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GOLDEN EAGLE RETAIL GROUP LIMITED

金鷹商貿集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 3308)

CONTINUING CONNECTED TRANSACTION: LEASE AGREEMENT (XINJIEKOU BLOCK B)

Golden Eagle International Group and Golden Eagle (China) entered into the Lease Agreement (Xinjiekou Block B) on 16 April 2014, pursuant to which the aforesaid parties agreed to enter into a lease arrangement in respect of Xinjiekou Block B.

Golden Eagle International Group is indirectly wholly-owned by GEICO and is accordingly an associate of GEICO and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Lease Agreement (Xinjiekou Block B) constituted a continuing connected transaction of the Company.

The Directors anticipated that the aggregate amount of rentals payable under the Relevant Lease Agreements calculated on an aggregate and annual basis with reference to the annual caps available represents more than 0.1% but less than 5.0% of the applicable percentage ratios. Therefore, the entering into of the Lease Agreement (Xinjiekou Block B) and the transactions contemplated thereunder are subject to announcement, reporting and annual review requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

LEASE AGREEMENT (XINJIEKOU BLOCK B) DATED 16 APRIL 2014

Parties

Lessor: 南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.), an indirect wholly-owned subsidiary of GEICO

Lessee: 金鷹國際商貿集團(中國)有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.), an indirect wholly-owned subsidiary of the Company

GEICO, through Golden Eagle International Retail Group Limited (one of its wholly-owned subsidiaries), is now indirectly holding approximately 73.35% of the entire issued share capital of the Company and is accordingly a controlling shareholder of the Company. GEICO is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang.

Since Golden Eagle International Group is indirectly wholly-owned by GEICO and is accordingly an associate of GEICO and a connected person of the Company under Chapter 14A of the Listing Rules, the entering into of the Lease Agreement (Xinjiekou Block B) constituted a continuing connected transaction of the Company.

Assets to be leased under the Lease Agreement (Xinjiekou Block B)

The assets to be leased under the Lease Agreement (Xinjiekou Block B) are the Xinjiekou Block B.

Golden Eagle International Group shall deliver vacant possession of Xinjiekou Block B to Golden Eagle (China) after Golden Eagle International Group has completed the internal renovation of certain specified area of the premises and the work on the ancillary facilities of the premises, including but not limited to water supply, electricity supply, air-conditioning, fire safety, gas supply, etc., which is expected to be in April 2014.

Term of the Lease Agreement (Xinjiekou Block B)

The term of the lease under the Lease Agreement (Xinjiekou Block B) will be 20 years commencing from the date on which the Group commences its department store operation, which is expected to be at the end of April 2014.

Condition precedent

The Lease Agreement (Xinjiekou Block B) is conditional upon the obtaining by the Company of all necessary approvals required under the Listing Rules (if any).

Rental

The rental payable by the Group to Golden Eagle International Group for the lease of the Xinjiekou Block B shall be equivalent to the aggregate of:

(a) with respect to those concessionaires:

- (i) for those concessionaires which the Group charges 10% or more commission rate on their concessionaire sales, 5% of the annual gross sale proceeds derived from the operation of those concessionaires (less the relevant value-added tax and sales tax);
- (ii) for those concessionaires which the Group charges less than 10% commission rate on their concessionaire sales, the amount to be calculated in accordance with the following formula:

$$\begin{array}{l} \text{Gross sale proceeds derived} \\ \text{from the operation of those} \\ \text{concessionaires (less relevant} \\ \text{value-added tax and sales tax)} \end{array} \times \begin{array}{l} \text{Commission rate} \\ \text{charged by the Group} \end{array} \times 50\%$$

(b) with respect to sub-letting of units:

50% of the proceeds derived from the sub-letting of units in Xinjiekou Block B (less property tax, business tax and other relevant taxes);

(c) with respect to supermarket operations:

- (i) 3% of the gross sale proceeds derived from the operation of supermarket during the first three years commencing from the date of commencement of operation;
- (ii) 4% of the gross sales proceeds derived from the operation of supermarket commencing from the date falling the fourth anniversary of the date of commencement of operation,

which shall be payable by Golden Eagle (China) quarterly in arrears within 10 Business Days before the end of the immediate subsequent Quarter.

