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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 TRANSACTIONS
(1) SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT
(MA'ANSHAN TIANDI PLAZA);
(2) 2022 LEASE AGREEMENT
(YANCHENG GOLDEN EAGLE OUTLET);
AND
RENEWAL OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to the independent board committee and
the independent shareholders of the Company**



EUTO CAPITAL PARTNERS LIMITED

A letter from the Board is set out on pages 15 to 41 of this circular. A letter of advice from the Independent Financial Adviser (as defined herein) containing its advice and recommendation to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 44 to 112 of this circular. A letter from the Independent Board Committee is set out on pages 42 and 43 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Thursday, 16 December 2021 at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong is set out on pages 127 to 129 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.geretail.com).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish.

15 November 2021

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DEFINITIONS

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

“Additional Golden Eagle World Lease Area”	comprises the basement 2nd floor of Golden Eagle World Podium with a GFA of approximately 23,623 square metres
“Additional Ma’anshan Tiandi Lease Area”	comprises a portion of basement 1st floor, 1st to 5th floors, Podium Building, Ma’anshan Tiandi Plaza with an aggregate GFA of approximately 40,870.88 square metres
“Additional Nanjing Zhujiang Properties”	comprise units basement 1st and 2nd floors of the south wing of Zhujiang No. 1 Plaza with an aggregate GFA of approximately 1,919 square metres and units 2nd to 4th floors of the north wing of Zhujiang No. 1 Plaza with an aggregate GFA of approximately 4,359 square metres
“Additional Shanghai Properties”	comprise the entire 7th to 8th floors and a portion of the 9th floor of Golden Eagle Shopping Plaza with an aggregate GFA of approximately 8,885.77 square metres
“Additional Xianlin Retail Area”	comprises the ground floor and the 1st floor of Blocks C and E and the ground floor of Blocks D and F of Zone A Xianlin Hubin Tiandi with an aggregate GFA of approximately 14,556 square metres
“Additional Xinjiekou Block B Lease Area”	comprises basement 1st floor of Golden Eagle Centre Tower A with a GFA of approximately 2,700 square metres
“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
“continuing connected transactions”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Cooperation Agreement on Property Lease (Convenience Stores)”	the cooperation agreement on property leases in respect of various retail shop premises owned by Golden Eagle International Group, Nanjing Xinbai Group or their respective subsidiaries located at various parts of the PRC for the operation of 7-Eleven convenience stores dated 29 September 2020 entered into between Golden Eagle Convenience Store, Golden Eagle International Group and Nanjing Xinbai Group
“Cooperation Agreement on Property Lease (Offices)”	the cooperation agreement on property leases in respect of various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC dated 29 September 2020 entered into between Golden Eagle Trading and Golden Eagle International Group
“Danyang Golden Eagle Shopping” or “Danyang Store”	丹陽金鷹國際購物中心有限公司 (Danyang Golden Eagle International Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 27 May 2014, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle centre operated by such entity
“Danyang Golden Eagle Tiandi”	丹陽金鷹天地實業有限公司 (Danyang Golden Eagle Tiandi Industry Co., Ltd.), a company established in the PRC with limited liability on 18 October 2006, being an indirect wholly-owned subsidiary of GEICO and the developer of Danyang Tiandi Plaza
“Danyang Tiandi Lease Area”	comprises all parts of 1st to 8th floors and a portion of basement 1st floor, North Zone, Block 16 of Danyang Tiandi Plaza with an aggregate GFA of approximately 52,976.24 square metres and the ancillary facilities
“Danyang Tiandi Plaza”	丹陽金鷹天地廣場項目 (Danyang Golden Eagle Tiandi Plaza Project) located at 丹陽市丹鳳南路17號 (17 Danfeng Nan Lu, Danyang City) and to be developed by Danyang Golden Eagle Tiandi
“Deed of Non-Competition”	the deed of non-competition dated 26 February 2006 executed by Mr. Wang, Golden Eagle International Retail Group Limited and GEICO in favour of the Company
“Directors”	the directors of the Company (including the independent non-executive directors of the Company) and “Director” shall mean any one of them

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“EGM”	the extraordinary general meeting of the Company to be convened and held on 16 December 2021 at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong to consider, and if thought fit, to approve, inter alia, (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; and (ii) the Relevant Proposed Annual Caps
“Further Additional Nanjing Zhujiang Properties”	comprise units basement 1st floor to 1st floor of the north wing of Zhujiang No. 1 Plaza with an aggregate GFA of approximately 2,755 square metres
“Further Additional Xianlin Retail Area”	comprises the ground floor of Block B, the ground floor and the 1st floor of Block E and the ground floor of Block F of Zone A Xianlin Hubin Tiandi with an aggregate GFA of approximately 5,700 square metres
“GEICO”	GEICO Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 26 August 1998, being the indirect sole shareholder of the GEICO Parties and an indirect controlling shareholder of the Company
“GEICO Parties”	the indirect subsidiaries of GEICO, being (i) Ma’anshan Golden Eagle Tiandi, (ii) Yancheng Golden Eagle Technology, (iii) Golden Eagle International Group, (iv) Xianlin Golden Eagle Technology, (v) Danyang Golden Eagle Tiandi and (vi) Nanjing Jianye Properties
“GFA”	gross floor area
“Golden Eagle Centre”	南京金鷹中心 (Nanjing Golden Eagle Centre) located at 南京市漢中路101號 (No. 101 Hanzhong Lu, Nanjing City). Golden Eagle Centre comprises two towers. Tower A is a 58-storey building with 2 levels of basement and Tower B is a 42-storey building with 5 levels of basement, and the two towers are connected with a skyscraper corridor
“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 lifestyle centre operated by such entity
“Golden Eagle Convenience Store”	南京金鷹便利超市管理有限公司 (Nanjing Golden Eagle Convenience Store and Supermarket Management Co., Ltd.), a company established in the PRC with limited liability on 15 November 2017, being an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“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, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Hanzhong Plaza
“Golden Eagle International Industry”	南京金鷹國際實業有限公司 (Nanjing Golden Eagle International Industry Co., Ltd.), a company established in the PRC with limited liability on 21 May 2003, being an indirect wholly-owned subsidiary of GEICO
“Golden Eagle Longhu No. 1”	金鷹龍湖一號 (Golden Eagle Longhu No. 1), a commercial complex located at Yancheng’s New Business District with an estimated aggregate GFA of approximately 63,600 square metres, which is legally and beneficially owned by Yancheng Golden Eagle Technology
“Golden Eagle Shopping Plaza”	上海金鷹購物廣場, a 9-storey shopping plaza located at 上海市陝西北路278號 (No. 278 Shan Xi Bei Lu, Shanghai) with a total GFA of approximately 40,328.30 square metres, which is legally and beneficially owned by Shanghai Golden Eagle Tiandi
“Golden Eagle Trading”	Golden Eagle International Trading Limited 金鷹國際貿易有限公司, a company incorporated in Hong Kong with limited liability on 12 November 2007, being an indirect wholly-owned subsidiary of the Company
“Golden Eagle World”	南京金鷹世界項目 (Nanjing Golden Eagle World Project) located at 南京市應天大街888號 (888 Yingtian Main Street, Nanjing City) and to be developed by Nanjing Jianye Properties. Golden Eagle World is the world’s tallest asymmetric three-tower skyscraper under construction with Tower A being the tallest at 368 metres, along with 328-metre-tall Tower B and 300-metre-tall Tower C with total GFA of approximately 920,000 square metres. The three towers are connected with a skyscraper corridor which is at 190 metres above the ground
“Golden Eagle World Lease Area”	comprises portion of basement 1st floor to 9th floor, Golden Eagle World Podium with an aggregate GFA of approximately 227,396 square metres
“Group”	the Company and its subsidiaries
“Hanzhong Plaza”	南京漢中新城 (Nanjing Hanzhong New Plaza), a 5-storey shopping plaza with an underground accessory room located at 南京市漢中門大街1號 (No. 1, Hanzhongmen Da Jie, Nanjing City) with an aggregate GFA of approximately 12,462.02 square metres, which is legally and beneficially owned by Golden Eagle International Group

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan
“Independent Financial Adviser”	Euto Capital Partners Limited, a licensed corporation under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to conduct type 6 (advising on corporate finance) regulated activities
“Independent Shareholders”	Shareholders who are independent of and not connected with the GEICO Parties and their respective associates and who are not required to abstain from voting at the EGM
“Independent Third Party(ies)”	person(s) and company(ies) who/which is/are independent of and not connected (within the meaning of the Listing Rules) with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Latest Practicable Date”	10 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Lease Agreement (Additional Xianlin Retail Area)”	the lease agreement in respect of the Additional Xianlin Retail Area dated 10 November 2010 entered into between Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Technology
“Lease Agreement (Danyang Tiandi Plaza)”	the lease agreement in respect of the Danyang Tiandi Lease Area dated 18 March 2015 entered into between Danyang Golden Eagle Shopping and Danyang Golden Eagle Tiandi
“Lease Agreement (Golden Eagle Plaza)”	the lease agreement in respect of the Shanghai Properties dated 29 December 2008 entered into between Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi
“Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements)”	the Lease Agreement (Golden Eagle Plaza) as amended by the first supplemental agreement dated 19 December 2013, the second supplemental agreement dated 18 March 2015 and the third supplemental agreement dated 29 December 2017 in respect of the lease of Total Shanghai Properties

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“Lease Agreement (Golden Eagle World)”	the lease agreement in respect of Golden Eagle World Lease Area dated 29 December 2017 entered into between Nanjing Jianye Shopping and Nanjing Jianye Properties
“Lease Agreement (Hanzhong Plaza)”	the lease agreement in respect of Hanzhong Plaza dated 3 July 2019 entered into between Nanjing Golden Eagle Retail and Golden Eagle International Group
“Lease Agreement (Ma’anshan Tiandi Plaza)”	the lease agreement in respect of Ma’anshan Tiandi Lease Area dated 18 March 2015 entered into between Ma’anshan Golden Eagle Shopping and Ma’anshan Golden Eagle Tiandi
“Lease Agreement (Nanjing Jiangning Tiandi Plaza)”	the lease agreement in respect of Nanjing Jiangning Tiandi Lease Area dated 18 March 2015 entered into between Nanjing Jiangning Shopping and Nanjing Jiangning Technology
“Lease Agreement (Xianlin Golden Eagle Shopping Plaza)”	the lease agreement in respect of Xianlin Golden Eagle Shopping Plaza dated 9 November 2009 entered into between Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Technology
“Lease Agreement (Xinjiekou Block B)”	the lease agreement in respect of Xinjiekou Block B Lease Area dated 16 April 2014 entered into between Golden Eagle (China) and Golden Eagle International Group
“Lease Agreement (Xinjiekou Block B) (as amended by the first and second supplemental agreements)”	the Lease Agreement (Xinjiekou Block B) as amended by the first supplemental agreement dated 18 March 2015 and the second supplemental agreement dated 29 September 2020 in respect of the lease of Total Xinjiekou Block B Lease Area
“Lease Agreement (Yancheng Golden Eagle Outlet)”	the lease agreement in respect of Yancheng Golden Eagle Outlet dated 20 January 2012 entered into between Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology
“Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements)”	the Lease Agreement (Yancheng Golden Eagle Outlet) as amended by the first supplemental agreement dated 19 December 2013 and the second supplemental agreement dated 18 March 2015 in respect of Yancheng Golden Eagle Outlet
“Lease Agreement (Yancheng Tiandi Plaza)”	the lease agreement in respect of Yancheng Tiandi Lease Area dated 18 March 2015 entered into between Yancheng Golden Eagle Julonghu and Yancheng Golden Eagle Technology
“Lease Agreement (Zhujiang No. 1 Plaza)”	the lease agreement in respect of Nanjing Zhujiang Properties dated 28 August 2007 entered into between Nanjing Golden Eagle and Nanjing Zhujiang No. 1

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“Lease Agreement (Zhujiang No. 1 Plaza) (as amended by the first, second and third supplemental agreements)”	the Lease Agreement (Zhujiang No. 1 Plaza) as amended by the first supplemental agreement dated 4 June 2008, the second supplemental agreement dated 29 December 2008 and the third supplemental agreement dated 18 March 2015 in respect of the lease of Total Nanjing Zhujiang Properties
“Lease Agreement (7/F, Xinjiekou Block A)”	the lease agreement in respect of 7th floor, Golden Eagle Centre Tower A with GFA of approximately 5,420.79 square metres dated 29 September 2020 entered into between Golden Eagle (China) and Golden Eagle International Industry
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ma’anshan Golden Eagle Shopping” or “Ma’anshan Store”	馬鞍山金鷹國際購物中心有限公司 (Ma’anshan Golden Eagle International Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 4 December 2014, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle centre operated by such entity
“Ma’anshan Golden Eagle Tiandi”	馬鞍山金鷹天地實業有限公司 (Ma’anshan Golden Eagle Tiandi Industry Co., Ltd.), a company established in the PRC with limited liability on 17 December 2009, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Ma’anshan Tiandi Plaza
“Ma’anshan Tiandi Lease Area”	comprises a portion of basement 1st floor, 1st to 8th floors, Podium Building, Ma’anshan Tiandi Plaza with an aggregate GFA of approximately 87,567.86 square metres
“Ma’anshan Tiandi Plaza”	馬鞍山金鷹天地廣場項目 (Ma’anshan Golden Eagle Tiandi Plaza Project) located at 馬鞍山市雨山區湖南西路8號 (No. 8 Hunanxilu, Yushanqu, Ma’anshan City), which is legally and beneficially owned by Ma’anshan Golden Eagle Tiandi
“Mr. Wang”	Mr. Wang Hung, Roger, the Chairman of the Company and an executive Director
“Nanjing Golden Eagle” or “Nanjing Zhujiang Store”	南京金鷹珠江路購物中心有限公司 (Nanjing Golden Eagle Zhujiang Road Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 20 September 2007, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the department store operated by such entity

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“Nanjing Golden Eagle Retail” or “Nanjing Hanzhong Store”	南京金鷹商貿特惠中心有限公司 (Nanjing Golden Eagle Retail Outlet Co., Ltd.), a company established in the PRC with limited liability on 15 June 2009, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the department store operated by such entity
“Nanjing Jiangning Shopping” or “Nanjing Jiangning Store”	南京江寧金鷹購物中心有限公司 (Nanjing Jiangning Golden Eagle Shopping Plaza Co., Ltd.), a company established in the PRC with limited liability on 26 June 2013, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle centre operated by such entity
“Nanjing Jiangning Technology”	南京江寧金鷹科技實業有限公司 (Nanjing Jiangning Golden Eagle Technology Industry Co., Ltd.), a company established in the PRC with limited liability on 30 December 2010, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Nanjing Jiangning Tiandi Plaza
“Nanjing Jiangning Tiandi Lease Area”	comprises basement 2nd floor to 5th floor, Nanjing Jiangning Tiandi Plaza with an aggregate GFA of approximately 144,710 square metres
“Nanjing Jiangning Tiandi Plaza”	南京江寧金鷹天地廣場項目 (Nanjing Jiangning Golden Eagle Tiandi Plaza Project) located at 南京市江寧開發區雙龍大道1688號 (No. 1688, Shuanglong Dadao, Jiangning Development Zone, Nanjing City), which is legally and beneficially owned by Nanjing Jiangning Technology
“Nanjing Jianye Properties”	南京建邺金鷹置業有限公司 (Nanjing Jianye Golden Eagle Properties Co., Ltd.), a company established in the PRC with limited liability on 8 January 2010, being an indirect wholly-owned subsidiary of GEICO and the developer of Golden Eagle World
“Nanjing Jianye Shopping” or “Golden Eagle World Store”	南京建邺金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 10 March 2010, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle centre operated by such entity
“Nanjing Xinbai Group”	南京新百集團控股有限公司 (Nanjing Xinbai Group Holding Co., Ltd.), a company established in the PRC with limited liability on 18 June 2002, being an indirect wholly-owned subsidiary of GEICO
“Nanjing Zhujiang No. 1”	南京珠江壹號實業有限公司 (Nanjing Zhujiang No. 1 Industry Co., Ltd.), a company established in the PRC with limited liability on 25 September 1992, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Zhujiang No. 1 Plaza

