	<b>Share capital HK\$</b>	<b>Accumulated losses HK\$</b>	<b>Deficiency in assets HK\$</b>
At 1 January 2018	8	(5,126,029)	(5,126,021)
Loss for the year and total comprehensive loss for the year	<u>–</u>	<u>(24,248,756)</u>	<u>(24,248,756)</u>
At 31 December 2018 and 1 January 2019	8	(29,374,785)	(29,374,777)
Loss for the year and total comprehensive loss for the year	<u>–</u>	<u>(5,426,800)</u>	<u>(5,426,800)</u>
At 31 December 2019 and 1 January 2020	8	(34,801,585)	(34,801,577)
Loss for the year and total comprehensive loss for the year	<u>–</u>	<u>(86,949,681)</u>	<u>(86,949,681)</u>
At 31 December 2020 and 1 January 2021	8	(121,751,266)	(121,751,258)
Profit for the period and total comprehensive profit for the period	<u>–</u>	<u>23,015,092</u>	<u>23,015,092</u>
At 31 March 2021	<u><u>8</u></u>	<u><u>(98,736,174)</u></u>	<u><u>(98,736,166)</u></u>

## APPENDIX III FINANCIAL INFORMATION OF HUDSON ASSETS

### STATEMENT OF CASH FLOWS

	Three months ended 31 March 2021 <i>HK\$</i>	Year ended 31 December 2020 <i>HK\$</i>	Year ended 31 December 2019 <i>HK\$</i>	Year ended 31 December 2018 <i>HK\$</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before tax	23,015,092	(86,949,681)	(5,426,800)	(24,248,756)
Adjustments for:				
Interest income	(14)	(57)	(57)	(55)
Depreciation	108,239	431,381	428,774	106,956
Fair value (gain)/loss on investment property	(23,700,508)	84,382,180	2,949,872	22,036,317
	(577,191)	(2,136,177)	(2,048,211)	(2,105,538)
Decrease/(increase) in prepayments and deposits	491,776	(44,990)	(32,579)	(19,248)
Increase/(decrease) in other payables	2,044	–	–	(42,764)
Increase in amounts due to related parties	82,951	1,992,339	2,157,031	4,383,425
	(420)	(188,828)	76,241	2,215,875
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	14	57	57	55
Purchases of items of property and equipment	(1,468)	(14,068)	(21,310)	(2,126,253)
	(1,454)	(14,011)	(21,253)	(2,126,198)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>				
	(1,874)	(202,839)	54,988	89,677
Cash and cash equivalents at beginning of year	633,139	835,978	780,990	691,313
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>631,265</b>	<b>633,139</b>	<b>835,978</b>	<b>780,990</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	631,265	633,139	835,978	780,990

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2021 of the property interests.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7/F, One Taikoo Place 979 King's Road, Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

26 July 2021

The Board of Directors  
**Gome Retail Holdings Limited**  
Suite 2915, 29th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Gome Retail Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 May 2021 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interests by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Rule 11 of the Hong Kong Codes on Takeovers and Mergers (“**Takeover Code**”). Moreover, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2020 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including purchase agreement and floor plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the countries and any material encumbrance that might be attached to the property interests or any tenancy amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 23 April 2021 by Mr. Eric L. Enloe. Mr. Enloe is a fellow member of RICS and has more than 20 years’ experience in the valuation of properties in United States.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar (US\$). The exchange rate adopted in our valuation is approximately US\$1 = HK\$7.77 which was approximately the prevailing exchange rate as at the valuation date.

**Potential Tax Liabilities**

For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include Real Property Transfer Tax at a rate of approximately 1.4% to 2% on transaction amount, Real Estate Tax at a rate of approximately 21% on the assessed value from New York City Department of Finance and Capital Gain Tax with certain percentage rate (such percentage rate should be advised by qualified accountant) on capital gain (if any) from selling the property in comparing with the original purchase price, subject to certain condition and exemption. All of the percentages are in approximate and subject to the local government's tax policy.

**COMMENTARY ON THE IMPACT OF COVID-19 ON VALUATION**

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, United States' economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of this property under frequent review.