Upon payment of each quarterly rental, Golden Eagle (China) shall at the same time submit the management accounts in respect of that quarter to Golden Eagle International Group. After the end of each financial year, Golden Eagle International Group and Golden Eagle (China) shall finalize the exact amount of rentals payable

by Golden Eagle (China) in respect of that financial year based on the relevant revenue derived from the operation of Xinjiekou Block B as confirmed by an auditor acceptable to Golden Eagle International Group and Golden Eagle (China) in accordance with the generally accepted accounting principles of the PRC.

The rental in respect of the lease of Xinjiekou Block B was arrived at after arm's length negotiations and with reference to the prevailing market rate and market practice.

The rental will be settled by the internal resources of the Group.

The Board (including the independent non-executive Directors) considers that the terms of the Lease Agreement (Xinjiekou Block B) are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Mr. Wang, the Director who has material interest in the transaction by virtue of his indirect beneficial interest in Golden Eagle International Group, has abstained from signing the board resolutions approving the Lease Agreement (Xinjiekou Block B) and the transactions contemplated thereunder.

Rental deposit

Golden Eagle (China) shall pay a sum of RMB3,000,000 (equivalent to approximately HK\$3,782,000) (the "**Rental Deposit**") to Golden Eagle International Group within 5 Business Days after the date of the Lease Agreement (Xinjiekou Block B).

Golden Eagle International Group shall refund the Rental Deposit to Golden Eagle (China) upon (i) the expiry of the Lease Agreement (Xinjiekou Block B) or (ii) the early termination of the Lease Agreement (Xinjiekou Block B) not attributable to any default on the part of Golden Eagle (China), whichever the earlier.

In the event of the early termination of the Lease Agreement (Xinjiekou Block B) due to the default on the part of Golden Eagle (China), Golden Eagle International Group shall be entitled to forfeit the Rental Deposit in full, without prejudice to the right of Golden Eagle International Group to seek any further remedies.

In the event of the early termination of the Lease Agreement (Xinjiekou Block B) due to the default on the part of Golden Eagle International Group, Golden Eagle International Group shall pay a sum equivalent to two times of the Rental Deposit to Golden Eagle (China), without prejudice to the right of Golden Eagle (China) to seek any further remedies.

Rights of first refusal

In the event that Golden Eagle International Group intends to transfer the ownership of Xinjiekou Block B to any third party during the term of the Lease Agreement (Xinjiekou Block B), it shall serve a notice in writing (the “**Sale Notice**”) to Golden Eagle (China) and Golden Eagle (China) shall have the right of first refusal to purchase Xinjiekou Block B on the same terms and conditions as those offered by such third party. Golden Eagle (China) shall notify Golden Eagle International Group in writing as to whether it will exercise the right of first refusal within 30 days of the Sale Notice. Golden Eagle (China) shall be deemed to have waived the right of first refusal if it does not notify Golden Eagle International Group in writing within the said 30-day period.

Reason for entering into the Lease Agreement (Xinjiekou Block B)

Xinjiekou Block B is located at a prime location at Nanjing Xinjiekou Business District, one of the busiest business districts in the PRC, and is adjacent to Nanjing Xinjiekou Store, the Group’s flagship store, with a gross floor area of approximately 33,446 square metres which generated over RMB3.5 billion sales during the year ended 31 December 2013.

In order to enlarge the operating area of Nanjing Xinjiekou Store, the Group entered into a framework agreement with Golden Eagle International Group on 9 November 2009 to acquire additional operation premises with gross floor area of approximately 50,000 square metres (subject to adjustment upon actual delivery). Details of this acquisition have been disclosed in the Company’s announcement and circular dated 11 November 2009 and 2 December 2009 respectively.