DEFINITIONS

“Nanjing Zhujiang Properties”	comprise 1st to 5th floors of the south wing of Zhujiang No. 1 Plaza
“New Lease Agreements”	collectively: <ul style="list-style-type: none">(i) Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza); and(ii) 2022 Lease Agreement (Yancheng Golden Eagle Outlet)
“Non-competition Period”	the period commencing from the date on which the Shares commenced trading on the Main Board of the Stock Exchange and ending on the earlier of: <ul style="list-style-type: none">(i) the date on which Mr. Wang (or his corporate vehicles) directly or indirectly beneficially holds less than 30% of the issued share capital of the Company; and(ii) the date on which the Shares cease to be listed on the Stock Exchange
“Other Lease Agreements”	collectively: <ul style="list-style-type: none">(i) Lease Agreement (Zhujiang No. 1 Plaza) (as amended by the first, second and third supplemental agreements);(ii) Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements);(iii) Lease Agreement (Xinjiekou Block B) (as amended by the first and second supplemental agreements);(iv) Lease Agreement (Yancheng Tiandi Plaza);(v) Lease Agreement (Nanjing Jiangning Tiandi Plaza);(vi) Cooperation Agreement on Property Lease (Offices);(vii) Cooperation Agreement on Property Lease (Convenience Stores); and(viii) Lease Agreement (7/F, Xinjiekou Block A), details of which have been disclosed in the annual report of the Company for the year ended 31 December 2020, and <ul style="list-style-type: none">(ix) 2022 Lianyungang Tenancy Agreement; and(x) 2022 Yancheng Aquarium Tenancy Agreement

DEFINITIONS

“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) Lease Agreement (Hanzhong Plaza); (ii) Lease Agreement (Total Xianlin Retail Area); (iii) Lease Agreement (Danyang Tiandi Plaza); and (iv) Lease Agreement (Golden Eagle World) (as amended)
“Relevant Proposed Annual Caps”	the proposed annual caps for the Relevant Lease Agreements for the periods as detailed in the section headed “Letter from the Board” to this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“Shanghai Golden Eagle” or “Shanghai Store”	上海金鷹國際購物廣場有限公司 (Shanghai Golden Eagle International Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 13 April 2006, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the department store operated by such entity
“Shanghai Golden Eagle Tiandi”	上海金鷹天地實業有限公司 (Shanghai Golden Eagle Tiandi Industry Limited), a company established in the PRC with limited liability on 27 November 2000, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Golden Eagle Shopping Plaza
“Shanghai Properties”	comprise the whole of the 1st to 5th floors and part of the 6th floor and the relevant accessory room of Golden Eagle Shopping Plaza with an aggregate GFA of approximately 26,277.17 square metres
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Street Shop Management Agreements”	the street shop management delegation agreement dated 29 December 2017 entered into between Golden Eagle (China) and Golden Eagle International Group and renewed on 29 September 2020 by the aforesaid parties in respect of the street shop properties which are being owned, or will be owned, by Golden Eagle International Group and its subsidiaries from time to time. As at the Latest Practicable Date, such properties include non-specialty street shops in the cities of Nanjing, Taizhou, Yancheng, Suqian, Danyang, Kunshan and Ma’anshan which are in the proximity of the retail stores being operated by the Group in the same city
“Supplemental Agreement to Lease Agreement (Golden Eagle World)”	the supplemental lease agreement in respect of the Additional Golden Eagle World Lease Area dated 3 July 2019 entered into between Nanjing Jianye Shopping and Nanjing Jianye Properties
“Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza)”	the supplemental agreement in respect of the Additional Ma’anshan Tiandi Lease Area dated 30 September 2021 entered into between Ma’anshan Golden Eagle Shopping and Ma’anshan Golden Eagle Tiandi as detailed in the section headed “Letter from the Board” to this circular
“Total Golden Eagle World Lease Area”	collectively, the Golden Eagle World Lease Area and the Additional Golden Eagle World Lease Area with an aggregate GFA of approximately 251,019 square metres
“Total Ma’anshan Tiandi Lease Area”	collectively, the Ma’anshan Tiandi Lease Area and the Additional Ma’anshan Tiandi Lease Area with an aggregate GFA of approximately 128,438.74 square metres
“Total Nanjing Zhujiang Properties”	collectively, the Nanjing Zhujiang Properties, the Additional Nanjing Zhujiang Properties and the Further Additional Nanjing Zhujiang Properties with an aggregate GFA of approximately 33,578 square metres
“Total Shanghai Properties”	collectively, the Shanghai Properties and the Additional Shanghai Properties with an aggregate GFA of approximately 35,162.94 square metres
“Total Xianlin Retail Area”	collectively, the Xianlin Golden Eagle Shopping Plaza, the Additional Xianlin Retail Area, the Further Additional Xianlin Retail Area and the 2019 Further Additional Xianlin Retail Area with an aggregate GFA of approximately 47,495.02 square metres

DEFINITIONS

“Total Xinjiekou Block B Lease Area”	collectively, the Xinjiekou Block B Lease Area and the Additional Xinjiekou Block B Lease Area with an aggregate GFA of approximately 31,942 square metres
“Xianlin Golden Eagle Shopping” or “Nanjing Xianlin Store”	南京仙林金鷹購物中心有限公司 (Nanjing Xianlin Golden Eagle Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 5 November 2009, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle centre operated by such entity and the legal and beneficial owner of Zone B Xianlin Hubin Tiandi
“Xianlin Golden Eagle Shopping Plaza”	仙林金鷹購物中心, comprising the ground floor to the 4th floor of Block A of Zone A Xianlin Hubin Tiandi with an aggregate GFA of approximately 22,539.4 square metres and ancillary facilities
“Xianlin Golden Eagle Technology”	南京仙林金鷹天地科技實業有限公司 (formerly known as 南京仙林金鷹置業有限公司) (Nanjing Xianlin Golden Eagle Tiandi Technology Industry Co., Ltd.), a company established in the PRC with limited liability on 21 February 2006, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Zone A Xianlin Hubin Tiandi, comprising the Total Xianlin Retail Area
“Xinjiekou Block B Lease Area”	comprises the basement 1st floor and 7th to 9th floors of Golden Eagle Centre Block B together with the ancillary facilities with an aggregate GFA of approximately 29,242 square metres, which is legally and beneficially owned by Golden Eagle International Group
“Yancheng Golden Eagle Julonghu” or “Yancheng Julonghu Store”	鹽城金鷹聚龍湖購物中心有限公司 (Yancheng Golden Eagle Julonghu Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 31 March 2014, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle centre operated by such entity
“Yancheng Golden Eagle Outlet”	Blocks D, E, F, G, H and M of Golden Eagle Longhu No. 1 with an aggregate GFA of approximately 18,354.17 square metres which is legally and beneficially owned by Yancheng Golden Eagle Technology

DEFINITIONS

“Yancheng Golden Eagle Shopping” or “Yancheng Outlet Store”	鹽城金鷹國際購物中心有限公司 (Yancheng Golden Eagle International Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 1 February 2007, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the outlet store operated by such entity
“Yancheng Golden Eagle Technology”	鹽城金鷹科技實業有限公司 (Yancheng Golden Eagle Technology Industry Co., Ltd.), a company established in the PRC with limited liability on 15 May 2008, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Golden Eagle Longhu No. 1 and Yancheng Tiandi Plaza
“Yancheng Tiandi Lease Area”	collectively, (i) basement 2nd floor to 7th floor, Block 5, Yancheng Tiandi Plaza and (ii) basement 1st floor to 3rd floor, Block 6, Yancheng Tiandi Plaza with an aggregate GFA of approximately 110,848 square metres
“Yancheng Tiandi Plaza”	鹽城金鷹天地廣場項目 (Yancheng Golden Eagle Tiandi Plaza Project) located at 鹽城市解放南路268號 (No. 268 Jiefangnan Lu, Yancheng City), which is legally and beneficially owned by Yancheng Golden Eagle Technology
“Zhujiang No. 1 Plaza”	珠江壹號廣場, a commercial complex located at 南京市珠江路1號 (No. 1, Zhujiang Lu, Nanjing City) which is legally and beneficially owned by Nanjing Zhujiang No. 1
“Zone A Xianlin Hubin Tiandi”	仙林湖濱天地A區 (Zone A Xianlin Hubin Tiandi), a shopping district comprising 6 blocks of commercial buildings located at 南京市棲霞區學海路1號 (No. 1 Xuehai Road, Qixia District, Nanjing City) and is legally and beneficially owned by Xianlin Golden Eagle Technology
“2019 Further Additional Xianlin Retail Area”	comprises certain area of the ground floor to the 3rd floor of Block B, the ground floor and the 1st floor of Block C and the ground floor of Block D of Zone A Xianlin Hubin Tiandi with an aggregate GFA of approximately 4,699.62 square metres
“2022 Lease Agreement (Yancheng Golden Eagle Outlet)”	the lease agreement in respect of Yancheng Golden Eagle Outlet dated 30 September 2021 entered into between Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology as detailed in the section headed “Letter from the Board” to this circular

DEFINITIONS

“2022 Lianyungang Tenancy Agreement”	the lease agreement dated 30 September 2021 entered into by 連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.), being an indirect wholly-owned subsidiary of the Company, and 連雲港金鷹置業有限公司 (Lianyungang Golden Eagle Properties Co., Ltd.), being an indirect wholly-owned subsidiary of GEICO, for the lease of basement floor of Block 11, Golden Eagle International Garden, Lianyungang City with a GFA of approximately 938 square metres for supermarket operation, for a term of 3 years commencing from 1 January 2022
“2022 Yancheng Aquarium Tenancy Agreement”	the lease agreement dated 30 September 2021 entered into by 鹽城金鷹聚龍湖購物中心有限公司海洋世界分公司 (Yancheng Golden Eagle Julonghu Shopping Centre Co., Ltd. (Ocean World Branch)), being an indirect wholly-owned subsidiary of the Company, and Yancheng Golden Eagle Technology, for the lease of basement 1st floor of Yancheng Tiandi Plaza with a GFA of approximately 5,000 square metres for aquarium operation, for a term of 3 years commencing from 1 January 2022
“%”	per cent

Unless otherwise specified in this circular, amounts denominated in RMB have been converted to HK\$ at a rate of HK\$1.00 to RMB0.8309.

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

LETTER FROM THE BOARD



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)

Executive Director:

Mr. Wang Hung, Roger

Independent Non-Executive Directors:

Mr. Wong Chi Keung

Mr. Lay Danny J

Mr. Lo Ching Yan

Registered Office:

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P.O. Box 2681

Grand Cayman KY1-1111

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Principal Place of Business in the PRC:

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No. 888 Yingtian Street, Jianye District

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Principal Place of Business in Hong Kong:

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Tower 2, Lippo Centre

89 Queensway

Hong Kong

15 November 2021

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT
(MA'ANSHAN TIANDI PLAZA);
(2) 2022 LEASE AGREEMENT
(YANCHENG GOLDEN EAGLE OUTLET);
AND
RENEWAL OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 30 September 2021.

LETTER FROM THE BOARD

As disclosed in the announcement, the Company wishes to enter into a number of continuing connected transactions and to renew/revise the annual caps of certain continuing connected transactions.

The Independent Board Committee has been established to advise and give recommendations to the Independent Shareholders on (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof and (ii) the Relevant Proposed Annual Caps. Euto Capital Partners Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years.

The purpose of this circular is to (i) provide you with further details on the New Lease Agreements and the proposed annual caps thereof, and the Relevant Proposed Annual Caps; (ii) give notice to the Shareholders of the EGM at which ordinary resolutions will be proposed to approve the New Lease Agreements, the respective proposed annual caps thereof and the Relevant Proposed Annual Caps; and (iii) provide other relevant information in accordance with the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(1) Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) dated 30 September 2021

Subject matter

On 18 March 2015, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi entered into the Lease Agreement (Ma'anshan Tiandi Plaza) for the lease of Ma'anshan Tiandi Lease Area for a term of 20 years commencing from the date on which Ma'anshan Store commenced operation (i.e. 29 August 2015). Details of the Lease Agreement (Ma'anshan Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

On 30 September 2021, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi entered into the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza), pursuant to which Ma'anshan Golden Eagle Tiandi has agreed to lease to Ma'anshan Golden Eagle Shopping the Additional Ma'anshan Tiandi Lease Area with an aggregate GFA of approximately 40,870.88 square metres from the effective date of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) to 28 August 2035.

Subject to the aforesaid, all other major terms of the Lease Agreement (Ma'anshan Tiandi Plaza) remain unchanged and will continue in full force and effect.

LETTER FROM THE BOARD

The annual rental payable under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended by the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) (collectively, the “**Lease Agreement (Ma'anshan Tiandi Plaza) (as amended)**”) shall be equivalent to the aggregate of:

(a) with respect to those concessionaires:

- (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
- (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	X	Commission rate charged by the Group (less sales tax)	X	50%
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(b) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Total Ma'anshan Tiandi Lease Area (less value-added tax and other relevant taxes);

(c) with respect to supermarket operations:

4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket.

Pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), as ancillary facilities and services to the lease, Ma'anshan Golden Eagle Tiandi shall also provide (i) free car parking spaces to the customers of Ma'anshan Store whereas Ma'anshan Golden Eagle Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Ma'anshan Golden Eagle Tiandi to the general public from time to time as part of the value-added customer services of Ma'anshan Store; and (ii) property management services in respect of the nearby area outside the Total Ma'anshan Tiandi Lease Area, including but not limited to the provision of cleaning, environmental and greenery services, at the actual costs incurred by Ma'anshan Golden Eagle Tiandi plus a mark-up of 10%.

The terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) were arrived at after arm's length negotiations taking into account (i) the information available to the Group in the past and present lease arrangements between the Group and Independent Third Parties or connected persons of the Company, (ii) the market information obtained by the Group, whether through official or unofficial channels, including but not limited to market practices and disclosures of other listed companies, (iii) the terms of the Lease Agreement (Ma'anshan Tiandi Plaza), (iv) the size and location of

LETTER FROM THE BOARD

the relevant property, (v) the nature of business to be operated at the relevant property, the estimated customer traffic and expected sales to be generated by such store, and (vi) the Additional Ma'anshan Tiandi Lease Area to be delivered to the Group at renovated state, which is similar to Ma'anshan Tiandi Lease Area which was also delivered to the Group at renovated state.

The rental, the car parking fees and the property management fees will be settled by the internal resources of the Group.

Historical transaction amounts

The amounts of rental and car parking fees paid by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) for each of the two years ended 31 December 2020 and the seven months ended 31 July 2021 are set out as follows:

	Year ended 31 December 2019	Year ended 31 December 2020 <i>(Note)</i>	Seven months ended 31 July 2021
Actual amounts paid	RMB23.26 million (equivalent to approximately HK\$28.00 million)	RMB22.78 million (equivalent to approximately HK\$27.42 million)	RMB15.34 million (equivalent to approximately HK\$18.46 million)

Note: Due to the COVID-19 outbreak, Ma'anshan Golden Eagle Tiandi granted a rental concession in the amount of RMB2.0 million to Ma'anshan Golden Eagle Shopping for the six months ended 30 June 2020.

Proposed annual caps for the three years ending 31 December 2024

The aggregate annual caps for the rental and car parking fees payable under the Lease Agreement (Ma'anshan Tiandi Plaza) for the two years ending 31 December 2023 of RMB41.89 million (for the year ending 31 December 2022) and RMB49.44 million (for the year ending 31 December 2023) were announced by the Company in the announcement dated 29 September 2020 and approved by the Independent Shareholders on 11 December 2020. In light of the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza), the rental payable by the Group for the two years ending 31 December 2023 are expected to exceed the previous announced proposed annual caps. Accordingly, the Company wishes to revise the annual caps for the said periods as below.

The proposed aggregate annual caps for the rental and car parking fees payable under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) for the three years ending 31 December 2024 are as follows:

Years ending:

31 December 2022:	RMB52.23 million	(equivalent to approximately HK\$62.86 million)
31 December 2023:	RMB60.09 million	(equivalent to approximately HK\$72.32 million)
31 December 2024:	RMB69.13 million	(equivalent to approximately HK\$83.19 million)

LETTER FROM THE BOARD

The above proposed annual caps are determined based on:

- (i) the historical amounts incurred in the past and a rental concession in the amount of RMB2.0 million granted by Ma'anshan Golden Eagle Tiandi for the six months ended 30 June 2020;
- (ii) the reasonable estimation of the gross sales proceeds to be generated from the operation of Ma'anshan Store with reference to its past sales performance, the increase in the total GFA of the Ma'anshan Store by 40,870.88 square metres from 87,567.86 square metres to 128,438.74 square metres, the impact from the recurrent COVID-19 outbreak since 2020, the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020, the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal, the prevailing market conditions and the assumption that the Group will be charged at the maximum rental rate of 4.5%;
- (iii) the continuous optimisation of Ma'anshan Store's merchandise and lifestyle amenities offerings and further enhancement of its utilisation rate and productivity of floor space;
- (iv) Ma'anshan Store going to pay car parking fee at RMB2.4 per hour, i.e. 20% discount of the normal car parking fee of RMB3.0 per hour, for the free car parking spaces to be provided by Ma'anshan Golden Eagle Tiandi to the customers of Ma'anshan Store during the relevant periods; and
- (v) the assumption that Ma'anshan Golden Eagle Tiandi shall provide the property management services to Ma'anshan Store temporarily free of charge during the relevant periods.

Condition precedent

The Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) and the proposed annual caps for the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) for the aforesaid periods are conditional upon all the requirements and approvals (including independent shareholders' approval) required under the Listing Rules having been complied with and obtained.