Our valuation is summarised below and the valuation certificate is attached.

Yours faithfully,  
for and on behalf of

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**

**Gilbert C. H. Chan**

*MRICS MHKIS RPS (GP)*

*Senior Director*

*Note: Gilbert C.H. Chan is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and United States.*

**SUMMARY OF VALUE****Property interests held by the Group in United States**

<b>Property</b>	<b>Market value in existing state as at 31 May 2021 US\$</b>
7 East 76th Street, New York, NY10021 United States	30,800,000

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2021 US\$
7 East 76th Street, New York, NY10021 United States	<p>The property is a single-family residence containing approximately 14,000 square feet of general building area (GBA) located in the Upper East Side in New York City which features nine bedrooms and nine bathrooms. The property contains six floors along with an English basement, all serviced by an elevator and two staircases. The entrance gallery and dining room boast about 12-foot ceilings and the parlor floor contains about 13-foot ceilings. The residence also includes two staff rooms, a professional grade kitchen, a fully equipped gym, a library, and a bright penthouse floor with a solarium and terrace. The improvements were constructed in 1923. The property was kept in a good maintenance conditions commensurate with its age.</p> <p>The subject lot of the property is approximately 0.06 acres or approximately 2,507 square feet. Topography is generally level.</p> <p>The property is located in the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area, The region is about 6,685 square miles in size, and is the most populous metropolitan area in the nation. The area where the property located is generally known as Lenox Hill, which is a neighborhood on Manhattan's upper east side. The locality is a mixed area of town houses, apartment buildings, shopping arcades and various communal facilities such as schools, hospitals, medical institutions and museums. Central Park and the Metropolitan Museum of Art are located with a few minutes' walk from the property.</p> <p>The property is held under freehold interest.</p>	As inspected, the property was partially vacant and partially occupied by the Group as at valuation date.	30,800,000 (equivalent to HKD239,316,000)

*Note:*

1. According to copy of a Purchase Agreement of 10 February 2017 provided by the Group, the property of 7 East 76th Street, New York, NY 10021 was sold to Hudson Assets Management Limited ("Purchaser"), a wholly-owned subsidiary of the Company, by Island Future Investment BVI Ltd. and Tabizuru Foundation ("Seller") at consideration of US\$41,500,000.



2. The registered owner of the property is Hudson Assets Management Limited.
3. According to information from local planning department in United States, the property is within district of New York City and is zoned as General Residence district (Zoning Code: R&B). Permitted use in the zoned area is residential buildings, single- or two-family dwellings.
4. We have identified and analyzed 5 relevant sales evidences in the locality which have similar characteristics as the subject property such as use, size and accessibility. The selected comparables are located in similar locality (distance from the property range from 0.1 to 0.3 mile only) which were transacted within period from October 2018 to and October 2020. The unit rate of these comparable ranges about US\$2,146 to US\$2,507 per sq.ft. on GBA basis. Appropriate adjustments and analysis are considered to the difference of various factors such as location, size, age, condition, etc. between the comparable and the property to arrive at our assumed unit rate of US\$2,200 per sq.ft. on GBA basis.

## 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those relating to GOME Management and parties acting in concert with it) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of GOME Management jointly and severally accept full responsibility for the accuracy of the information contained in this circular relating to GOME Management and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

## 2. MARKET PRICES

- (a) The table below sets out the closing prices of the Shares quoted on the Stock Exchange on (i) the last trading day before the date of the Announcement; (ii) the last trading day of each of the calendar months during the Relevant Period; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
30 October 2020	0.86
30 November 2020	0.92
31 December 2020	0.93
29 January 2021	1.25
26 February 2021	2.28
31 March 2021	1.44
1 April 2021 (being the Last Trading Date)	1.51
30 April 2021	1.28
31 May 2021	1.24
30 June 2021	1.00
30 July 2021	0.85
11 August 2021 (being the Latest Practicable Date)	0.86

- (b) The lowest and the highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.79 on 27 July 2021 and HK\$2.38 on 25 February 2021, respectively.