After years of planning and preparation, in order to capture the latest trends of diversified developments in the retailing industry and satisfy the diversified consumption demands of our customers, the Group has decided to transform Nanjing Xinjiekou Store into an international landmark commercial complex that houses rich merchandise mix with full range of functional services, including but not limited to, international designer brands, leisure gourmet dining, early childhood education and an international class cinema. Accordingly, additional floor area is required. The Board believes that the entering into of the Lease Agreement (Xinjiekou Block B) will facilitate the Group to accomplish the aforesaid business plans and further enhance its presence, market share and competitiveness in Nanjing in which the Group is already enjoying a leading position.

Proposed aggregate annual caps for the Lease Agreement (Xinjiekou Block B) for the three years ending 31 December 2016

The projected annual caps for the rentals payable under the Lease Agreement (Xinjiekou Block B) for the three years ending 31 December 2016 are as follows:

31 December 2014:	RMB36.0 million (equivalent to approximately HK\$45.4 million)
31 December 2015:	RMB37.0 million (equivalent to approximately HK\$46.6 million)
31 December 2016:	RMB38.0 million (equivalent to approximately HK\$47.9 million)

The above annual caps for the rentals are determined based on reasonable estimation of gross sales proceeds to be derived from the operation of Xinjiekou Block B with reference to the prevailing market condition and assuming that the Group will be charged at the maximum rental rate of 5% with respect to those concessionaire sales.

VIEW OF THE INDEPENDENT FINANCIAL ADVISER

According to Rule 14A.35(1) of the Listing Rules, any continuing connected transaction must not exceed 3 years, except in special circumstances where the nature of the transaction requires to be of a duration which is longer than 3 years. In accordance with the requirement of Rule 14A.35(1) of the Listing Rules, Asia Investment has been appointed to opine on the tenure of the Lease Agreement (Xinjiekou Block B), which is more than 3 years, and to confirm that it is normal business practice for contracts of this type to be of such duration.

Asia Investment has reviewed the public information regarding the tenures of the properties leased by other department store operators in the PRC with their shares listed on the Stock Exchange and noted that leases of large scale department store operated in the PRC typically have duration in excess of 3 years with a range from 1 year to 22 years. Asia Investment agrees with the view of the management of the Company that the business nature of the Group requires it to enter into long term leases given that:

- (i) the long-term nature of the Lease Agreement (Xinjiekou Block B) will enable the Group to secure location in Nanjing and prevent unnecessary cost, effort, time and interruption of business caused by relocation in the near future;

- (ii) the long-term nature of the Lease Agreement (Xinjiekou Block B) will prevent the recurrence of initial investment costs such as initial set up costs and interior decoration in the short run;
- (iii) relocation of the department store may induce additional business risks such as loss of customers and therefore affect the business performance of the Group;
- (iv) it is necessary for the Group to secure a long-term lease in order to attract retail concessionaries which may also wish to maintain a long-term and stable business relationship with the Group; and
- (v) the long-term nature of the Lease Agreement (Xinjiekou Block B) may enhance customers' loyalty and maintain stable sales revenue for the Group.

In light of the aforesaid, Asia Investment is of the view that it is fair and reasonable for the Group to enter into the Lease Agreement (Xinjiekou Block B) with long-term tenure, and it is in line with the normal business practices in the PRC for contracts of this type to be of such duration.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 14A.25 of the Listing Rules, the Stock Exchange will aggregate a series of connected transactions and treat them as if they were one transaction if they are all completed within 12-month period or are otherwise related. The Group has entered into certain lease agreements with its connected persons. In this regard, the relevant annual caps in respect of the Relevant Lease Agreements shall be aggregated in the calculation of the applicable percentage ratios (as defined in the Listing Rules) in accordance with Rule 14A.25 of the Listing Rules. Save for the aforesaid, the Group has not entered into any prior transaction with GEICO and/ or any of its connected persons that is required to be aggregated with the Relevant Lease Agreements.