Reasons for the transaction

Ma'anshan Store is the Group's first comprehensive lifestyle centre in Anhui Province which commenced operation since 29 August 2015. It is situated at a portion of basement 1st floor, 1st to 8th floors Podium Building of Ma'anshan Tiandi Plaza, a commercial complex located at the intersection of Hudong North Road and Hunan West Road, right at the heart of the prime area of Ma'anshan City, Anhui Province.

The Additional Ma'anshan Tiandi Lease Area is adjacent and connected to Ma'anshan Store via lift lobby on each floor and is situated at the remaining portion of basement 1st floor, 1st to 5th floors Podium Building of Ma'anshan Tiandi Plaza. The area has been managed by Ma'anshan Store under the Street Shop Management Agreements entered into between Golden Eagle (China) and Golden Eagle International Group since 22 November 2015 which houses various lifestyle functions and amenities under lease model, including, inter alia, trendy fashion and accessories, distinctive food and beverage, household goods and children's development. The Additional Ma'anshan Tiandi Lease Area is currently under a comprehensive

LETTER FROM THE BOARD

revamp and upgrade by Ma'anshan Golden Eagle Tiandi to unify the customer traffic flow (動線) and its overall business contents to better synergise with the Ma'anshan Store. The revamp is expected to be completed in the last quarter of 2021.

During the year ended 31 December 2020, being its fifth year of full operation, amid the impact from the COVID-19 pandemic, Ma'anshan Store generated sales of over RMB372.8 million, representing a year-on-year decrease of 8.2%. Gross profit decreased by 4.3% year-on-year to RMB64.5 million while operating profit grew by 16.1% year-on-year to RMB26.6 million. However, Ma'anshan Store demonstrated resilience in its recovery since the second quarter of 2020. During the six months ended 30 June 2021, Ma'anshan Store generated sales of over RMB233.6 million, representing a year-on-year increase of 38.2%. Gross profit increased by 29.1% year-on-year to RMB35.8 million while operating profit grew by 25.2% year-on-year to RMB15.1 million. In order to establish a stronger brand portfolio and a rich variety of lifestyle functions and amenities, the Group intends to lease the Additional Ma'anshan Tiandi Lease Area to enrich its service offerings. The Board believes that the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) will further solidify the Group's presence, market share and competitiveness in Anhui Province.

(2) 2022 Lease Agreement (Yancheng Golden Eagle Outlet) dated 30 September 2021

Subject matter

The Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) will expire on 17 May 2022. On 30 September 2021, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology entered into the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) for the lease of the Yancheng Golden Eagle Outlet for a term of 10 years commencing from 18 May 2022 to 17 May 2032.

During the term of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), as ancillary facilities and services to the lease, Yancheng Golden Eagle Technology shall also provide (i) free car parking spaces to the customers of Yancheng Outlet Store whereas Yancheng Golden Eagle Shopping shall pay car parking fees at a discounted rate as part of the value-added customer services of Yancheng Outlet Store; and (ii) property management services including but not limited to provision of cleaning, environmental and greenery services, in respect of the nearby area outside the Yancheng Golden Eagle Outlet.

Subject to compliance with the Listing Rules, the parties may enter into an agreement to renew the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) twelve months in advance before its expiry on notification by Yancheng Golden Eagle Shopping of its intention to renew the term.

LETTER FROM THE BOARD

Consideration

Pursuant to the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), the annual rental payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology shall be equivalent to the aggregate of:

- (a) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
- (b) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

- (c) 50% of the rental proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet (less value-added tax and other relevant taxes),

which shall be payable by Yancheng Golden Eagle Shopping quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Yancheng Golden Eagle Shopping shall at the same time submit the management accounts in respect of that Quarter to Yancheng Golden Eagle Technology. After the end of each financial year, the parties shall finalise the exact amount of the rental payable by Yancheng Golden Eagle Shopping in respect of that financial year based on the relevant gross sales proceeds generated by Yancheng Outlet Store as confirmed by an auditor acceptable to both parties in accordance with generally accepted accounting principles of the PRC.

With respect to the car parking fee, Yancheng Golden Eagle Shopping shall be entitled to not less than 20% discount of the normal car parking fee offered by Yancheng Golden Eagle Technology to the general public from time to time. The parties will enter into detailed implementation agreement regarding the use of the car parking spaces.

The property management fee payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology shall be equivalent to the actual costs incurred plus a mark-up of 10%, which shall be payable monthly in arrears within 10 days after the end of the relevant month.

In the event that the operation of Yancheng Outlet Store is affected due to (i) construction work of public transport facilities; or (ii) major construction or renovation work at Yancheng Golden Eagle Outlet, the parties may negotiate for rental reduction.

LETTER FROM THE BOARD

The rental terms were arrived at after arm's length negotiations taking into account (i) the information available to the Group in the past and present lease arrangements between the Group and Independent Third Parties or connected persons of the Company, (ii) the market information obtained by the Group, whether through official or unofficial channels, including but not limited to market practices and disclosures of other listed companies, (iii) the terms of the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements); (iv) the size and location of the relevant property, (v) the nature of business to be operated at the relevant property, the estimated customer traffic and expected sales to be generated by such store, and (vi) Yancheng Golden Eagle Outlet was delivered to the Group at renovated state under the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements).

The rental, the car parking fees and the property management fees will be settled by the internal resources of the Group.

Rental deposit

The parties agree that the rental deposit paid by Yancheng Golden Eagle Shopping under the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) in the amount of RMB1.0 million shall be carried over and be treated as the rental deposit required to be paid by Yancheng Golden Eagle Shopping under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet).

Right of first refusal

In the event that Yancheng Golden Eagle Technology intends to transfer the ownership of Yancheng Golden Eagle Outlet to any third party during the term of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), it shall serve a notice in writing (the "**Sale Notice**") to Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Shopping shall have the right of first refusal to purchase Yancheng Golden Eagle Outlet on the same terms and conditions as those offered by the third party. Yancheng Golden Eagle Shopping shall notify Yancheng Golden Eagle Technology in writing as to whether it will exercise the right of first refusal within 30 days of the Sale Notice. Yancheng Golden Eagle Shopping shall be deemed to have waived the right of first refusal if it does not notify Yancheng Golden Eagle Technology in writing within the said period.

LETTER FROM THE BOARD

Historical transaction amounts

The amounts of rental paid by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology under the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) for each of the two years ended 31 December 2020 and the seven months ended 31 July 2021 are set out as follows:

	Year ended 31 December 2019	Year ended 31 December 2020 <i>(Note)</i>	Seven months ended 31 July 2021
Actual amounts paid	RMB6.53 million (equivalent to approximately HK\$7.86 million)	RMB7.09 million (equivalent to approximately HK\$8.53 million)	RMB4.73 million (equivalent to approximately HK\$5.69 million)

Note: Due to the COVID-19 outbreak, Yancheng Golden Eagle Technology granted a rental concession in the amount of RMB1.0 million to Yancheng Golden Eagle Shopping for the six months ended 30 June 2020.

Proposed annual caps for the three years ending 31 December 2024

The proposed annual caps for the rental payable under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) for the three years ending 31 December 2024 are as follows:

Period/year ending:

31 December 2022 <i>(Note)</i> :	RMB5.25 million	(equivalent to approximately HK\$6.32 million)
31 December 2023:	RMB10.25 million	(equivalent to approximately HK\$12.34 million)
31 December 2024:	RMB11.21 million	(equivalent to approximately HK\$13.49 million)

Note: The proposed annual cap for the year ending 31 December 2022 refers to the rental payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology during the period from 18 May 2022 to 31 December 2022.

The above proposed annual caps are determined based on:

- (i) the historical amounts incurred in the past and a rental concession in the amount of RMB1.0 million granted by Yancheng Golden Eagle Technology for the six months ended 30 June 2020;
- (ii) the reasonable estimation of the gross sales proceeds to be generated from the operation of Yancheng Outlet Store with reference to its past sales performance, the impact from the recurrent COVID-19 outbreaks since 2020, the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020, the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal, the prevailing market conditions and the assumption that the Group will be charged at the maximum rental rate of 4.5% commencing from 18 May 2022, the effective date of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet);

LETTER FROM THE BOARD

- (iii) the assumption that the car parking spaces offered by Yancheng Golden Eagle Technology to Yancheng Outlet Store will be temporarily free of charge during the relevant periods while Yancheng Golden Eagle Technology is charging the general public car parking fees at the rate of RMB5.0 for the first two hours and RMB1.0 per hour thereafter; and
- (iv) the assumption that the property management services in respect of the nearby area outside the Yancheng Outlet Store will not be provided by Yancheng Golden Eagle Technology during the relevant periods given the fact the property management services are actually being provided by other parties.

Condition precedent

The 2022 Lease Agreement (Yancheng Golden Eagle Outlet) and the proposed annual caps for the aforesaid periods are conditional upon all the requirements and approvals (including independent shareholders' approval) required under the Listing Rules having been complied with and obtained.

Reasons for the transaction

Golden Eagle Longhu No. 1 is located at a prime location in Yancheng New Business District and Yancheng Golden Eagle Outlet is part of Golden Eagle Longhu No. 1, a commercial complex developed by Yancheng Golden Eagle Technology, which is also adjacent to the Group's Yancheng Julonghu Store. Yancheng Outlet Store is one of the Group's three retail stores in Yancheng City and has been operating at Yancheng Golden Eagle Outlet since 2012.

Despite the intense competition and its relatively small size with GFA of only approximately 18,354.17 square metres, Yancheng Outlet Store has brought stable revenue and profit to the Group. During the year ended 31 December 2020, amid the impact from the COVID-19 pandemic, Yancheng Outlet Store generated sales of over RMB179.2 million, representing a year-on-year decrease of 1.9%. Gross profit decreased by 0.4% year-on-year to RMB22.2 million while operating profit grew by 13.3% year-on-year to RMB10.2 million. However, Yancheng Outlet Store demonstrated resilience in its recovery since the second quarter of 2020. During the six months ended 30 June 2021, Yancheng Outlet Store generated sales of over RMB105.9 million, representing a year-on-year increase of 24.6%. Gross profit increased by 25.1% year-on-year to RMB13.1 million while operating profit grew by 23.3% year-on-year to RMB6.3 million. The entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) allows the Group to operate the Yancheng Outlet Store for another 10 years at Yancheng Golden Eagle Outlet, the location of which is already well known to the Group's customers, and to further solidify the Group's presence, market share and competitiveness in Yancheng City in which the Group is already enjoying a leading position.

LETTER FROM THE BOARD

RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

(3) Lease Agreement (Hanzhong Plaza)

On 3 July 2019, Nanjing Golden Eagle Retail and Golden Eagle International Group entered into the Lease Agreement (Hanzhong Plaza) pursuant to which Golden Eagle International Group agreed to lease the Hanzhong Plaza to Nanjing Golden Eagle Retail for a term of 10 years commencing from the effective date of the Lease Agreement (Hanzhong Plaza), which was 18 October 2019. Details of the Lease Agreement (Hanzhong Plaza) have been disclosed in the announcement of the Company dated 3 July 2019 and the circular of the Company dated 18 September 2019.

Pursuant to the Lease Agreement (Hanzhong Plaza), the annual rental payable by Nanjing Golden Eagle Retail to Golden Eagle International Group shall be equivalent to the aggregate of:

- (a) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
- (b) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

- (c) 50% of the rental proceeds derived from sub-letting the units in Hanzhong Plaza (less value-added tax and other relevant taxes).

Pursuant to the Lease Agreement (Hanzhong Plaza), as ancillary facilities and services to the lease, Golden Eagle International Group shall provide free car parking spaces to the customers of Nanjing Hanzhong Store whereas Nanjing Hanzhong Store shall pay car parking fees at the rate offered by Golden Eagle International Group to the general public from time to time which currently is RMB6.0 per hour as part of the value-added customer services of Nanjing Hanzhong Store.

The rental and the car parking fees will be settled by the internal resources of the Group.

LETTER FROM THE BOARD

Historical transaction amounts

The amounts of rental and car parking fees paid by Nanjing Golden Eagle Retail to Golden Eagle International Group under the Lease Agreement (Hanzhong Plaza) for each of the two years ended 31 December 2020 and the seven months ended 31 July 2021 are set out as follows:

	Year ended 31 December 2019 (Note)	Year ended 31 December 2020	Seven months ended 31 July 2021
Actual amounts paid	RMB6.63 million (equivalent to approximately HK\$7.97 million)	RMB8.27 million (equivalent to approximately HK\$9.95 million)	RMB5.42 million (equivalent to approximately HK\$6.52 million)

Note: Golden Eagle International Group has granted Nanjing Hanzhong Store a license for the free occupancy of the Hanzhong Plaza until the new lease agreement (i.e. Lease Agreement (Hanzhong Plaza)) has been entered into and become effective. Therefore, there was a rent-free period between 18 June 2019 (following the previous lease's expiry on 17 June 2019) and 17 October 2019 (immediately before Lease Agreement (Hanzhong Plaza) took effect on 18 October 2019) ("**Rent-Free Period**").

Proposed annual caps for the three years ending 31 December 2024

The proposed aggregate annual caps for the rental and car parking fees payable by Nanjing Golden Eagle Retail under the Lease Agreement (Hanzhong Plaza) for the three years ending 31 December 2024 are as follows:

Year ending:

31 December 2022:	RMB11.05 million	(equivalent to approximately HK\$13.30 million)
31 December 2023:	RMB11.70 million	(equivalent to approximately HK\$14.08 million)
31 December 2024:	RMB12.39 million	(equivalent to approximately HK\$14.91 million)

The above proposed annual caps are determined based on:

- (i) the historical amounts incurred in the past and the Rent-Free Period granted by Golden Eagle International Group during the year ended 31 December 2019;
- (ii) the reasonable estimation of the gross sales proceeds to be generated from the operation of Nanjing Hanzhong Store with reference to its past sales performance, the impact from the recurrent COVID-19 outbreaks since 2020, the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020, the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal, the prevailing market conditions and the assumption that the Group will be charged at the maximum rental rate of 4%; and
- (iii) Nanjing Hanzhong Store going to pay car parking fee at RMB6.0 per hour for the free car parking spaces to be provided by Golden Eagle International Group to the customers of Nanjing Hanzhong Store during the relevant periods.

LETTER FROM THE BOARD

Condition precedent

The proposed annual caps for the Lease Agreement (Hanzhong Plaza) for the aforesaid periods are conditional upon all the requirements and approvals (including independent shareholders' approval) required under the Listing Rules having been complied with and obtained.

(4) Lease Agreement (Total Xianlin Retail Area)

On 9 November 2009, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Technology entered into the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) for the lease of Xianlin Golden Eagle Shopping Plaza for a term of 20 years commencing from 18 December 2009. On 10 November 2010, the aforesaid parties entered into the Lease Agreement (Additional Xianlin Retail Area) for the lease of Additional Xianlin Retail Area for a term commencing from the soft opening of Additional Xianlin Retail Area to 17 December 2029. The aforesaid parties subsequently entered into (i) the first supplemental agreement on 20 January 2012, leasing the Further Additional Xianlin Retail Area up to 17 December 2029 and adjusting the calculation of the annual rental payable; (ii) the second supplemental agreement on 19 December 2013, removing the minimum guaranteed rent; (iii) the third supplemental agreement on 18 March 2015, further adjusting the calculation of the annual rent payable; and (iv) the fourth supplemental agreement on 3 July 2019, leasing the 2019 Further Additional Xianlin Retail Area for the period between 18 October 2019 (the effective date of the supplemental agreement) to 17 December 2029.

Details of the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) and the Lease Agreement (Additional Xianlin Retail Area) (as amended by the first, second, third and fourth supplemental agreements) (collectively, the "**Lease Agreement (Total Xianlin Retail Area)**") have been disclosed in the announcements of the Company dated 11 November 2009, 10 November 2010, 20 January 2012, 20 December 2013, 18 March 2015 and 3 July 2019 respectively and the circulars of the Company dated 4 June 2015 and 18 September 2019.

Pursuant to the Lease Agreement (Total Xianlin Retail Area), the annual rent payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Technology shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
 - (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);

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- (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

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

50% of the rental proceeds derived from sub-letting the units in Total Xianlin Retail Area (less value-added tax and other relevant taxes);

- (c) with respect to supermarket operations:

4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket.

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

Historical transaction amounts

The amounts of rental paid by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Technology under the Lease Agreement (Total Xianlin Retail Area) for each of the two years ended 31 December 2020 and the seven months ended 31 July 2021 are set out as follows:

	Year ended 31 December 2019	Year ended 31 December 2020 <i>(Note)</i>	Seven months ended 31 July 2021 <i>(Note)</i>
Actual amounts paid	RMB28.01 million (equivalent to approximately HK\$33.71 million)	RMB22.09 million (equivalent to approximately HK\$26.59 million)	RMB14.65 million (equivalent to approximately HK\$17.63 million)

Note: Due to the COVID-19 outbreak, Xianlin Golden Eagle Technology granted a rental concession in the amount of RMB1.0 million to Xianlin Golden Eagle Shopping for the six months ended 30 June 2020.