**3. SHARE CAPITAL**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following Completion were/will be as follows:

**(i) As at the Latest Practicable Date**

<i>Authorised</i>		<i>HK\$</i>
<u>200,000,000,000</u>	Shares of HK\$0.025 each	<u>5,000,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>HK\$</i>
<u>23,832,603,422</u>	Shares of HK\$0.025 each	<u>595,815,085.55</u>

**(ii) Immediately following completion of the Consideration Issue**

<i>Authorised</i>		<i>HK\$</i>
<u>200,000,000,000</u>	Shares of HK\$0.025 each	<u>5,000,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>HK\$</i>
23,832,603,422	Shares as at the Latest Practicable Date	595,815,085.55
1,929,032,258	Shares upon conversion of the outstanding convertible bonds as at the Latest Practicable Date	48,225,806.45
<u>9,923,940,777</u>	Consideration Shares to be allotted and issued	<u>248,098,519.43</u>
<u>35,685,576,457</u>	Shares	<u>892,139,411.43</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

The Shares are listed and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

Since 31 December 2020, being the date on which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, 2,279,976,000 Shares were issued on 9 March 2021, being Shares issued pursuant to a top-up placing agreement dated 2 March 2021 (details of which are disclosed in the announcements of the Company dated 2 March 2021 and 9 March 2021).

Except as disclosed above, there had been no alteration to the authorised share capital and the issued share capital of the Company since 31 December 2020, being the date on which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, except for the outstanding convertible bonds convertible into 1,929,032,258 Shares and the proposed allotment and issue of the Consideration Shares, the Company had no outstanding convertible securities, options, warrants or conversion rights which affect the Shares.

#### 4. DISCLOSURE OF INTERESTS

##### (a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the then Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), to be notified to the Company and the Stock Exchange, or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code were as follows:

##### *Long positions in the shares, the underlying shares and debentures of the Company*

Name of Director/ Chief Executive	Personal interest	Interest of spouse	Corporate interest	Trustee	Approximate%	
					Total	shareholding of
Wang Jun Zhou (Note 1)	22,000,000	-	-	-	22,000,000	0.09

##### *Note:*

- The relevant interests represented 22,000,000 Shares or underlying Shares granted to the Chief Executive pursuant to the restricted share award scheme adopted by the Company on 3 October 2016. These Shares and underlying Shares were held by the Chief Executive beneficially.

Save as disclosed above, so far as the directors are aware, as at the Latest Practicable Date, none of the then Directors nor the chief executive of the company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or which were required to be disclosed under the Takeovers Code.

**(b) Substantial shareholders' interests and short positions in the shares and underlying shares**

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO or which were required to be disclosed under the Takeovers Code:

Name of Shareholder	Nature	Number of ordinary Shares held	Approximate % of shareholding
The Controlling Shareholder <i>(Note 1)</i>	Interest in controlled corporation	10,835,703,338	45.47
Ms. Du Juan <i>(Note 2)</i>	Interest in controlled corporation	10,835,703,338	45.47
Ever Ocean Investments Limited <i>(Note 3)</i>	Interest in controlled corporation	5,500,000,000	23.08
GOME Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	5,500,000,000	23.08
Power Charm Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	5,500,000,000	23.08
GOME Home Appliances (H.K.) Limited <i>(Note 3)</i>	Interest in controlled corporation	5,500,000,000	23.08
GOME Management <i>(Note 3)</i>	Beneficial owner	5,500,000,000	23.08
Shinning Crown Holdings Inc. <i>(Note 4)</i>	Beneficial owner	4,454,979,938	18.69
Ark Trust (Hong Kong) Limited	Trustee	1,320,316,000	5.54
Pinduoduo Inc. <i>(Note 5)</i>	Interest in controlled corporation	1,300,000,000	5.45