The Directors anticipated that the aggregate amount of rentals payable under the Relevant Lease Agreements calculated on an aggregate and annual basis with reference to the annual caps available represents more than 0.1% but less than 5.0% of the applicable percentage ratios. Therefore, the entering into of the Lease Agreement (Xinjiekou Block B) and the transactions contemplated thereunder are subject to announcement, reporting and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the connected transactions of the Company will be disclosed in the Company's published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

INFORMATION ABOUT GOLDEN EAGLE INTERNATIONAL GROUP

Golden Eagle International Group is principally engaged in the businesses of property development, property investment and investment holding.

INFORMATION ABOUT THE GROUP

The Company was incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group are the development and operation of stylish premium department store chain in the PRC.

TERMS USED IN THIS ANNOUNCEMENT

“Amended Zhujiang Tenancy Agreement”	the lease agreement in respect of 1st to 5th floors of 珠江壹號廣場 (Zhujiang No. 1 Plaza) dated 28 August 2007 entered into between 南京金鷹天地購物中心有限公司 (Nanjing Golden Eagle G-city Shopping Centre Co., Ltd.) and 南京珠江壹號實業有限公司 (Nanjing Zhujiang No. 1 Industry Co., Ltd.), as amended and supplemented by the supplemental agreement dated 4 June 2008 and the second supplemental agreement dated 29 December 2008
“Asia Investment”	Asia Investment Management Limited, a licensed corporation under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Company in respect of the tenures of the Lease Agreement (Xinjiekou Block B)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and Sunday) on which banks in the PRC are open for general banking transactions

“Company”	Golden Eagle Retail Group Limited (金鷹商貿集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company (including the independent non-executive directors of the Company) and “Director” shall mean any one of them
“Facilities Leasing Agreement”	the facilities leasing agreement in respect of the air-conditioning system, the escalators, the elevators and the supervisory control system on 1st to 5th floors of 南京漢中新城 (Nanjing Hanzhong Plaza) dated 3 June 2009 entered into between Golden Eagle (China) and 南京金紀業投資管理有限公司 (Nanjing Jinjiye Investment Management Co., Ltd.) (which was merged into Golden Eagle International Group after a series of group reorganization)
“GEICO”	GEICO Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being the indirect sole shareholder of Golden Eagle International Group and the indirect controlling shareholder of the Company
“Golden Eagle (China)” or “Nanjing Xinjiekou Store”	金鷹國際商貿集團 (中國) 有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.), a company established in the PRC with limited liability on 12 May 2000, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the department store operated by such entity
“Golden Eagle International Group”	南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.), a company established in the PRC with limited liability on 7 March 1992, which is an indirect wholly-owned subsidiary of GEICO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders who are independent of and not connected with Golden Eagle International Group and its associates
“Lease Agreement (1/F – 6/F, Golden Eagle Plaza)”	the lease agreement in respect of the whole of the 1st to 5th floors and part of the 6th floor and the relevant accessory room of 上海金鷹購物廣場 (Golden Eagle Shopping Plaza) dated 29 December 2008 entered into between 上海金鷹國際購物廣場有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.) and 上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited)
“Lease Agreement (Additional Xianlin Retail Area)”	the lease agreement in respect of the 1st floor and the 2nd floor of Blocks 3 and 5 and the 1st floor of Blocks 4 and 6 of 仙林金鷹天地 (Xianlin Golden Eagle Tiandi) dated 10 November 2010 entered into between 南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.) and 南京仙林金鷹置業有限公司 (Nanjing Xianlin Golden Eagle Properties Co., Ltd.)
“Lease Agreement (Hanzhong Plaza)”	the lease agreement in respect of 南京漢中新城 (Nanjing Hanzhong Plaza), a 5-storey shopping plaza with an underground accessory room located at 南京市漢中門大街1號 dated 3 June 2009 entered into between Golden Eagle (China) and 南京金紀業投資管理有限公司 (Nanjing Jinjiye Investment Management Co., Ltd.) (which was merged into Golden Eagle International Group after a series of group reorganization)