The relatively low utilisation of the annual caps for the year ended 31 December 2020 and the seven months ended 31 July 2021 were mainly due to the impact from the outbreak of COVID-19 since 2020, the rental concession granted and Nanjing Xianlin Store did not achieve the relatively high sales growth as expected.

LETTER FROM THE BOARD

Proposed annual caps for the three years ending 31 December 2024

The proposed annual caps for the rental payable by Xianlin Golden Eagle Shopping under the Lease Agreement (Total Xianlin Retail Area) for the three years ending 31 December 2024 are as follows:

Year ending:

31 December 2022:	RMB31.23 million	(equivalent to approximately HK\$37.59 million)
31 December 2023:	RMB32.36 million	(equivalent to approximately HK\$38.94 million)
31 December 2024:	RMB33.53 million	(equivalent to approximately HK\$40.35 million)

The above proposed annual caps are determined based on:

- (i) the historical amounts incurred in the past and a rental concession in the amount of RMB1.0 million granted by Xianlin Golden Eagle Technology for the six months ended 30 June 2020; and
- (ii) the reasonable estimation of the gross sales proceeds to be generated from the operation of Total Xianlin Retail Area with reference to its past sales performance, the impact from the recurrent COVID-19 outbreaks since 2020, the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020, the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal, the prevailing market conditions and the assumption that Group will be charged at the maximum rental rate of 4%.

Condition precedent

The proposed annual caps for the Lease Agreement (Total Xianlin Retail Area) for the aforesaid periods are conditional upon all the requirements and approvals (including independent shareholders' approval) required under the Listing Rules having been complied with and obtained.

(5) Lease Agreement (Danyang Tiandi Plaza)

On 18 March 2015, Danyang Golden Eagle Shopping and Danyang Golden Eagle Tiandi entered into the Lease Agreement (Danyang Tiandi Plaza) for the lease of Danyang Tiandi Lease Area for a term of 20 years commencing from 1 January 2015. Details of the Lease Agreement (Danyang Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

Pursuant to the Lease Agreement (Danyang Tiandi Plaza), the annual rental payable by Danyang Golden Eagle Shopping to Danyang Golden Eagle Tiandi shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
 - (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);

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- (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	X	Commission rate charged by the Group (less sales tax)	X	50%
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- (b) with respect to sub-letting of units:

50% of the rental proceeds derived from sub-letting the units in Danyang Tiandi Lease Area (less business tax and other relevant taxes);

- (c) with respect to supermarket operations:

- (i) 3% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket from 1 May 2015 to 31 December 2017; and
- (ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 1 January 2018 onwards.

Pursuant to the Lease Agreement (Danyang Tiandi Plaza), as ancillary facilities and services to the lease, Danyang Golden Eagle Tiandi shall also provide (i) free car parking spaces to the customers of Danyang Store whereas Danyang Golden Eagle Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Danyang Golden Eagle Tiandi to the general public from time to time as part of the value-added customer services of Danyang Store; and (ii) property management services in respect of the nearby area outside the Danyang Tiandi Lease Area, including but not limited to the provision of cleaning, environmental and greenery services, at the actual costs incurred by Danyang Golden Eagle Tiandi plus a mark-up of 10%.

The rental, the car parking fees and the property management fees will be settled by the internal resources of the Group.

Historical transaction amounts

The amounts of rental paid by Danyang Golden Eagle Shopping to Danyang Golden Eagle Tiandi under the Lease Agreement (Danyang Tiandi Plaza) for each of the two years ended 31 December 2020 and the seven months ended 31 July 2021 are set out as follows:

	Year ended 31 December 2019	Year ended 31 December 2020	Seven months ended 31 July 2021
Actual amounts paid	RMB7.51 million (equivalent to approximately HK\$9.03 million)	RMB6.30 million (equivalent to approximately HK\$7.59 million)	RMB4.38 million (equivalent to approximately HK\$5.27 million)

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Proposed annual caps for the three years ending 31 December 2024

The proposed annual caps for the rental payable by Danyang Golden Eagle Shopping under the Lease Agreement (Danyang Tiandi Plaza) for the three years ending 31 December 2024 are as follows:

Year ending:

31 December 2022:	RMB10.00 million	(equivalent to approximately HK\$12.03 million)
31 December 2023:	RMB10.96 million	(equivalent to approximately HK\$13.20 million)
31 December 2024:	RMB12.03 million	(equivalent to approximately HK\$14.47 million)

The above proposed annual caps are determined based on:

- (i) the historical amounts incurred in the past;
- (ii) the reasonable estimation of the gross sales proceeds to be generated from the operation of Danyang Store with reference to its past sales performance, the impact from the recurrent COVID-19 outbreaks since 2020, the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020, the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal, the prevailing market conditions and the assumption that the Group will be charged at the maximum rental rate of 4%;
- (iii) the continuous optimisation of Danyang Store's merchandise and lifestyle amenities offerings and further enhancement of its utilisation rate and productivity of floor space;
- (iv) the assumption that the car parking spaces offered by Danyang Golden Eagle Tiandi to Danyang Store will be temporarily free of charge during the relevant periods while Danyang Golden Eagle Tiandi is charging the general public car parking fee at the rate of RMB6.0 per hour (first hour free of charge); and
- (v) the assumption that Danyang Golden Eagle Tiandi shall provide the property management services to Danyang Store temporarily free of charge during the relevant periods.

Condition precedent

The proposed annual caps for the Lease Agreement (Danyang Tiandi Plaza) for the aforesaid periods are conditional upon all the requirements and approvals (including independent shareholders' approval) required under the Listing Rules having been complied with and obtained.

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(6) Lease Agreement (Golden Eagle World) (as amended)

On 29 December 2017, Nanjing Jianye Shopping and Nanjing Jianye Properties entered into the Lease Agreement (Golden Eagle World) for the lease of Golden Eagle World Lease Area for a term of 20 years commencing from 18 November 2017. On 3 July 2019, the aforesaid parties entered into the Supplemental Agreement to Lease Agreement (Golden Eagle World) for the lease of Additional Golden Eagle World Lease Area for a term commencing from 18 October 2019 (the effective date of the supplemental agreement) to 17 November 2037.

Details of the Lease Agreement (Golden Eagle World) (as amended by the Supplemental Agreement to Lease Agreement (Golden Eagle World)) (collectively, the “**Lease Agreement (Golden Eagle World) (as amended)**”) are disclosed in the announcements of the Company dated 29 December 2017 and 3 July 2019 and the circulars of the Company dated 20 April 2018 and 18 September 2019.

The annual rental payable under the Lease Agreement (Golden Eagle World) (as amended) shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
 - (i) during the first two years commencing from 18 November 2017, 2% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
 - (ii) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires:
 - (aa) during the third year commencing from 18 November 2017, i.e. during the period from 18 November 2019 and up to 17 November 2020, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
 - (bb) commencing from 18 November 2020 onwards, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
 - (iii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, commencing from 18 November 2019 onwards the amount to be calculated in accordance with the following formula:

Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	X	Commission rate charged by the Group (less sales tax)	X	50%
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- (b) with respect to sub-letting of units:
- (i) during the first two years commencing from 18 November 2017, 25% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes);
 - (ii) during the third year commencing from 18 November 2017, i.e. during the period from 18 November 2019 and up to 17 November 2020, 30% of the rental proceeds derived from subletting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes); and
 - (iii) commencing from 18 November 2020 onwards, 50% of the rental proceeds derived from subletting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes);
- (c) with respect to supermarket operations:
- (i) 2% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket during the first two years commencing from 18 November 2017;
 - (ii) 3% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket during the third year commencing from 18 November 2017, i.e. during the period from 18 November 2019 and up to 17 November 2020; and
 - (iii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 18 November 2020 onwards.

Pursuant to the Lease Agreement (Golden Eagle World) (as amended), as ancillary facilities and services to the lease, Nanjing Jianye Properties shall also provide (i) free car parking spaces to the customers of Golden Eagle World Store whereas Nanjing Jianye Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Nanjing Jianye Properties to the general public from time to time as part of the value-added customer services of Golden Eagle World Store; and (ii) property management services in respect of the nearby area outside the Total Golden Eagle World Lease Area, including but not limited to the provision of cleaning, environmental and greenery services, at the actual costs incurred by Nanjing Jianye Properties plus a mark-up of 10%.

The rental, the car parking fees and the property management fees will be settled by the internal resources of the Group.

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Historical transaction amounts

The amounts of rental, car parking fees and property management fees paid by Nanjing Jianye Shopping to Nanjing Jianye Properties under the Lease Agreement (Golden Eagle World) (as amended) for each of the two years ended 31 December 2020 and the seven months ended 31 July 2021 are set out as follows:

	Year ended 31 December 2019	Year ended 31 December 2020 (Note)	Seven months ended 31 July 2021 (Note)
Actual amounts paid	RMB75.88 million (equivalent to approximately HK\$91.33 million)	RMB89.65 million (equivalent to approximately HK\$107.90 million)	RMB76.67 million (equivalent to approximately HK\$92.27 million)

Note: Due to the COVID-19 outbreak, Nanjing Jianye Properties granted rental and property management fees concession in the amounts of RMB2.0 million and RMB1.5 million respectively to Nanjing Jianye Shopping for the six months ended 30 June 2020.

The relatively low utilisation of the annual caps for the year ended 31 December 2020 and the seven months ended 31 July 2021 were mainly due to the impact from the outbreak of COVID-19 since 2020, the rental and property management fees concession granted and Golden Eagle World Store did not achieve the relatively high sales growth as expected.

Proposed annual caps for the three years ending 31 December 2024

The proposed aggregate annual caps for the rental, car parking fees and property management fees payable under the Lease Agreement (Golden Eagle World) (as amended) for the three years ending 31 December 2024 are as follows:

Year ending:

31 December 2022:	RMB168.85 million	(equivalent to approximately HK\$203.21 million)
31 December 2023:	RMB190.86 million	(equivalent to approximately HK\$229.70 million)
31 December 2024:	RMB214.42 million	(equivalent to approximately HK\$258.05 million)

The above proposed annual caps are determined based on:

- (i) the historical amounts incurred in the past and rental and property management fees concession in the amounts of RMB2.0 million and RMB1.5 million respectively granted by Nanjing Jianye Properties for the six months ended 30 June 2020;
- (ii) the reasonable estimation of the gross sales proceeds to be generated from the operation of Golden Eagle World Store with reference to its past sales performance, the impact from the recurrent COVID-19 outbreak since 2020, the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the

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economy since the second quarter of 2020, the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal, the prevailing market conditions and the assumption that the Group will be charged at the maximum rental rate of 4.5%;

- (iii) Golden Eagle World Store going to pay car parking fee at RMB4.8 per hour, i.e. 20% discount of the normal car parking fee of RMB6.0 per hour, for the free car parking spaces to be provided by Nanjing Jianye Properties to the customers of Golden Eagle World Store; and
- (iv) the estimated costs expected to be incurred by Nanjing Jianye Properties in providing property management services during the relevant periods.

Condition precedent

The proposed annual caps for the Lease Agreement (Golden Eagle World) (as amended) for the aforesaid periods are conditional upon all the requirements and approvals (including independent shareholders' approval) required under the Listing Rules having been complied with and obtained.

Further information regarding the basis of determination of the rental, the car parking fees (as applicable) and the property management fees (as applicable) of the New Lease Agreements and the Relevant Lease Agreements

In determining the amount of rental and other fees payable by the Group, there are the following overriding principles:

1. the lease arrangement must be mutually beneficial to the Group and the landlord, otherwise either party may not be willing to enter into the arrangement. As such, the amount of rental and other fees payable under the lease arrangement is not unilaterally determined by the Group but is subject to the agreement of the landlord;
2. the Group shall be able to generate a reasonable amount of profit in the operation of the store during the tenor of the lease; and
3. based on the understanding of the Group, the landlord has taken into account their own operating costs such that the rental and other fees to be received by them on a long-term basis will be able to cover their own costs, which usually includes depreciation and amortisation of the property and finance costs, with a reasonable amount of profit.

Further, based on the above overriding principles, the following basic restraints and facts have also been taken into account by the Group:

- a. it is infeasible for the Group to estimate accurately the exact amount of revenue and expenses to be generated/incurred by each store in the forthcoming years;
- b. in light of paragraph (a), it is also infeasible for the Group to estimate accurately the exact amount of profit for each store;

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- c. before determining and bargaining for the term of lease, the Group will compile financial projection on the forecasted results of operation of the store in the forthcoming years. Such projection is compiled based on, to a large extent, the experiences and knowledge of the management, the future operating environment perceived by the management and the business strategies to be adopted. Historical results achieved by the Group in the past are of reference value in this regard; and
- d. while the Group will be less able to control the income, the Group will be more positioned to control the operating costs of the store. The lower the operating costs, the more room for the Group to manage its operational risk and achieve a profit for that store.

By calculating the amount of rentals to be payable to the landlord based on a certain percentage of the concessionaire and supermarket sales proceeds and rental proceeds under sub-letting arrangements to be received by the Group (the “**Percentage Rental Arrangement**”), the Group will be able to pass a portion of the operational risks to the landlord since the rental payable to the landlord will be relatively less if the sales generated and rentals received from sub-letting arrangements by the store are not high, especially at the initial operating stage of the store. The Group does not prefer rental arrangements that charge rental payable on a fixed rental basis as the Group will face higher operational risk and such basis is therefore less favourable to the Group as compared with the Percentage Rental Arrangement.

In assessing the fairness and reasonableness of the basis of calculation of rental payable by the Group in respect of those concessionaire and supermarket sales under the New Lease Agreements and the Relevant Lease Agreements, the Group monitors and looks for similar market comparables, whether through official and unofficial channels, including but not limited to market practices and disclosures of other companies listed on the Stock Exchange (the “**Listed Comparables**”), from time to time to ensure that the Percentage Rental Arrangement is kept abreast with industry norm. The Group has identified 6 exhaustive Listed Comparables commencing from 1 January 2020 which (a) the tenants are principally engaged in the operation of department stores, supermarkets, restaurants or retail shops and (b) turnover rent was adopted. The turnover rent adopted by these Listed Comparables were charged based on a specified percentage ranged from 1.8% to 7.0% of the gross sales, net sales or turnover of that particular store.

In addition, out of the Group’s eleven fully leased stores, nine of them are leased from connected persons and two are leased from Independent Third Parties. Having considered that the scope of the two lease agreements with Independent Third Parties are similar to the New Lease Agreements and the Relevant Lease Agreements, the management is of the view that these agreements are also an appropriate reference for assessing the reasonableness of the basis of calculation of rental payable under the New Lease Agreements and the Relevant Lease Agreements. The annual rental payable by the Group to the relevant Independent Third Party lessors in respect of those concessionaire and supermarket sales is charged based on 5% of the annual gross sales proceeds.

As the maximum rental rate chargeable on the Group’s concessionaire and supermarket sales under the New Lease Agreements and the Relevant Lease Agreements is 4.5%, it falls within the range of percentage of 1.8% to 7.0% as observed from the Listed Comparables and below 5% as observed from the two lease agreements entered into by the Group with Independent Third Parties. The Group considered that the maximum rental rate of 4.5% for the concessionaire and supermarket sales adopted under the New Lease Agreements and the Relevant Lease Agreements is fair and reasonable and is comparable to the prevailing market rate.

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For sub-letting of the units, the management is unable to locate similar lease agreements entered into by other listed companies with specified payment terms in relation to sub-letting arrangements. However, the management is of the view that the two lease agreements entered into by the Group with Independent Third Parties that are similar to the New Lease Agreements and the Relevant Lease Agreements are an appropriate reference for assessing the fairness and reasonableness of the basis of calculation of rental payable of the sub-letting units under New Lease Agreements and the Relevant Lease Agreements. The annual rental payable by the Group to the relevant Independent Third Party lessors in relation to sub-letting arrangement is also charged based on 50% of the rental proceeds derived from sub-letting the units.

In light of this, having considered that (i) the terms in respect of sub-letting of units is comparable to that of agreements entered into by the Group with the Independent Third Parties; (ii) the annual rentals are only required to pay when the units could be successfully sub-let to the lessee for rental income; and (iii) the rental income from sub-letting of units after deducting 50% of the rental income as rental expenses will generate cash inflows to the Group without incurring material operating costs, the management is of the view that the calculation basis of annual rental payable in relation to sub-letting arrangement under the New Lease Agreements and the Relevant Lease Agreements is favorable to the Company, and is thus in the interest of the Company and its Shareholders as a whole.

In respect of the car parking fees, approval from the local government is required and the charge out rate should be published clearly at the entrance and the interior of the car park. Therefore, information on the rate charged by the specific car park based on the government approved rates and the rates at the entrance can be observed and collected by the Group easily to ascertain whether the car park fees charged is fair and reasonable.

