



Acquisition of the 35% Minority Interest in Gome Appliance Company Limited

29 March 2006

Strictly private and confidential



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Acquisition Agreement dated 29 March 2006

- **Purchaser: GOME Electrical Appliances Holding Ltd. (stock code: 0493) (the “Company” or “Listco”)**
- **Vendor: GOME Holdings Limited, wholly owned by Mr. Wong Kwong Yu (“Mr. Wong”), the largest shareholder and Chairman of the Company**
- **Guarantor of the Vendor: Mr. Wong**
- **Assets to be acquired: 100% of Grand Hope Investment Limited which in turn owns a 35% interest in Gome Appliance Company Limited (“Gome Appliance”) and Grand Hope’s shareholder loan of approximately HK\$225 million due to the Vendor**
- **Consideration: Approximately HK\$6,986.7 million**



Acquisition Agreement dated 29 March 2006 (cont'd)

- The total consideration is based primarily on the market capitalization of the Company
- Payment:
 - As to approximately HK\$5,235.3 million by the issue new shares at HK\$8.05 each (650,346,949 new shares)
 - As to approximately HK\$761.4 million by setting-off against Beijing property consideration due from Mr. Wong
 - As to HK\$990 million by cash to be funded by the Company's internal resources



Acquisition Agreement dated 29 March 2006 (cont'd)

- **Conditions, among others:**
 - Approval by the independent shareholders in a general meeting by way of a poll
 - Listing Committee of The Stock Exchange of Hong Kong Limited granted the listing of and permission to deal in the consideration shares
 - Bermuda Monetary Authority granting its permission to the allotment and issue of the consideration shares
 - Receipt of a PRC legal opinion on Gome Appliance and the transactions under the Acquisition Agreement by the Company
 - Obtain of all consents and approvals from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Acquisition Agreement



Consideration shares

- **Issue price: HK\$8.05 each**
 - **Equivalent to the closing price on last day of trading or 28 March 2006**
 - **A premium of 7.48% over the average closing price of HK\$7.49 for the last 10 trading days**
 - **A premium of 7.84% over the average closing price of HK\$7.465 for the last 30 trading days**
- **The consideration shares of approximately 650 million shares represent approximately 39.6% of existing and 28.4% of enlarged issued share capital of the Company**



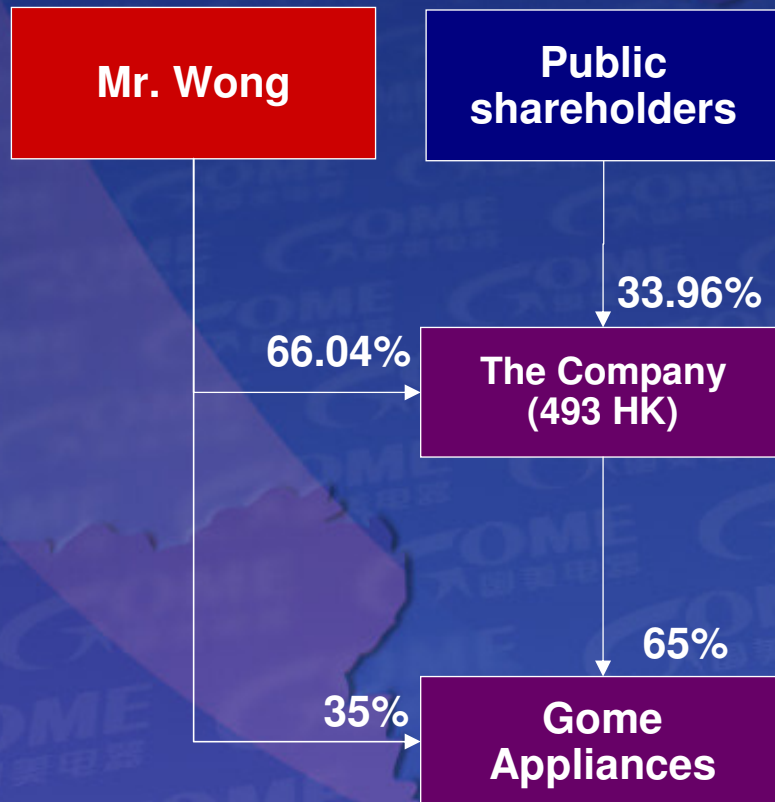
Reasons and Benefits

- Simplify corporate structure
- Consolidate interest in Gome Appliance from 65% to 100%
- Strengthen financial profile of the group in terms of market capitalization and net profit
- EPS accretive

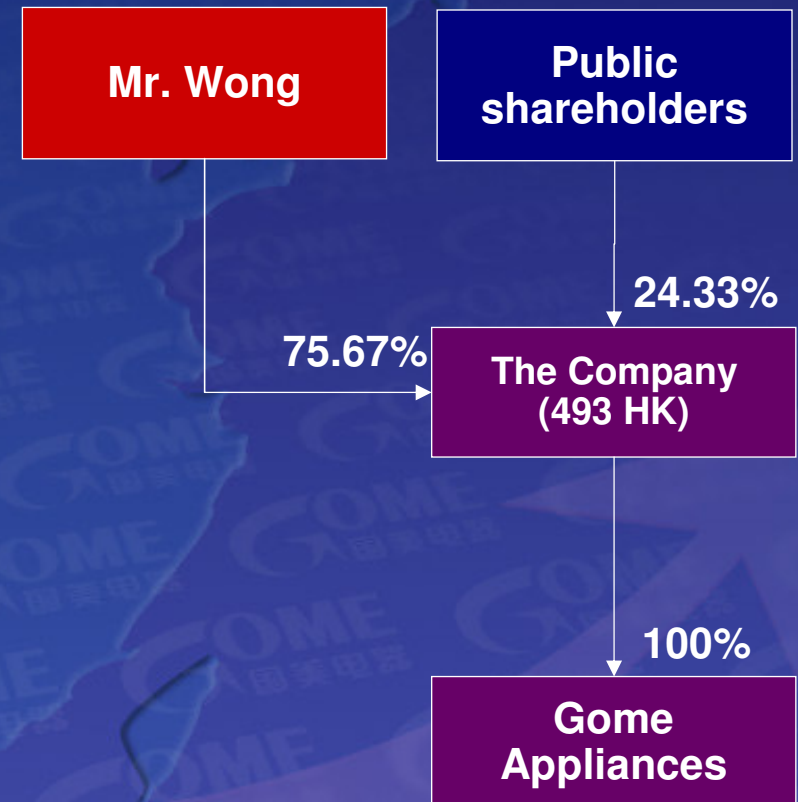


Simplified Corporate Structure

Before



After





Shareholding effect

Current (as at 29 March 2006)

Shareholding structure

	# of shares (m)	% of shares
Mr. Wong Kwong Yu	1,084.67	66.04%
Public	557.85	33.96%
Total	1,642.45	100%

After completion of the acquisition

	# of shares (m)	% of shares
Mr. Wong Kwong Yu	1,734.95	75.67%
Public	557.85	24.33%
Total	2,292.79	100%