*Notes:*

1. Of these 10,835,703,338 Shares, 5,500,000,000 Shares were held by GOME Management, 4,454,979,938 Shares were held by Shinning Crown Holdings Inc. and 634,016,736 Shares were held by Shine Group Limited (all the above companies are 100% beneficially owned by the Controlling Shareholder), and 240,955,927 Shares were held by Smart Captain Holdings Limited and 5,750,737 Shares were held by Wan Sheng Yuan Asset Management Company Limited (both companies are 100% beneficially owned by Ms. Du Juan, the spouse of the Controlling Shareholder).
2. Ms. Du Juan is the spouse of the Controlling Shareholder. The aforesaid Shares that the Controlling Shareholder 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 the Controlling Shareholder. The Shares held by these companies refer to the same parcel of Shares.
4. Shinning Crown Holdings Inc. is 100% beneficially owned by the Controlling Shareholder.
5. These Shares represent the convertible bonds issued by the Company to a wholly owned subsidiary of Pinduoduo Inc. at an aggregate principal amount of US\$200 million with the conversion price of HK\$1.20 per Share at the agreed exchange rate of US\$1 to HK\$7.8. As at the Latest Practicable Date, none of the convertible bonds have been converted.

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.

Except (i) as disclosed above; and (ii) GOME Management's interest in the Consideration Shares, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

- (i) none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation;
- (ii) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period;

- (iii) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more; and
- (iv) there were no service contracts between any of the Directors and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 7. COMPETING INTERESTS

On 31 March 2016, the Company completed the acquisition of Artway Development Limited (“Artway”, together with its subsidiaries, the “Artway Group”). The Artway Group was previously ultimately owned by The Controlling Shareholder and operates an electrical appliances and consumer electronics products retail network under the trademark of “GOME Electrical Appliances”, and related operation, (formerly referred to as the “Non-listed GOME Group”), mainly in cities other than the designated cities of the PRC in which the Group already had operations. Upon completion of the acquisition, the operations of Non-listed GOME Group has been combined with the operations of the Group. Accordingly, the Board considers that there is no longer any competition between the Group and the Controlling Shareholder and his associates in the retail business of electrical appliances and consumer electronics products under the “GOME” brand name.

Upon completion of the acquisition of the Artway Group, the Controlling Shareholder and his associates remained interested in 40% of 國美在線電子商務有限公司 (“GOME-on-line e-Commerce., Ltd” or “GOME-on-line”), a 60% non-wholly owned subsidiary of the Group. Since May 2012, the Group has operated GOME-on-line with no geographical restrictions.

Except as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

**8. INTEREST IN ASSETS AND CONTRACTS**

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

Except as disclosed in this circular, as at Last Practicable Date, there was no contract or arrangement in which any of the Directors were materially interested and which was significant to the business of the Group.

**9. PROFESSIONAL ADVISERS AND CONSENTS**

The following is the qualification of each of the experts who has provided advice for inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
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
Beijing North Asia Asset Assessment Firm	Independent valuer to the Properties
Beijing Zhongqin Yongli Asset-Assessment Ltd.	Independent valuer to the Properties
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer to the US Property

As at the Latest Practicable Date, each of the experts, and CLSA, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears. The expert's statements were issued on the date of this circular and were made for incorporation or reference (as the case may be) in this circular.

As at the Latest Practicable Date, each of the experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.



As at the Latest Practicable Date, each of the experts did not have any direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) 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.

## 10. MATERIAL CONTRACTS

Except for the following contracts, no contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group after the date two years immediately preceding the date of the Announcement, and up to and including the Latest Practicable Date, and were or may be material.

- (i) the Agreement and Supplemental Agreement;
- (ii) the agreement dated 2 March 2021 entered into between the Company, GOME Management (as vendor) and Guotai Junan Securities (Hong Kong) Limited (as placing agent) in relation to the top-up placing of 2,279,976,000 Shares at the consideration of HK\$1.97 per Share;
- (iii) the sale and purchase agreement dated 30 October 2020 between 西安鵬潤置業有限公司 (Xi'An Pengrun Property Co., Ltd.\*), as vendor, and 西安鵬安物業有限公司 (Xi'An Pengan Property Co., Ltd.\*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, as purchaser, in relation to the acquisition of a commercial development project located at the Chang'An district of Xi'An, the PRC at a consideration of approximately RMB410 million;
- (iv) the subscription agreement dated 28 May 2020 entered into between the Company and JD.com International Limited, as Investor, in relation to the subscription of the 5% convertible bonds of the Company due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$100 million;
- (v) the subscription agreement dated 17 April 2020 entered into between the Company and Hongkong Walnut Street Limited (香港胡桃街有限公司), a company with limited liability incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Pinduoduo, as Investor, in relation to the subscription of the 5% convertible bonds of the Company due 2023 (with an option to extend to 2025) in the aggregate principal amount of US\$200 million; and
- (vi) the sale and purchase agreement dated 16 August 2019 between the Company and Rocket Gain Investments Limited (迅贏投資有限公司\*), as vendor, in relation to the purchase of 19.5% of the equity interests in 北京鵬潤時代物業管理有限公司 (Beijing Pengrun Times Property Management Company Limited\*) by the Company.