In respect of the property management fees, pursuant to the New Lease Agreements and the Relevant Lease Agreements (as applicable), the landlords will charge the Group a fee equivalent to the actual costs incurred for the provision of property management services plus a mark-up of 10%. Based on the market information available, the management understands that the fees charged by other property management companies are usually more than that charged by the landlords. The management also understands that the fee charged by the landlords to their Independent Third Party tenants for the provision of property management services are on fixed rate and are charged higher than cost plus mark-up of 10% basis. As such, it is considered that such pricing term is favorable to the Group.

Internal control measures in respect of the rental, the car parking fees and the property management fees

The Group has an established internal control system to identify related persons. The Group has provided copies of the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements (collectively, “**Lease Agreements**”) to accounting department, internal audit department, administrative department and/or store managers at the respective stores to monitor the compliance with the terms of the relevant agreements. For rental expenses to be calculated based on certain percentage of the gross sales proceeds of the relevant store, rental expenses will be calculated by the Group’s ERP system on a daily basis based on the sales data of the respective store. The aggregate monthly or yearly rentals under such lease agreement will be inputted into the Group’s SAP accounting system and to be reviewed by the accounting department and store manager at the respective store for reasonableness on a monthly basis. For fixed rental arrangement under certain Lease Agreements, including but not limited to

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the implementation agreements under the Cooperation Agreement on Property Lease (Offices), rental expenses will be initiated and calculated by the administrative department/accounting department at the respective store or office and to be reviewed by the accounting department and store manager at the respective store, if any, for reasonableness on a monthly basis. Internal audit department will audit the reasonableness of the rental expenses and the compliance with the terms of the Lease Agreements on a sampling basis. In the event that there is any uncertainty on compliance with the terms of any of the Lease Agreements, the Group may also consult its legal advisers.

In respect of the car parking fees, the car parking fees will be paid by the Group to the respective landlord for the free parking provided by the landlord to the Group's customers. The Group's ERP system will record the free parking time redeemed by the customers, and the landlord will record the free parking time provided to the Group's customers. At the end of each month, the Group and the respective landlord will reconcile the total number of free parking hours provided under both systems and calculate the car parking fees to be payable by the Group.

In respect of the property management fees, the respective landlords under the Lease Agreements will provide monthly statement on the actual property management costs incurred to the Group. The Group will review the monthly statement by: (1) making reference to its experience in property management of some of its own stores; and (2) considering the number of staff involved in property management with the quantity of supplies utilised and consumed by the relevant landlords for the property management services provided and determine whether the amount of usage and the costs are justified and reasonable. After the end of each financial year, the Group will review the aggregate amount of actual property management costs incurred for the year to determine whether the overall usage and costs incurred are justified and reasonable based on the Group's experience in property management and with reference to the property management costs of those buildings of similar class in the nearby area and whether any adjustment to the costs is needed in order to arrive at the exact amount of property management fees to be payable for the year.

RELATIONSHIPS WITH GEICO

As at the Latest Practicable Date, GEICO, through Golden Eagle International Retail Group Limited (one of its wholly-owned subsidiaries), is indirectly holding approximately 68.77% of the entire issued share capital of the Company and is accordingly the controlling shareholder of the Company. GEICO is in turn wholly-owned by the 2004 RVJD Family Trust ("**Family Trust**"), the family trust of Mr. Wang.

Each of the GEICO Parties, being Ma'anshan Golden Eagle Tiandi, Yancheng Golden Eagle Technology, Golden Eagle International Group, Xianlin Golden Eagle Technology, Danyang Golden Eagle Tiandi and Nanjing Jianye Properties is an indirect wholly-owned subsidiary of GEICO, the controlling shareholder of the Company. As such, the above companies are the associates of GEICO and are thus the connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the above-mentioned agreements and the underlying agreements, the annual caps of which are required to be renewed/revised, constituted continuing connected transactions for the Company.

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VIEWS OF THE DIRECTORS

The Board (including the independent non-executive Directors) considers that (i) the terms of the each of the New Lease Agreements and the respective proposed annual caps thereof and (ii) the Relevant Proposed Annual Caps 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 executive Director who has material interests in the transactions contemplated under these agreements by virtue of his indirect beneficial interests in the GEICO Parties, has abstained from signing on the board resolutions approving (i) the New Lease Agreements and the proposed annual caps thereof and (ii) the Relevant Proposed Annual Caps.

INFORMATION ABOUT THE COUNTER-PARTIES OF THE TRANSACTIONS

Ma'anshan Golden Eagle Tiandi, Yancheng Golden Eagle Technology, Xianlin Golden Eagle Technology, Danyang Golden Eagle Tiandi and Nanjing Jianye Properties are principally engaged in the businesses of property development, property investment and property management in the PRC.

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 lifestyle centre and stylish department store chain development and operation, property development and hotel operation in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 14A.81 of the Listing Rules, the Stock Exchange will aggregate a series of transactions/connected transactions and treat them as if they were on one transaction if they are all completed within a 12-month period or are otherwise related.

Hong Kong Financial Reporting Standard 16 "Leases", which became effective from 1 January 2019, introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees, where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases, leases of low value assets and certain exemptions.

The Group has entered into certain lease agreements with its connected persons. The Group applies the short-term lease recognition exemption to the Cooperation Agreement on Property Lease (Offices) and the Cooperation Agreement on Property Lease (Convenience Stores) and recognise lease payments as expenses on a straight-line basis over the lease term as the lease term of the relevant implementation agreements under these framework agreements will be 12 months or less without a purchase option.

LETTER FROM THE BOARD

All of the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements, other than the 2022 Lianyungang Tenancy Agreement (for which the Group applies the lease of low value asset exemption), the Cooperation Agreement on Property Lease (Offices) and certain implementation agreements under the Cooperation Agreement on Property Lease (Convenience Stores), are under variable lease payments term that do not depend on an index or a rate and accordingly are not included in the measurement of right-of-use assets and lease liabilities. Instead, they are recognised as expenses in the period during which the event or condition that triggers the payment occurs. Accordingly, the Group aggregated all the relevant caps of the rental payments under the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements for the purpose of the calculation of applicable percentage ratios in accordance with Rule 14A.81 of the Listing Rules. The aforesaid lease agreements will also not be regarded as acquisition of assets by the Group under 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 any of the New Lease Agreements and the Relevant Lease Agreements.

The Directors anticipated that the highest applicable percentage ratio in respect of the aggregate amount of rentals, (if applicable) the car parking fees and (if applicable) the property management fees payable under the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements calculated on an aggregate and annual basis with reference to the annual caps available represent more than 5%. Accordingly, (i) the entering into of the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; and (ii) the Relevant Proposed Annual Caps are subject to announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 42 and 43 of this circular. The Independent Board Committee, having taken into account the advice of Euto Capital Partners Limited, considers that the New Lease Agreements and the respective proposed annual caps thereof and the Relevant Proposed Annual Caps are on normal commercial terms or better, are in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee also considers that the terms of the New Lease Agreements and the respective proposed annual caps thereof and the Relevant Proposed Annual Caps are on normal commercial terms, are in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned, and that they are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors, including the independent non-executive Directors constituting Independent Board Committee, recommend the Independent Shareholders to vote in favour of the ordinary resolutions concerning the New Lease Agreements and the respective proposed annual caps thereof and the Relevant Proposed Annual Caps to be proposed at the EGM.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 42 and 43 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 112 of this circular.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at 10:00 a.m. on Thursday, 16 December 2021 at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong is set out on pages 127 to 129 of this circular. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the New Lease Agreements and the respective proposed annual caps thereof and the Relevant Proposed Annual Caps.

There will be no closure of register of members. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, 10 December 2021. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2021.

A form of proxy for use at the EGM is also enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to the Rule 13.39(4) of the Listing Rules, the voting on the ordinary resolutions at the EGM will be conducted by way of poll.

Any connected person and Shareholder with a material interest in any of the New Lease Agreements or the Relevant Lease Agreements and his/her/its associates will be required to abstain from voting at the EGM. In this regard, Mr. Wang and his associates (including Golden Eagle International Retail Group Limited) will abstain from voting at the EGM. Mr. Wang, the executive Director, who has material interests in the transactions contemplated under the New Lease Agreements and the Relevant Lease Agreements by virtue of his indirect beneficial interests in each of Ma'anshan Golden Eagle Tiandi, Yancheng Golden Eagle Technology, Golden Eagle International Group, Xianlin Golden Eagle Technology, Danyang Golden Eagle Tiandi and Nanjing Jianye Properties has abstained from signing on the board resolutions approving the New Lease Agreements and the respective proposed annual caps thereof and the Relevant Proposed Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee and the letter from the Independent Financial Adviser which are respectively set out on pages 42 and 43 and pages 44 to 112 to this circular. Additional information is also set out in the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

15 November 2021

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular (the “**circular**”) dated 15 November 2021 and despatched to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the circular shall have the same meanings in this letter.

We have been appointed to advise the Independent Shareholders as to whether (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; and (ii) the Relevant Proposed Annual Caps are on normal commercial terms or better, are in the ordinary and usual course of business of the Company, and are fair and reasonable as far as the Independent Shareholders are concerned.

Euto Capital Partners Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years.

We wish to draw your attention to the letter from the Board set out on pages 15 to 41 of the circular which contains, inter alia, information in respect of the New Lease Agreements and the Relevant Lease Agreements, and the letter of advice issued by Euto Capital Partners Limited set out on pages 44 to 112 of the circular in relation to (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years.

Having considered the advice given by Euto Capital Partners Limited, we are of the opinion that (i) the terms of the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years are on normal commercial terms, are in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that (i) the terms of the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; and (ii) the Relevant Proposed Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions concerning the same to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee
Wong Chi Keung
Lay Danny J
Lo Ching Yan
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



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15 November 2021

*To the Independent Board Committee and
the Shareholders of Golden Eagle Retail Group Limited*

Dear Sirs and Madams,

**CONTINUING CONNECTED TRANSACTIONS:
(1) SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT
(MA'ANSHAN TIANDI PLAZA);
(2) 2022 LEASE AGREEMENT (YANCHENG GOLDEN EAGLE OUTLET);
AND
RENEWAL OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the New Lease Agreements, the transactions contemplated thereunder and the respective annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years.

Details of the New Lease Agreements and the Relevant Lease Agreements are set out in the "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 15 November 2021 (the "**Circular**"), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

I. The New Lease Agreements and the respective annual caps

Reference is made to the Letter.

(1) Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

On 18 March 2015, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi entered into the Lease Agreement (Ma'anshan Tiandi Plaza) for the lease of Ma'anshan Tiandi Lease Area for a term of 20 years commencing from the date on which Ma'anshan Store commenced operation (i.e. 29 August 2015). Details of the Lease Agreement (Ma'anshan Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 30 September 2021, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi entered into the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza), pursuant to which Ma'anshan Golden Eagle Tiandi has agreed to lease to Ma'anshan Golden Eagle Shopping the Additional Ma'anshan Tiandi Lease Area with GFA of approximately 40,870.88 square metres from the effective date of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) to 28 August 2035.

Subject to the aforesaid, all other major terms of the Lease Agreement (Ma'anshan Tiandi Plaza) remain unchanged and will continue in full force and effect.

(2) 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

The Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) will expire on 17 May 2022. On 30 September 2021, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology entered into the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) for the lease of the Yancheng Golden Eagle Outlet for a term of 10 years commencing from 18 May 2022 to 17 May 2032.

During the term of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), as ancillary facilities and services to the lease, Yancheng Golden Eagle Technology shall also provide (i) free car parking spaces to the customers of Yancheng Outlet Store whereas Yancheng Golden Eagle Shopping shall pay car parking fees at a discounted rate as part of the valued-added customer services of Yancheng Outlet Store; and (ii) property management services including but not limited to provision of cleaning, environmental and greenery services, in respect of the nearby area outside the Yancheng Golden Eagle Outlet.

Subject to compliance with the Listing Rules, the parties may enter into an agreement to renew the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) twelve months in advance before its expiry on notification by Yancheng Golden Eagle Shopping of its intention to renew the term.

II. Renewal of Annual Caps of the Continuing Connected Transactions under the Relevant Lease Agreements

Reference is made to the Letter. The Company also proposes to renew the annual caps in respect of the following agreements:

- (1) Lease Agreement (Hanzhong Plaza);
- (2) Lease Agreement (Total Xianlin Retail Area);
- (3) Lease Agreement (Danyang Tiandi Plaza); and
- (4) Lease Agreement (Golden Eagle World) (as amended).

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, GEICO, through Golden Eagle International Retail Group Limited (one of its wholly-owned subsidiaries), is indirectly holding approximately 68.77% of the entire issued share capital of the Company and is accordingly the controlling shareholder of the Company. GEICO is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Each of the GEICO Parties, being: Ma'anshan Golden Eagle Tiandi, Yancheng Golden Eagle Technology, Golden Eagle International Group, Xianlin Golden Eagle Technology, Danyang Golden Eagle Tiandi and Nanjing Jianye Properties is an indirect wholly-owned subsidiary of GEICO, the controlling shareholder of the Company. As such, the above companies are the associates of GEICO and are thus the connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the above-mentioned agreements and the underlying agreements, the annual caps of which are required to be renewed/revised, constituted continuing connected transactions for the Company.

According to Rule 14A.81 of the Listing Rules, the Stock Exchange will aggregate a series of transactions/connected transactions and treat them as if they were on one transaction if they are all completed within a 12-month period or are otherwise related.

The Group aggregated all the relevant caps of the rental payments under the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements for the purpose of the calculation of applicable percentage ratios in accordance with Rule 14A.81 of the Listing Rules. The aforesaid lease agreements will also not be regarded as acquisition of assets by the Group under the Listing Rules. Save for the aforesaid, we understand from the management of the Group (the “**Management**”) that 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 any of the New Lease Agreements and Relevant Lease Agreements.

The Directors anticipated that the highest applicable percentage ratio in respect of the aggregate amount of rentals, (if applicable) the car parking fees and (if applicable) the property management fees payable under the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements calculated on an aggregate and annual basis with reference to the annual caps available represent more than 5%. Accordingly, (i) the entering into of the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; and (ii) the Relevant Proposed Annual Caps are subject to announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan, has been established to advise and give recommendation to the Independent Shareholders on (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion on (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years.

OUR INDEPENDENCE

We, Euto Capital Partners Limited (“**Euto Capital**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

conduct type 6 (advising on corporate finance) regulated activities, and participated in and completed various independent financial advisory transactions since 2015. Mr. Manfred Shiu (“**Mr. Shiu**”) and Mr. Carfield Tang (“**Mr. Tang**”) are the persons jointly signing off the opinion letter from Euto Capital contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2009, while Mr. Tang has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since August 2021. Both Mr. Shiu and Mr. Tang have participated in and completed various independent financial advisory transactions in Hong Kong.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Euto Capital and the Company or any other parties that could reasonably be regarded as hindrance to Euto Capital’s independence as defined under Rule 13.80 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, we have been appointed as the independent financial adviser to the Company regarding the renewal of annual caps of continuing connected transactions and certain agreements, the details of which were set out in the circular of the Company dated 13 November 2020. The professional fees in connection with the appointment have been fully settled and we are not aware of or change in any circumstance that would affect our independence.

Accordingly, we consider that we are eligible to give independent advice on (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors and the Management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continued to be true in all material respects and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to this transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; (ii) the Relevant Proposed Annual Caps; and (iii) the respective term of the New Lease Agreements which both exceed three years 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

I. The New Lease Agreements and the respective annual caps

In formulating our opinion and recommendation regarding each of the New Lease Agreements and the respective proposed annual caps, we have considered the principal factors and reasons set out below:

(1) Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

A. Background of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

On 18 March 2015, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi entered into the Lease Agreement (Ma'anshan Tiandi Plaza) for the lease of Ma'anshan Tiandi Lease Area for a term of 20 years commencing from the date on which Ma'anshan Store commenced operation (i.e. 29 August 2015). Details of the Lease Agreement (Ma'anshan Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 30 September 2021, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi entered into the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza), pursuant to which Ma'anshan Golden Eagle Tiandi has agreed to lease to Ma'anshan Golden Eagle Shopping the Additional Ma'anshan Tiandi Lease Area with GFA of approximately 40,870.88 square metres from the effective date of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) to 28 August 2035.

Subject to the aforesaid, all other major terms of the Lease Agreement (Ma'anshan Tiandi Plaza) remain unchanged and will continue in full force and effect.

B. Reasons for entering into the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

(i) The Directors' consideration on entering into the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

As set out in the Letter, Ma'anshan Store is the Group's first comprehensive lifestyle centre in Anhui Province which commenced operation since 29 August 2015. It is situated at a portion of basement 1st floor, 1st to 8th floors Podium Building of Ma'anshan Tiandi Plaza, a commercial complex located at the intersection of Hudong North Road and Hunan West Road, right at the heart of the prime area of Ma'anshan City, Anhui Province.