“Lease Agreement (Suqian Ancillary Supporting Area)”	the lease agreement in respect of certain area located at basement floor 1 of land lot C of 宿遷金鷹天地項目 (Suqian Golden Eagle Tiandi Project) dated 20 January 2012 entered into between 宿遷金鷹國際購物中心有限公司 (Suqian Golden Eagle International Shopping Plaza Co., Ltd.) and 宿遷金鷹置業有限公司 (Suqian Golden Eagle Properties Co., Ltd.)
“Lease Agreement (Xianlin Golden Eagle Shopping Plaza)”	the lease agreement in respect of the 1st floor to the 5th floor of Block 1 and ancillary facilities of 仙林金鷹購物中心 (Xianlin Golden Eagle Tiandi) dated 9 November 2009 entered into between 南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.) and 南京仙林金鷹置業有限公司 (Nanjing Xianlin Golden Eagle Properties Co., Ltd.)
“Lease Agreement (Xinjiekou Block B)”	the lease agreement in respect of the Xinjiekou Block B dated 16 April 2014 entered into between Golden Eagle (China) and Golden Eagle International Group
“Lease Agreement (Yancheng Golden Eagle Outlet)”	the lease agreement in respect of Blocks D, E, F, G, H and M of 金鷹龍湖一號 (Golden Eagle Longhu No. 1) dated 20 January 2012 entered into between 鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Co., Ltd.) and 鹽城金國聯置聯有限公司 (Yancheng Jinguolian Properties Co., Ltd.)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Hung, Roger, the Chairman and the executive Director of the Company
“PRC”	the People’s Republic of China
“Quarter”	each of the 3-month periods ended 31 March, 30 June, 30 September and 31 December respectively

“Relevant Lease Agreements”	collectively, (i) the 2014 Xinjiekou Tenancy Agreement, (ii) the Lease Agreement (1/F — 6/F, Golden Eagle Plaza) (as supplemented by the supplemental agreement dated 19 December 2013), (iii) the Amended Zhujiang Tenancy Agreement, (iv) the Lease Agreement (Hanzhong Plaza) (as supplemented by the supplemental agreement dated 13 July 2009 and the second supplemental agreement dated 19 December 2013), (v) the Facilities Leasing Agreement (as supplemented by the supplemental agreement dated 13 July 2009 and the second supplemental agreement dated 19 December 2013), (vi) the Supplemented Lease Agreements (Total Xianlin Retail Area), (vii) the Lease Agreement (Suqian Ancillary Supporting Area), (viii) the Lease Agreement (Yancheng Golden Eagle Outlet) (as supplemented by the supplemental agreement dated 19 December 2013) and (ix) the Lease Agreement (Xinjiekou Block B)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemented Lease Agreements (Total Xianlin Retail Area)”	collectively, (i) the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) (as amended by the supplemental agreement dated 20 January 2012 and the second supplemental agreement dated 19 December 2013) and (ii) the Lease Agreement (Additional Xianlin Retail Area) (as amended by the supplemental agreement dated 20 January 2012 and the second supplemental agreement dated 19 December 2013)
“Xinjiekou Block B”	the premises located at basement 1st floor, 7th — 9th floor of No. 101 Hanzhong Lu, Nanjing, the PRC together with the ancillary facilities with an aggregate gross floor area of approximately 29,242 square metres

“2014 Xinjiekou
Tenancy Agreement” the lease agreement in respect of the lease of the entire
8th floor of 金鷹國際商城 (Golden Eagle International
Plaza) dated 19 December 2013 entered into between
Golden Eagle (China) and Golden Eagle International
Group

“%” per cent

By Order of the Board
Golden Eagle Retail Group Limited
Wang Hung, Roger
Chairman

Hong Kong, 16 April 2014

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted to HK\$ at a rate of HK\$1.00 to RMB0.7933.

As at the date of this announcement, the Board comprises 1 executive Director, namely Mr. Wang Hung, Roger and 3 independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Wang Yao and Mr. Liu Chi Husan, Jack.

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translation, the Chinese version shall prevail.