**11. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE**

As at the Latest Practicable Date:

- (i) except for entering into the Agreement and as disclosed in the letter from the Board and under paragraph “4 – Disclosure of interests” above in this appendix, none of the Directors, the GOME Management and its concert parties owned or controlled or were interested in any other Shares, convertible securities, warrants, options or derivatives of the Company nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (ii) no person had irrevocably committed themselves to vote for or against the proposed resolutions approving the Agreement (including the grant of the Specific Mandate) and the Whitewash Waiver;
- (iii) no member of GOME Management and its concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (iv) no member of GOME Management and its concert parties had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (v) no agreement, arrangement or understanding (including any compensation arrangement) existed between GOME Management and its concert parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Agreement (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (vi) none of the Company and the Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of GOME Management nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of GOME Management during the Relevant Period;
- (vii) none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company, or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

- (viii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (ix) there was no shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis by fund managers connected with the Company nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (x) none of the Directors held any relevant securities (as defined in Note 4 to Rule 22 to the Takeovers Code) of Company, hence no Director would be entitled to vote for or against any of the resolutions to be proposed at the SGM to approve the Agreement, the Supplemental Agreement (including the grant of the Specific Mandate) and the Whitewash Waiver;
- (xi) neither the Company nor any of the Directors had borrowed or lent any shares, convertible securities, warrants, options or derivatives of the Company;
- (xii) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Agreement and the Supplemental Agreement (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (xiii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Agreement and the Supplemental Agreement (including the grant of the Specific Mandate) and/or the Whitewash Waiver or otherwise connected with the Agreement, the Supplemental Agreement, the grant of the Specific Mandate and/or the Whitewash Waiver; and
- (xiv) there was no material contract entered into by GOME Management and its concert parties in which any Director had a material personal interest.

## 12. GENERAL

- (a) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and the principal place of business in Hong Kong is at Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

- (b) The company secretary of the Company is Mr. Szeto King Pui, Albert. Mr. Szeto is a Hong Kong solicitor.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Abacus Limited, situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The auditors of the Company, Ernst & Young, is located at 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.
- (e) The registered office of GOME Management is at Suite 2912, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The directors of GOME Management are Ms. Du Juan, Ms. Huang Xiu Hong, Mr. Zhou Ya Fei and Ms. Cheng Hung.
- (f) The registered office of Shinning Crown Holdings Inc. is at Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. The directors of Shinning Crown Holdings Inc. are Mr. Wong Kwong Yu, Ms. Du Juan, Ms. Huang Xiu Hong and Mr. Zou Xiao Chun.
- (g) The registered office of Shine Group Limited., which is 100% beneficially owned by Mr. Wong, is at Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. The directors of Shine Group Limited are Mr. Wong Kwong Yu, Ms. Du Juan and Ms. Huang Xiu Hong.
- (h) The registered office of Smart Captain Holdings Limited, which is 100% beneficially owned by Ms. Du Juan, spouse of the Controlling Shareholder, is at Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. The director of Smart Captain Holdings Limited is Ms. Du Juan.
- (i) The registered office of Wan Sheng Yuan Asset Management Company Limited, which is 100% beneficially owned by Ms. Du Juan, spouse of the Controlling Shareholder is at Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. The director of Wan Sheng Yuan Asset Management Company Limited is Ms. Du Juan.
- (j) The registered office of the Trustee is at 34/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The directors of Trustee are Liu Yan and Wang Jing Jenny.
- (k) The registered office of CLSA is at 18/F, One Pacific Place, 88 Queensway, Hong Kong.
- (l) The Independent Financial Adviser is Opus Capital Limited whose address is at 18<sup>th</sup> Floor, Fung House, 19-20 Connaught Road Central, Central, Hong Kong.
- (m) The English text of this circular shall prevail over the Chinese text.