The Additional Ma'anshan Tiandi Lease Area is adjacent and connected to Ma'anshan Store via lift lobby on each floor and is situated at the remaining portion of basement 1st floor, 1st to 5th floors Podium Building of Ma'anshan Tiandi Plaza. The area has been managed by Ma'anshan Store under the Street Shop Management Agreements entered into between Golden Eagle (China) and Golden Eagle International Group since 22 November 2015 which houses various lifestyle functions and amenities under lease model, including, inter alia, trendy fashion and accessories, distinctive food and beverage, household goods and children's development. The Additional Ma'anshan Tiandi Lease Area is currently under a comprehensive revamp and upgrade by Ma'anshan Golden Eagle Tiandi to unify the customer traffic flow (動線) and its overall business contents to better synergise with the Ma'anshan Store. The revamp is expected to be completed in the last quarter of 2021.

During the year ended 31 December 2020, being its fifth year of full operation, amid the impact from the COVID-19 pandemic, Ma'anshan Store generated sales of over RMB372.8 million, representing a year-on-year decrease of 8.2%. Gross profit decreased by 4.3% year-on-year to RMB64.5 million while operating profit grew by 16.1% year-on-year to RMB26.6 million. However, Ma'anshan Store demonstrated resilience in its recovery since the second quarter of 2020. During the six months ended 30 June 2021, Ma'anshan Store generated sales of over RMB233.6 million, representing a year-on-year increase of 38.2%. Gross profit increased by 29.1% year-on-year to RMB35.8 million while operating profit grew by 25.2% year-on-year to RMB15.1 million. In order to establish a stronger brand portfolio and a rich variety of lifestyle functions and amenities, the Group intends to lease the Additional Ma'anshan Tiandi Lease Area to enrich its service offerings. The Board believes that the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) will further solidify the Group's presence, market share and competitiveness in Anhui Province.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Factors in assessing the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

In assessing the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) and reviewing whether the terms are in the interests of the Company and its Shareholders as a whole, we have taken into consideration of the following factors:

(a) Overview of the economy and consumer goods market in Ma'anshan City

Below are the statistics in relation to (i) population; (ii) gross domestic products ("GDP"); (iii) the total retail sales of consumer goods; and (iv) the average urban disposable income of Ma'anshan City for the past 5 years ended 31 December 2020:

Year ended 31 December	2016	2017	2018	2019	2020
Population (Million)	2.29	2.29	2.29	2.29	2.16
Percentage change of population when compared to previous year	N/A	0.0%	-0.1%	0.0%	-5.7%
GDP (RMB Billion)	149.38	173.81	191.81	211.10	218.69
Percentage change of GDP when compared to previous year	N/A	16.4%	10.4%	10.1%	3.6%
Total retail sales of consumer goods in Ma'anshan City (RMB Billion)	47.06	52.95	59.00	65.89	79.58
Percentage change of total retail sales of consumer goods in Ma'anshan City when compared to previous year	N/A	12.5%	11.4%	11.7%	20.8%
Average urban disposable income (RMB)	38,142	41,403	45,108	49,010	51,804
Percentage change of average urban disposable income when compared to previous year	N/A	8.6%	9.0%	8.7%	5.7%

Source: Ma'anshan City Statistics Bureau

As set out in the table above, the economy of Ma'anshan City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 10.0% and an annual increase of total retail sales of consumer goods of above 11.0% from 2017 to 2019. Even during the outbreak of COVID-19 in 2020, Ma'anshan City still recorded an annual increase of GDP of 3.6% and an annual increase of total retail sales of consumer goods of above 20.0%.

In view of the above growth trend, we concluded that the consumer goods market in Ma'anshan City, being the city where Ma'anshan Store is located, would maintain a steady growth and its long-term economic development will remain positive, which would be favorable to the operation and development of Ma'anshan Store.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) The operating and developing retail stores experience of the Group

As set out in the Company's annual report for the year ended 31 December 2020 ("2020AR"), since the opening of its first store, Nanjing Xijiekou Store, and after 25 years of dedicated operation, the Group has successfully opened 31 stores in the PRC with a total GFA of 2,511,058 square metres and a total operating area of 1,709,571 square metres as at 31 December 2020. The aforesaid total GFA and total operating area were further increased to 2,512,475 square metres and 1,719,437 square metres respectively as at 30 June 2021 as set out in the Company's interim report for the six months ended 30 June 2021 ("2021IR").

These stores are located in 17 cities, across four provinces of Jiangsu, Anhui, Shaanxi, and Yunnan, and the municipality of Shanghai, covering Shanghai, Nanjing, Suzhou, Nantong, Yangzhou, Xuzhou, Taizhou, Huai'an, Yancheng, Suqian, Danyang, Kunshan, Wuhu, Ma'anshan, Huaibei, Xi'an and Kunming.

Below are further operational data provided by the Management in relation to the Group's retail operation:

	For the year ended 31 December 2019 ("FY2019")	For the year ended 31 December 2020 ("FY2020")	Change in %	For the 6 months ended 30 June 2020 ("1H2020")	For the 6 months ended 30 June 2021 ("1H2021")	Change in %
Customer Traffic for all its retail stores						
(Million)	189.4	150.3	-20.7%	58.4	98.3	+68.2%
Gross Sales Proceeds (RMB Million)	18,246.8	16,425.8	-10.0%	7,149.6	9,386.4	+31.3%
Retail Profit from Operations before Depreciation and Amortisation						
(RMB Million)	2,332.8	2,422.9	+3.9%	1,070.1	1,432.3	+33.8%
Net Profit Attributable to Shareholders						
(RMB Million)	1,185.5	1,562.6	+31.8%	358.2	887.6	+147.8%

As set out in the table above, although customer traffic decreased in FY2020 when comparing that in FY2019 due to the outbreak of pandemic since early 2020 and most of the Group's stores shortened their opening hours and/or closed during February 2020 till early March 2020, the Group recorded growth both in (i) its retail profit from operations before depreciation and amortisation as well as (ii) net profit attributable to the Shareholders mainly because of (a) the Group's continuous refinement of its core retail operation and adjustment of its business strategies in accordance with the progresses made in the pandemic prevents and controls and (b) the increase in the Group's non-operating other gains and losses by RMB318.1 million. Amid the gradual stabilisation of the pandemic in China since second quarter of the year 2002, the Group demonstrated resilience in its recovery and the growth trend persisted and significant growth was noted in 1H2021 when compared to the results in 1H2020.

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The table below sets out the geographical details of the Group's 31 retail stores as at the Latest Practicable Date:

Province/Municipality	City	Number of Retail Stores	
Jiangsu	Nanjing	6	
	Yangzhou	3	
	Yancheng	3	
	Xuzhou	2	
	Nantong	3	
	Taizhou	1	
	Huai'an	1	
	Suqian	1	
	Kunshan	1	
	Danyang	1	
	Suzhou	1	
	Anhui	Wuhu	2
		Huaibei	1
Ma'anshan		1	
Shaanxi	Xi'an	2	
Yunnan	Kunming	1	
Shanghai	Shanghai	1	
		31	

As further set out in the 2020AR, the Group, leveraging on its leading position and strong competitive advantages in Jiangsu Province, will continue to reinforce its market leadership and presence in Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai by establishing comprehensive lifestyle centres which can enhance the Group's competitive strengths in the long term and have substantial potential for its business growth. Meanwhile, the Group will progressively establish a nationwide retail chain network, with Yangtze River Delta as the core, by actively exploring opportunities in those first-tier and second-tier cities as well as tapping into third-tier cities with immense potential for growth.

Having considered the Group possesses extensive experience in operating lifestyle centres and department stores in the PRC as demonstrated above, we concur with the Directors' view that the aforementioned extensive experience of the Group in operating retail stores would be beneficial to the Group's business expansion.

Conclusion on the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

Having considered that:

- (i) the operational needs of increasing operating area to enrich merchandise and services offers in Ma'anshan Store;

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(ii) the economy and consumer goods market in Ma'anshan City, where Ma'anshan Store is located, have been under healthy growth and is expected to be favorable to the operation and development of Ma'anshan Store; and

(iii) the Group possesses extensive experience in operating and developing retail stores in the PRC,

we are of the view that to maintain the Group's business and to ensure the sustainability of its retail store operation in Ma'anshan City which would further reinforce the Group's presence, market share and competitiveness in Ma'anshan City, the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) is in the interest of the Company and its Shareholders as a whole.

C. Principal terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

According to the Letter, the principal terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) are the same as the terms of the Lease Agreement (Ma'anshan Tiandi Plaza), except that the leased area has been increased. The principal terms of the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) are listed as below:

Lessor:	Ma'anshan Golden Eagle Tiandi
Lessee:	Ma'anshan Golden Eagle Shopping
Leased premises:	Total Ma'anshan Tiandi Lease Area
Lease term:	<ol style="list-style-type: none">1. Ma'anshan Tiandi Lease Area: 20 years commencing from 29 August 2015; and2. Additional Ma'anshan Tiandi Lease Area: from the effective date to 28 August 2035.
Rent:	<p>The annual rental payable by the Group shall be equivalent to the aggregate of:</p> <ol style="list-style-type: none">(a) with respect to those concessionaires:<ol style="list-style-type: none">(i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);

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- (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

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

50% of the rental proceeds derived from sub-letting the units in Total Ma'anshan Tiandi Lease Area (less value-added tax and other relevant taxes);

- (c) with respect to supermarket operations:

4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket.

Car parking fees:

Free car parking spaces to the customers of Ma'anshan Store whereas Ma'anshan Golden Eagle Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Ma'anshan Golden Eagle Tiandi to the general public from time to time as part of the value-added customer services of Ma'anshan Store.

Property management fees:

Property management services in respect of the nearby area outside the Total Ma'anshan Tiandi Lease Area, including but not limited to the provision of cleaning, environmental and greenery services, shall be charged at the actual costs incurred by Ma'anshan Golden Eagle Tiandi plus a mark-up of 10%.

As stated in the Letter, the terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) were arrived at after arm's length negotiations taking into account (i) the information available to the Group in the past and present lease arrangements between the Group and Independent Third Parties or connected persons of the Company, (ii) the market information obtained by the Group, whether through official or unofficial channels, including but not limited to market practices and disclosures of other listed companies, (iii) the terms of the Lease Agreement (Ma'anshan Tiandi Plaza), (iv) the size and location of the relevant property, (v) the nature of business to be operated at the relevant property, the estimated customer traffic and expected sales to be generated by such store, and (vi) the Additional Ma'anshan Tiandi Lease Area to be delivered to the Group at renovated state, which is similar to Ma'anshan Tiandi Lease Area which was also delivered to the Group at renovated state.

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The rental, the car parking fees and the property management fees will be settled by the internal resources of the Group.

In assessing the fairness and reasonableness of the terms of the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), we have considered the following factors:

- (a) Review on the terms of the annual rental under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended)

Pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), the annual rental payable is determined based on the gross sales proceeds and rental proceeds to be derived by Ma'anshan Store during the period from its concessionaires and sub-letting operation.

- (i) In respect of the basis of the annual rental payable relating to the concessionaires

In assessing the fairness and reasonableness of the basis of calculation of rental payable by the Group under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) in respect of rental payable of those concessionaires, we have identified and reviewed, to the best of our knowledge and effort, an exhaustive list of 6 transactions from the companies listed on the Stock Exchange (as set out in the table below and collectively defined as "**Listed Comparables**") commencing from 1 January 2020 up till the Latest Practicable Date, on which (a) the tenants are principally engaged in the operation of department stores, supermarkets, restaurants or retail shops and (b) turnover rent was adopted. As the aforesaid selection period covers 21 months, we consider this period is long enough to yield fair, representative as well as updated samples for our analysis.

During our research and review on the announcements published by the Listed Comparables, we noted similar cases in the PRC and Hong Kong where turnover rent was adopted and it is common for department stores or retail business to lease properties from lessors either at fixed rental or at rentals to be charged based on a specified percentage of their turnover or a combination of both.

Although the Listed Comparables related to stores located in Hong Kong may not be as comparable as those located in the PRC for our case (i.e. the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) relates to a retail store located in the PRC), we are of the opinion that the Listed Comparables related to stores located in Hong Kong can still provide good reference as under the turnover rent arrangement, the turnover of the stores already reflect the demography of stores located in different cities and locations, and in particular when only limited Listed Comparables related to stores located in the PRC are available.

Given that (i) the characteristics of the Listed Comparables are similar to the Group, where all of them are department store or retail store operators; and (ii) the transactions contemplated under the relevant rental agreements are charged at a specified percentage of their turnovers or business income, we consider that the Listed Comparables are fair and representative samples for our analysis.

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Details of our research results of the aforesaid Listed Comparables are set out as below:

	Date of announcement	Stock code	Company	Lease Term	Monthly rental	Usage	Payment terms	Location	Whether it is a connected transaction?
1	26/5/2021	113	Dickson Concepts (International) Limited	6 years (from 25/08/2021 to 24/08/2027)	Basic rent of an average of approximately HK\$3 million per month and the turnover rent with no percentage disclosed	Retail store	Not specified	Hong Kong	No
2	14/05/2021	984	Aeon Stores (Hong Kong) Co. Limited	6 years (from 17/05/2021 to 16/05/2027)	Basic rent of an average of HK\$1.1875 million per month and the turnover rent with no percentage disclosed	Retail store	Monthly basic rent shall be payable in advance on the first day of each calendar month; turnover rent (if payable) shall be payable in arrears on the 15th day of the following month	Hong Kong	No
3	28/08/2020	1150	Milan Station Holdings Limited	3 years (from 01/10/2020 to 30/09/2023)	Basic rent of an average of approximately HK\$0.2833 million per month and the turnover rent with no percentage disclosed	Retail store	Monthly basic rent shall be payable monthly in advance on the first day of each calendar month;	Hong Kong	No
4	17/8/2020	984	Aeon Stores (Hong Kong) Co. Limited	20 years (from 31/10/2020 to 30/10/2040)	From 1.8% to 3.5% of direct sale turnover	Commercial use such as department store, supermarket, restaurants, recreational facilities and services	Payable within 10 days from the end of each month	PRC	Yes
5	9/6/2020	97	Henderson Investment Limited	1 year (from 1/7/2020 to 30/6/2021)	Basic rent of HK\$318,000 and 7% of the excess of annual gross turnover	Department store operation	Payable monthly in advance for basic rent and monthly in arrears for turnover rent	Hong Kong	Yes
6	9/6/2020	50	Hong Kong Ferry (Holdings) Company Limited	1 year (from 1/7/2020 to 30/6/2021)	Basic rent of HK\$318,000 and 7% of the excess of annual gross turnover	Department store operation	Payable monthly in advance for basic rent and monthly in arrears for turnover rent	Hong Kong	Yes

We note from the above table that the turnover rent was adopted by the Listed Comparables based on a specified percentage ranged from 1.8% to 7.0% of the gross sales, net sales or turnover.

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Pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), the annual rental payable by the Group are set out in the table below:

Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental	
1	Concessionaires which the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4.5% fixed rate of the annual gross sales proceeds
2	Concessionaires which the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4.5% fixed rate of the annual gross sales proceeds
3	Concessionaires which the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 4% of the annual gross sales proceeds
4	Concessionaires which the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 2.2% of the annual gross sales proceeds [#] [#] According to the Management, the effective sales tax and surcharges enacted of 5.6% would be imposed on gold and jewellery concessionaire sales. Therefore, the maximum rate is 2.2% (being (10% - 5.6%) x 50%)
5	Sub-letting	50% of the rental proceeds derived from sub-letting the units in Total Ma'anshan Tiandi Lease Area (less value-added tax and other relevant taxes)	50% fixed rate of the rental proceeds
6	Supermarket operation	4% of the gross sales proceeds (less value-added tax)	4% fixed rate of the annual gross sales proceeds

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As set out in the table above, the maximum percentage of the annual gross sales proceeds is 4.5%. Regarding this 4.5% maximum percentage, we noted that it falls within the range of percentages of 1.8% to 7.0% as noted from the Listed Comparables, we consider that the assumption that the maximum rental rate of 4.5% of the annual gross sales proceeds would be adopted under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) is fair and reasonable and is comparable to the prevailing market rate.

(ii) In respect of the basis of the annual rental payable relating to the sub-letting units

In respect of the annual rental payable under the terms of the sub-letting units, such annual rental payable by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) is charged based on 50% of the rental proceeds derived from the sub-letting units in the Total Ma'anshan Tiandi Lease Area.

Given that we could not locate other similar lease agreements entered into by comparable companies with specified payment terms in relation to sub-letting arrangements, in assessing the fairness and reasonableness of the basis of calculation of rental payable by the Group under Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) in respect of rental payable of the sub-letting units, we have reviewed whether any similar terms the Group have been agreed with the Independent Third Parties.

As advised by the Management, below table sets out the leasing counter-parties of the Group's retail stores:

Self-owned		15
Partially-owned and partially-leased		4
– From connected persons	2	
– From Independent Third Parties	2	
Fully-leased		11
– From connected persons	9	
– From Independent Third Parties	2	
On Management Basis		<u>1</u>
		<u><u>31</u></u>

As set out in the table above, out of the Group's 31 stores in operation, 15 stores are self-owned, 4 stores are operating on partially-owned and partially-leased basis and 11 stores are operating on fully-leased basis.

Out of the 11 fully leased stores, 9 of them are leased from connected persons and the remaining 2 are leased from Independent Third Parties.

Having considered that the scope of the above-mentioned 2 lease agreements are similar to the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), we are of the view that these agreements are an appropriate reference for assessing the reasonableness of the basis of calculation of rental payable of the sub-letting units under Lease Agreement (Ma'anshan Tiandi Plaza) (as amended). After reviewing the aforementioned lease agreements, we noted that the annual rental payable by the Group to the relevant Independent Third Party lessors in relation to sub-letting agreement is also charged based on 50% of the rental proceeds derived from sub-letting the units.

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On top of that, we have also reviewed the Group's revenue model of sub-letting units, according to the Management, the Group will not incur material operating costs (i.e. the renovation expenses, expenses for staff costs, utilities, maintenance etc.) other than the annual rental payables for operations and hence it generates a better gross and operating profits when compared to the revenue model in respect of concessionaire sales.

In light of this, having considered that (i) the terms in respect of sub-letting of units is comparable to that of agreements entered into with the Independent Third Parties; (ii) the annual rentals are only required to pay when the units could be successfully sub-let to the lessee for rental income; and (iii) the rental income from sub-letting of units after deducting 50% of the rental income as rental expenses will generate cash inflows to the Group without incurring material operating costs, we are of the view that the calculation basis of annual rental payable under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) in relation to sub-letting arrangement is favorable to the Company, and is thus in the interest of the Company and its Shareholders as a whole.

(b) Review on the lease period of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

The lease period of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) is approximately 13 years assuming the term is to commence from 1 January 2022 to 28 August 2035 (to be consistent with the expiry date of the Lease Agreement (Ma'anshan Tiandi Plaza)). In assessing the fairness and reasonableness of such long-term tenure of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza), we have reviewed 2 tenancy agreements entered into by the Group with other Independent Third Parties for the lease of properties for retail store operation.

After review of the aforementioned tenancy agreements, we found that the two tenancy agreements are executed with long-term duration of 20 years. As stated previously in the section headed "(ii) In respect of the basis of the annual rental payable relating to the sub-letting units" on page 58 above, we have discussed with the Management and noted that out of the 11 fully leased stores, there are 2 lease agreements entered into between the Group and the independent landlord, hence, we considered these are appropriate reference for assessing the reasonableness of such long term tenures of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza).

On top of that, we have further identified and reviewed an exhaustive list of 8 comparable transactions involving the leasing of properties as department stores or shopping malls (the "**Comparable Transactions**") commencing from 1 January 2020 up till the Latest Practicable Date. The Comparable Transactions selected are based on the following criteria: (i) at least one of the transaction parties involved is a company listed on the Stock Exchange; (ii) such transactions are publicly announced by way of announcements pursuant to the Listing Rules; and (iii) such transactions relate to the leasing of properties as department stores or shopping malls. As the selection period covers more than 21 months, we consider this period is long enough to yield fair, representative as well as updated samples for our analysis.

Based on the results of the above findings, we note that the terms of the Comparable Transactions ranged from 5 to 20 years. Accordingly, the duration of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) falls within the range of the lease period of the Comparable Transactions.

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Given that the characteristics of the Comparable Transactions are similar to the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), where all of the tenants are department store or retail store operators we consider that the Listed Comparables are fair and representative samples to our analysis.

Set out below are the details of the Comparable Transactions:

	Company name	Stock Code	Date of the announcement	Date of the tenancy agreement	Lease period (Year)	Nature of the leased properties	Location	Whether it is a connected transaction?
1	Parkson Retail Group Limited	3368	23 Dec 2020	24 Apr 2006	15	Department store	PRC	No
2	Aeon Stores (Hong Kong) Co. Limited	984	4 Dec 2020	5 Apr 2007	10	Shopping mall	PRC	No
3	China Resources Land Limited	1109	19 Nov 2020	19 Nov 2020	5	Shopping mall	PRC	Yes
4	Xinji Shaxi Group Co. Ltd	3603	18 Nov 2020	18 Nov 2020	5	Shopping mall	PRC	Yes
5	New World Department Store China Limited	825	23 Sep 2020	4 Sep 2019	5, being the extended term (<i>Note 1</i>)	High-end commercial street	PRC	No
6	New World Department Store China Limited	825	23 Sep 2020	3 Sep 2008	10, being the renewal term (<i>Note 2</i>)	Department store and supermarket	PRC	No
7	New World Department Store China Limited	825	23 Sep 2020	5 Sep 2008	10, being the renewal term (<i>Note 2</i>)	Department store and supermarket	PRC	No
8	Aeon Stores (Hong Kong) Co. Limited	984	17 Aug 2020	17 Aug 2020	20	Shopping mall	PRC	Yes

Notes:

- As disclosed in the announcement of New World Department Store China Limited dated 23 September 2020, the company (as tenant) entered into a tenancy agreement with the lessor on 26 October 2001 in respect of leasing a premise in Shanghai for a term of 20 years commencing from 1 December 2001 and the company entered into a supplemental tenancy agreement with the lessor on 4 September 2019 to extend the lease for a further term of 5 years followed by another 5 years extension.
- As disclosed in the announcement of New World Department Store China Limited dated 23 September 2020, the company (as tenant) entered into two tenancy agreements with the landlords on 3 September 2008 and 5 September 2008 respectively in respect of leasing two premises in Beijing for a term of 10 years commencing from 1 October 2010 with the right for the company to extend the lease for a term of 10 years followed by another 10 years extension. On 1 April 2020, the company exercised its right to extend the tenancy in respect of the two premises for the initial term of 10 years.

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In addition to the above, we have also considered the business nature of the Group requires the long-term nature of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza):

- (i) to secure the location in Ma'anshan City and prevent unnecessary cost, effort, time and interruption of business of the Ma'anshan Store caused by relocation in the near future;
- (ii) to avoid the recurrence of initial investment costs such as initial set up cost and interior decoration;
- (iii) to attract retail concessionaires which may also wish to maintain a long-term and stable business relationship with the Group; and
- (iv) to enhance customers' loyalty and maintain stable sales revenues and profits for the Group.

Based on the foregoing, we are of the view that the lease period of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

Conclusion on the principal terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

In view of the following:

- (i) the annual rental payable by the Group under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) for concessionaires and sub-letting business is fair and reasonable; and
- (ii) the lease period of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) falls within the range of lease periods of the Comparable Transactions and is fair and reasonable as far as the Company and the Independent Shareholders are concerned,

we are of the view that the terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

D. Basis of the proposed annual caps in respect of the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended)

The Company proposes that the respective annual caps for the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) ("**Ma'anshan Store Annual Caps**") for the year ended 31 December 2022 ("**FY2022**"), for the year ended 31 December 2023 ("**FY2023**") and for the year ended 31 December 2024 ("**FY2024**") are as follows:

	FY2022	FY2023	FY2024
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Proposed annual caps	52.23	60.09	69.13
Annual growth rate	+43.8%	+15.0%	+15.0%

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As mentioned in the Letter, the Ma'anshan Store Annual Caps were determined based on the following:

- (i) the historical amounts incurred in the past and a rental concession in the amount of RMB2.0 million granted to Ma'anshan Store for the six months ended 30 June 2020;
- (ii) the reasonable estimation (the “**Ma'anshan Store GSP Estimation**”) of:
 - (a) the gross sales proceeds to be generated from the operation of Ma'anshan Store with reference to its past sales performance;
 - (b) the increase in the total GFA of the Ma'anshan Store by 40,870.88 square metres from 87,567.86 square metres to 128,438.74 square metres;
 - (c) the impact from the recurrent COVID-19 outbreak since 2020;
 - (d) the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020;
 - (e) the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal;
 - (f) the prevailing market conditions; and
 - (g) the assumption that the Group will be charged at the maximum rental rate of 4.5% (other than the sub-letting operation which is charged at 50%);
- (iii) the continuous optimisation of Ma'anshan Store's merchandise and lifestyle amenities offerings and further enhancement of its utilisation rate and productivity of floor space;
- (iv) Ma'anshan Store is going to pay car parking fee at RMB2.4 per hour, i.e. 20% discount of the normal car parking fee of RMB3.0 per hour, for the free car parking spaces to be provided by Ma'anshan Golden Eagle Tiandi to the customers of Ma'anshan Store during the relevant periods; and
- (v) the assumption that Ma'anshan Golden Eagle Tiandi shall provide the property management services to Ma'anshan Store temporarily free of charge during the relevant periods.

In assessing the fairness and reasonableness of the determination of the Ma'anshan Store Annual Caps, we have obtained and reviewed the operating budget and forecast prepared by the Management and we noted that the Ma'anshan Store Annual Caps were calculated based on the Ma'anshan Store GSP Estimation.

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According to the Management, the calculation of the Ma'anshan Store GSP Estimation was duly prepared with reference to:

- (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting income, to be generated from the Ma'anshan Store with reference to its past sales performance and the increase in total GFA after entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza);
 - (ii) the expected growth rate of Ma'anshan Store for FY2022, FY2023 and FY2024;
 - (iii) the current economic environment and the prevailing market conditions;
 - (iv) Ma'anshan Golden Eagle Tiandi continues to adopt the existing car parking pricing policy; and
 - (v) the impact of COVID-19 on retail store business.
- (a) Review of historical sales performance of Ma'anshan Store

In this regard, we have reviewed the historical sales performance of Ma'anshan Store from the year ended 31 December 2018 to the year ended 31 December 2020. Set forth below are (i) the gross sales proceeds; (ii) the actual rental and car parking fees payable by the Group under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended); (iii) the historical annual caps of the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended); and (iv) utilisation rate.

	FY2018	FY2019	FY2020
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Gross sales proceeds	370.06	406.23	372.82
Actual rental and car parking fees payable by the Group	20.95	23.26	22.78
Historical annual caps	21.15	23.27	25.59
Utilisation rate	99.1%	100.0%	89.0%

As set out in the table above, the utilisation rate of the annual caps maintained at a high level of over 89% from FY2018 to FY2020.

- (b) Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Ma'anshan Store

In addition to the aforementioned, we are given to understand that when determining the Ma'anshan Store Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Ma'anshan Store during the three years ending 31 December 2024.

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It is noted that the proposed Ma'anshan Store Annual Caps for FY2022 amounts to RMB52.23 million representing an increase of RMB15.92 million or an increase of approximately 43.8% as compared to FY2021. We have reviewed the calculation worksheet and noted such increase was mainly due to the expected increase in gross sales proceeds to be generated from the enlarged floor area of approximately 40,870.88 square metres (i.e. an increase of approximately 46.67% in total GFA).

For FY2023 and FY2024, the proposed Ma'anshan Shop Annual Caps are RMB60.09 million and RMB69.13 million respectively, each representing an annual growth of approximately 15.0% as compared to the respective previous year as the Group expects a relatively significant increase of gross sales proceeds to be generated by Ma'anshan Store during the relevant periods.

In relation to such relatively significant increase for these two years, the Management informed us that they are expecting higher sales proceeds could be generated with the Group's continuous optimisation of Ma'anshan Store's merchandise and lifestyle amenities offerings, further enhancement of its utilisation rate and productivity of floor space followed by the store revamp and undergoing upgrade in FY2021 to unify Ma'anshan Store's customer traffic flow (動線) and its overall business in the store.

According to the statistics announced by the Ma'anshan Statistics Bureau as stated in the sub-section headed "(a) Overview of the economy and consumer goods market in Ma'anshan City" on page 50, the economy of Ma'anshan City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 10.0% and an annual increase of total retail sales of consumer goods of above 11.0% from 2017 to 2019. Even during the outbreak of COVID-19 in 2020, Ma'anshan City still recorded an annual increase of GDP of 3.6% and an annual increase of total retail sales of consumer goods of above 20.0% in 2020. As Ma'anshan Store, being a comprehensive lifestyle centre, provides full range of merchandise products and lifestyle functions and amenities, we concur with the Management's view that Ma'anshan Store's sales performance (hence the rental payable by the Group) will continue to grow.

Having considered the factors mentioned above, we considered that the assumption adopted by the Management in determining the expected growth rate of gross sales proceeds to be generated from the operation of Ma'anshan Store is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(c) Review on the determination of maximum rental rate of 4.5% for concessionaires and 50% for sub-letting operation

Pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended), we noted that the annual rental payable thereunder in respect of those concessionaires and supermarket operation is charged based on a specified percentage of the commission rate on the Group's concessionaire sales and supermarket sales derived from the operation of Ma'anshan Store and we further noted that the Ma'anshan Store Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4.5%.

On the other hand, for the annual rental payable thereunder in respect of the sub-letting units, we noted that the Ma'anshan Store Annual Caps were determined based on the rental rate of 50% for the respective periods as stipulated in the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended).

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In evaluating the fairness and reasonableness of adopting maximum rental rate of the aforesaid assumptions, we have taken into consideration the fact that:

- (i) the commission rate on each concessionaire charged by the Group is determined based on arm's length negotiation after taking into account the unique characteristics of each individual store, including but not limited to its location, sales performance and attributable market share in the local market;
- (ii) the maximum rental rate in respect of the concessionaire sales is capped at 4.5% of the gross sales proceeds to be derived from the operation of those concessionaires in Ma'anshan Store pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza)(as amended);
- (iii) as advised by the Management, Ma'anshan Store's average commission rate from concessionaire sales for FY2020 was approximately 11.1% and 169 out of 182 concessionaires (i.e. 92.9%) are subject to the maximum rental rate of 4.5% during the relevant periods; and
- (iv) the relevant terms of the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/rental tenants, including but not limited to the scope, cooperation period and the commission rental rate,

we are of the view that the aforesaid assumptions adopted by the Management in determining the Ma'anshan Store Annual Caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(d) Review on car parking fees

We noted that when determining the Ma'anshan Store Annual Caps, the Management has taken into account that the car parking spaces offered by Ma'anshan Golden Eagle Tiandi to Ma'anshan Store will be charged at the rate of RMB2.4 per hour, i.e. 20% discount of the normal car parking fee of RMB3.0 per hour, for the free car parking spaces provided by Ma'anshan Golden Eagle Tiandi to the customers of Ma'anshan Store. In assessing the fairness and reasonableness of the assumption, we have obtained and reviewed the forecast for the car parking fees payable under the Lease Agreement (Ma'anshan Tiandi Plaza) (as amended) prepared by the Management and did not note any irregularities from the calculation and we hence consider the adoption of this assumption for determining the Ma'anshan Store Annual Caps is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(e) Review on the impact of COVID-19 on retail store business

As disclosed in 2020AR, the outbreak of COVID-19 plunged the global economy into a deep recession in 2020. In response to the impact of the COVID-19 pandemic, it is noted that the Group has endeavored to prevent and control the impact of the pandemic on the business of the Group. At the same time, the Group actively accelerated the resumption of business operation and deepened the integration of its online and offline channels. Adhered to the "quality economy" oriented approach and "good living" aspiration, the Group continuously adjusted its business strategies in accordance with the progress made in the pandemic prevention and control, maintained sound financials and achieved breakthroughs against the adversity, thereby laying a solid foundation for future accelerated development.

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It is further noted that, against the backdrop of the COVID-19 pandemic, the Group refined the operation of its main business, continued to improve the quality of its operational management, insisted on expediting planning and adjustment in its store merchandise, strengthened strategic brand cooperation, and fully revealed the growth potentials of its high quality merchandise resources. With the Group's continuous efforts in merchandise adjustment and creative marketing, the Group demonstrated resilience in its recovery. Through the endeavors of the Group and its staff, the Group's customer traffic reached 150 million visits in 2020. Since the second quarter of 2020, the recovery trend has been robust, and by the fourth quarter, it has basically returned to the pre-pandemic level. For the year ended 31 December 2020, gross sales proceeds of the Group ("GSP") amounted to RMB16.4 billion, profit from operation before depreciation and amortisation (net profit before depreciation, amortisation, interest, tax and other income and losses) ("EBITDA") of the Group amounted to RMB2.5 billion, representing a decrease of 10.0% and 6.3% respectively. Following the gradual recovery since the second quarter, the Group's Retail GSP and EBITDA have shown a significant upward trend, with an increase of 4.1% and 11.3%, respectively in the third quarter; and an increase of 11.3% and 25.8%, respectively in the fourth quarter.