**13. DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. on any Business Day at the principal place of business of the Company in Hong Kong at Suite 2915, 29th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; (ii) on the website of the Company ([www.gome.com.hk](http://www.gome.com.hk)); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)), from the date of this circular up to and including the date of the SGM.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of GOME Management;
- (c) the material contracts referred to in the section headed “Material Contracts” of this appendix;
- (d) the written consents referred to in the section headed “Professional Advisers and Consents” in this appendix;
- (e) the annual reports of the Company for the three years ended 31 December 2020;
- (f) the letter from the Board, the text of which is set out the section headed “Letter from the Board” of this circular;
- (g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (h) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- (i) the valuation reports on the rental of the Properties, the text of which is set out in appendix IIA to this circular;
- (j) the letter from the Independent Financial Adviser on the valuation on the rental of the Properties, the text of which is set out in appendix IIB to this circular;
- (k) the accountants’ report prepared by Ernst & Young in respect of Hudson Assets, the text of which is set out in appendix III to this circular;
- (l) the valuation on the US Property, the text of which is set out in appendix IV to this circular; and
- (m) this circular.

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## NOTICE OF THE SGM

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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)**

#### 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 Monday, 6 September 2021, at 2:30 p.m. at Canvas Room and Canvas Room I, 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 resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

The agreement dated 7 April 2021 between the Company and GOME Management Limited (the “**Agreement**”) (a copy of which has been tabled at the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and the supplemental agreement dated 5 August 2021 between the Company and GOME Management Limited (the “**Supplemental Agreement**”) (a copy of which has been tabled at the meeting marked “B” and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed, and any one director be and is authorised to do all such things and take all such actions as he/she may consider necessary or desirable to implement and/or give effect to the Agreement, the Supplemental Agreement and all transactions contemplated thereunder, including, subject to, the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Consideration Shares (as defined in the circular of the Company dated 13 August 2021 (the “**Circular**”)), the allotment and issue of the Consideration Shares (as defined in the Circular) be and is hereby approved, and any one director be and is authorised to do all such things and take all such actions as he/she may consider necessary or desirable to implement and/or give effects to any of the matters relating to or incidental to the issue and allotment of the Consideration Shares (as defined in the Circular).”

\* For identification purpose only.

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## NOTICE OF THE SGM

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### SPECIAL RESOLUTION

“**THAT**

subject to and conditional upon the passing of the ordinary resolution above, the Whitewash Waiver (as defined in the Circular) granted or to be granted by the Executive (as defined in the Circular) be and is hereby approved and any one director be and is hereby authorised to do all such things and take all such actions as he/she may consider necessary or desirable to implement and/or give effects to any of the matters relating to or incidental to the Whitewash Waiver (as defined in the Circular).” (*Note 1*)

### CLOSURE OF SHAREHOLDERS’ REGISTER

For the purpose of determining the list of shareholders who are entitled to attend and vote at the Special General Meeting, the shareholders’ register of the Company will be closed from Thursday, 2 September 2021 to Monday, 6 September 2021 (both days inclusive). No transfer of shares of the Company will be registered during both days. In order to qualify to attend and vote at the Special General Meeting, 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 Wednesday, 1 September 2021.

Yours faithfully,  
By Order of the Board  
**GOME Retail Holdings Limited**  
**Zhang Da Zhong**  
*Chairman*

Hong Kong, 13 August 2021

*Principal place of business in Hong Kong:*

Suite 2915, 29th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

*Notes:*

- (1) Under the Takeovers Code, the resolution in relation to the Whitewash Waiver must be approved by at least 75% of the independent vote that are cast either in person or by proxy by the Independent Shareholders at the SGM.
- (2) Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. 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.
- (3) A form of proxy for use at the SGM is enclosed herewith.

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## NOTICE OF THE SGM

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- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.