Also, as disclosed in 2021IR, the Group's customer traffic reached 98.33 million visits in the six months ended 30 June 2021, representing a 68.2% and 7.1% increase over the same period in 2020 and 2019, respectively. GSP amounted to RMB9.39 billion, representing an increase of 31.3% and 2.5% over the same period in 2020 and 2019, respectively; EBITDA amounted to RMB1.44 billion, representing a 28.9% and 12.2% growth over the same period in 2020 and 2019, respectively, while the profit for the period amounted to RMB885 million, representing a 151.1% and 30.5% growth over the same period in 2020 and 2019, respectively.

In these circumstances, we are of the view that, while COVID-19 had significant impact on the business of the Group's retail stores since 2020, the situations have been turned around with recovery on the way.

Conclusion

Based on our independent work done as stated in the sub-sections above, we concur with the Management's view that the basis adopted by the Management in determining the Ma'anshan Store Annual Caps is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

E. Overall Conclusion for the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza)

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; and (iii) the Ma'anshan Store Annual Caps are justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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(2) 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

A. Background of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

The Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) will expire on 17 May 2022. On 30 September 2021, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology entered into the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) for the lease of the Yancheng Golden Eagle Outlet for a term of 10 years commencing from 18 May 2022 to 17 May 2032.

During the term of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), as ancillary facilities and services to the lease, Yancheng Golden Eagle Technology shall also provide (i) free car parking spaces to the customers of Yancheng Outlet Store whereas Yancheng Golden Eagle Shopping shall pay car parking fees at a discounted rate as part of the valued-added customer services of Yancheng Outlet Store; and (ii) property management services including but not limited to provision of cleaning, environmental and greenery services, in respect of the nearby area outside the Yancheng Golden Eagle Outlet.

Subject to compliance with the Listing Rules, the parties may enter into an agreement to renew the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) twelve months in advance before its expiry on notification by Yancheng Golden Eagle Shopping of its intention to renew the term.

B. Reasons for entering into the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

(i) The Directors' consideration on entering into the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

As set out in the Letter, Golden Eagle Longhu No. 1 is located at a prime location in Yancheng New Business District and Yancheng Outlet Store is part of Golden Eagle Longhu No. 1, a commercial complex developed by Yancheng Golden Eagle Technology, which is also adjacent to the Group's Yancheng Julonghu Store. Yancheng Outlet Store is one of the Group's three retail stores in Yancheng City and has been operating at Yancheng Golden Eagle Outlet since 2012.

Despite the intense competition and its relatively small size with GFA of only approximately 18,354.17 square metres, Yancheng Outlet Store has brought stable revenue and profit to the Group. During the year ended 31 December 2020, amid the impact from the COVID-19 pandemic, Yancheng Outlet Store generated sales of over RMB179.2 million, representing a year-on-year decrease of 1.9%. Gross profit decreased by 0.4% year-on-year to RMB22.2 million while operating profit grew by 13.3% year-on-year to RMB10.2 million. However, Yancheng Outlet Store demonstrated resilience in its recovery since the second quarter of 2020. During the six months ended 30 June 2021, Yancheng Outlet Store generated sales of over RMB105.9 million, representing a year-on-year increase of 24.6%. Gross profit increased by 25.1% year-on-year to RMB13.1 million while operating profit grew by 23.3% year-on-year to RMB6.3 million. The entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) allows the Group to operate the Yancheng Outlet Store for another 10 years at Yancheng Golden Eagle Outlet, the location of which is already well known to the Group's customers, and to further solidify the Group's presence, market share and competitiveness in Yancheng City in which the Group is already enjoying a leading position.

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(ii) Factors in assessing the entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

In assessing the entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) and reviewing whether the terms are in the interest of the Company and its Shareholders as a whole, we have taken into consideration of the following factors:

(a) Overview of the economy and consumer goods market in Yancheng City

Below are the statistics in relation to (i) population; (ii) GDP; (iii) the total retail sales of consumer goods; (iv) the average urban disposable income; and (v) the average urban consumption expenditure in Yancheng City for the past 5 years ended 31 December 2019:

Year ended 31 December	2015	2016	2017	2018	2019
Population (Million)	8.28	8.31	8.26	8.25	8.21
Percentage change of population when compared to previous year	N/A	0.3%	-0.5%	-0.2%	-0.5%
GDP (RMB Billion)	426.26	460.30	508.27	548.71	570.23
Percentage change of GDP when compared to previous year	N/A	8.7%	9.7%	8.0%	3.9%
Total retail sales of consumer goods in Yancheng City (RMB Billion)	146.86	163.09	180.62	177.87	192.02
Percentage change of total retail sales of consumer goods in Yancheng City when compared to previous year	N/A	11.1%	10.8%	-1.5%	8.0%
Average urban disposable income (RMB)	32,330	34,005	36,927	40,060	43,413
Percentage change of average urban disposable income when compared to previous year	N/A	5.2%	8.6%	8.5%	8.4%
Average urban consumption expenditure (RMB)	19,194	19,727	20,516	21,583	23,182
Percentage change of average urban consumption expenditure when compared to previous year	N/A	2.8%	4.0%	5.2%	7.4%

Source: Yancheng City Statistics Bureau

As set out in the table above, the economy of Yancheng City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 3.9% and an annual increase of total retail sales of consumer goods of above 5.0%.

In view of the above growth trend, we concluded that the consumer goods market in Yancheng City, being the city where Yancheng Outlet Store is located, would maintain a steady growth and its long-term economic development will remain positive, which would be favorable to the operation and development of Yancheng Outlet Store.

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(b) The operating and developing retail stores experience of the Group

As stated in the section headed “(b) The operating and developing retail stores experience of the Group” on page 51, we concur with the Management’s view that the Group possesses extensive experience in operating lifestyle centres and department stores in the PRC as demonstrated.

Conclusion on the entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

Having considered that:

- (i) the needs to continue to operate the Yancheng Outlet Store for another 10 years and to further solidify the Group’s presence, market share and competitiveness in Yancheng City;
- (ii) the economy and consumer goods market in Yancheng City, where Yancheng Outlet Store is located, have been under healthy growth and is expected to be favorable to the operation and development of Yancheng Outlet Store; and
- (iii) the Group possesses extensive experience in operating and developing retail stores in the PRC,

we are of the view that to maintain the Group’s business and to ensure the substantiality of its retail store operation in Yancheng City which would further reinforce the Group’s presence, market share and competitiveness in Yancheng City, the entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) is in the interest of the Company and its Shareholders as a whole.

C. Principal terms of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

According to the Letter, the principal terms of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) are listed as below:

- Lessor:** Yancheng Golden Eagle Technology
- Lessee:** Yancheng Golden Eagle Shopping
- Leased premises:** Yancheng Golden Eagle Outlet
- Lease term:** For a term of 10 years commencing from 18 May 2022 to 17 May 2032.
- Rent:** The annual rental payable by the Group shall be equivalent to the aggregate of:
- (a) with respect to those concessionaires:
 - (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);

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- (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

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

50% of the rental proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet (less value-added tax and other relevant taxes),

which shall be payable by Yancheng Golden Eagle Shopping quarterly in arrears within 10 Business Days after the end of the relevant Quarter.

Car parking fees:

Free car parking spaces to the customers of Yancheng Outlet Store whereas Yancheng Golden Eagle Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Yancheng Golden Eagle Technology to the general public from time to time as part of the value-added customer services of Yancheng Outlet Store.

Property management fees:

Property management services in respect of the nearby area outside the Yancheng Golden Eagle Outlet, including but not limited to the provision of cleaning, environmental and greenery services, shall be charged at the actual costs incurred by Yancheng Golden Eagle Technology plus a mark-up of 10%, which shall be payable monthly in arrears within 10 days after the end of the relevant month.

As stated in the Letter, the rental terms were arrived at after arm's length negotiations taking into account (i) the information available to the Group in the past and present lease arrangements between the Group and Independent Third Parties or connected persons, (ii) the market information obtained by the Group, whether through official or unofficial channels, including but not limited to market practices and disclosures of other listed companies, (iii) the terms of the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements), (iv) the size and location of the relevant property, (v) the nature of business to be operated at the relevant property, the estimated customer traffic and expected sales to be generated by such store, and (vi) Yancheng Golden Eagle Outlet was delivered to the Group at renovated state under the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements).

The rental, the car parking fees and the property management fees will be settled by the internal resources of the Group.

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In assessing the fairness and reasonableness of the terms of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), we have considered the following factors:

(a) Review on the terms of the annual rental under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

Pursuant to the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), the annual rental payable is determined based on the gross sales proceeds and rental proceeds to be derived by Yancheng Outlet Store during the period under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) from its concessionaires and sub-letting operation.

(i) In respect of the basis of the annual rental payable relating to the concessionaires

Pursuant to the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), the annual rental payable by the Group are set out in the table below:

Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental	
1	Concessionaires which the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4.5% fixed rate of the annual gross sales proceeds
2	Concessionaires which the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4.5% fixed rate of the annual gross sales proceeds
3	Concessionaires which the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 4% of the annual gross sales proceeds
4	Concessionaires which the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 2.2% of the annual gross sales proceeds [#] [#] According to the Management, the effective sales tax and surcharges enacted of 5.6% would be imposed on gold and jewellery concessionaire sales. Therefore, the maximum rate is 2.2% (being (10% - 5.6%) x 50%)
5	Sub-letting	50% of the rental proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet (less value-added tax and other relevant taxes)	50% fixed rate of the rental proceeds

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As set out in the table above, the maximum percentage of the annual gross sales proceeds is 4.5%. Regarding this 4.5% maximum capped percentage, we have performed analysis on the Listed Comparables (with details on page 55 in the sub-section headed “(i) In respect of the basis of the annual rental payable relating to the concessionaires”) and we noted the turnover rent adopted by the Listed Comparables was based on a specified percentage ranged from 1.8% to 7.0% of the gross sales, net sales or turnover. As the 4.5% capped percentage falls within the range of percentages of 1.8% to 7.0% as noted from the Listed Comparables, we consider that the assumption that the maximum rental rate of 4.5% of the annual gross sales proceeds would be adopted under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) is fair and reasonable and is comparable to the prevailing market rate.

(ii) In respect of the basis of the annual rental payable relating to the sub-letting units

In respect of the annual rental payable under the terms of the sub-letting units, such annual rental payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet is charged based on 50% of the rental proceeds derived from the sub-letting units in Yancheng Outlet Store.

To assess the fairness and reasonableness of this charging basis, we have performed work done by reviewing similar transactions entered into by the Group (for details, please refer to page 58 in the sub-section headed “(ii) In respect of the basis of the annual rental payable relating to the sub-letting units”). In light of this, we are of the view that the calculation basis of annual rental payable under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) in relation to sub-letting arrangement is favorable to the Company, and is thus in the interest of the Company and its Shareholders as a whole.

(b) Review on the lease period of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

The lease period of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) is 10 years commencing from 18 May 2022 to 17 May 2032.

In assessing the fairness and reasonableness of such long-term tenure of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), we have performed work done by reviewing similar transactions entered into by the Group (for details, please refer to page 59 in the sub-section headed “(b) Review on the lease period of the Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza)”). In light of this, we are of the view that the lease period of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

Conclusion on the principal terms of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

In view of the following:

- (i) the annual rental payable by the Group under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) for concessionaires and sub-letting business is fair and reasonable; and
- (ii) the lease period of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) falls within the range of lease periods of the Comparable Transactions and is fair and reasonable as far as the Company and the Independent Shareholders are concerned,

we are of the view that the terms of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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D. Basis of the proposed annual caps in respect of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

The Company proposes that the respective annual caps for the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) (“**Yancheng Outlet Store Annual Caps**”) for FY2022, FY2023 and FY2024 are as follows:

	FY2022	FY2023	FY2024
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Proposed annual caps	9.34(<i>Note</i>)	10.25	11.21
Annual growth rate	+10.0%	+9.7%	+9.4%

Note: The proposed annual cap for FY2022 represents the aggregate of (i) the annual cap for the period from 1 January 2022 to 17 May 2022 (which amounted to RMB4.09 million) under the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements); and (ii) the annual cap for the period from 18 May 2022 to 31 December 2022 (which amounted to RMB5.25 million) under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet).

As mentioned in the Letter, the Yancheng Outlet Store Annual Caps were determined based on the followings:

- (i) the historical amounts incurred in the past and a rental concession in the amount of RMB1.0 million granted by Yancheng Golden Eagle Technology for the six months ended 30 June 2020;
- (ii) reasonable estimation (the “**Yancheng Outlet Store GSP Estimation**”) of:
 - (a) the gross sales proceeds to be generated from the operation of Yancheng Outlet Store with reference to its past sales performance;
 - (b) the impact from the recurrent COVID-19 outbreaks since 2020;
 - (c) the expected growth rate during the relevant periods after factoring in the government’s effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020;
 - (d) the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal;
 - (e) the prevailing market conditions; and
 - (f) the assumption that the Group will be charged at the maximum rental rate of 4.5% (other than the sub-letting operation which is charged at 50%) commencing from 18 May 2022, the effective date of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet);

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- (iii) the assumption that the car parking spaces offered by Yancheng Golden Eagle Technology to Yancheng Outlet Store will be temporarily free of charge during the relevant periods while Yancheng Golden Eagle Technology is charging the general public car parking fees at the rate of RMB5.0 for the first two hours and RMB1.0 per hour thereafter; and
- (iv) the assumption that the property management services in respect of the nearby area outside the Yancheng Outlet Store will not be provided by Yancheng Golden Eagle Technology during the relevant periods given the fact the property management services are actually being provided by other parties.

In assessing the fairness and reasonableness of the determination of the Yancheng Outlet Store Annual Caps, we have obtained and reviewed the operating budget and forecast prepared by the Management and we noted that the Yancheng Outlet Store Annual Caps were calculated based on the Yancheng Outlet Store GSP Estimation.

According to the Management, the calculation of the Yancheng Outlet Store GSP Estimation was duly prepared with reference to:

- (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting income, to be generated from Yancheng Outlet Store with reference to its past sales performance;
 - (ii) the expected growth rate of Yancheng Outlet Store for FY2022, FY2023 and FY2024;
 - (iii) the current economic environment and the prevailing market conditions; and
 - (iv) the impact of COVID-19 on retail store business.
- (a) Review of historical sales performance of Yancheng Outlet Store

In this regard, we have reviewed the historical sales performance of Yancheng Outlet Store from the year ended 31 December 2018 to the year ended 31 December 2020. Set forth below are (i) the gross sales proceeds; (ii) the actual rental payable by the Group under the Lease Agreement (Yancheng Outlet Store) (as amended by the first and second supplemental agreements); (iii) the historical annual caps of the Lease Agreement (Yancheng Outlet Store); and (iv) utilisation rate.

	FY2018	FY2019	FY2020
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Gross sales proceeds	160.44	182.61	179.24
Actual rental payable by the Group	6.28	6.53	7.09
Historical annual caps	6.34	6.53	7.23
Utilisation rate	99.1%	100.0%	98.1%

As set out in the table above, the utilisation rate of the annual caps maintained at a high level of over 98% from FY2018 to FY2020.

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(b) Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Yancheng Outlet Store

In addition to the aforementioned, we are given to understand that when determining the Yancheng Outlet Store Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Yancheng Outlet Store during the three years ending 31 December 2024.

It is noted that the proposed Yancheng Outlet Store Annual Caps for FY2022, FY2023 and FY2024 amounted to RMB9.34 million, RMB10.25 million and RMB11.21 million respectively, representing an annual growth of approximately 10.0%, 9.7% and 9.4% respectively from FY2022 to FY2024. We were advised by the Management that they expected the sales performance of Yancheng Outlet Store will grow relatively significant from FY2022 to FY2024, considering the positive economic landscape of Yancheng City.

We have conducted research from public domains in relation to the consumer goods market in Yancheng City. According to the statistics announced by the Yancheng Statistics Bureau as stated in the sub-section headed “(a) Overview of the economy and consumer goods market in Yancheng City” above on page 68, the economy of Yancheng City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 3.9% and an annual increase of total retail sales of consumer goods of above 5.0%. In view of the above growth trend, we concur with the Management’s view that Yancheng Store’s sales performance for the respective periods is expected to record a stable growth.

(c) Review on the determination of maximum rental rate of 4.5% for concessionaires and 50% for sub-letting operation

Pursuant to the 2022 Lease Agreement (Yancheng Golden Eagle Outlet), we noted that the annual rental payable thereunder in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group’s concessionaire sales derived from the operation of Yancheng Outlet Store and we further noted that the Yancheng Outlet Store Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4.5%.

On the other hand, for the annual rental payable thereunder in respect of the sub-letting units, we noted that the Yancheng Outlet Store Annual Caps were determined based on the rental rate of 50% for the respective periods as stipulated in the 2022 Lease Agreement (Yancheng Golden Eagle Outlet).

In evaluating the fairness and reasonableness of adopting maximum rental rate of the aforesaid assumptions, we have taken into consideration the fact that:

- (i) the commission rate on each concessionaire charged by the Group is determined based on arm’s length negotiation after taking into account the unique characteristics of each individual store, including but not limited to its location, sales performance and attributable market share in the local market;
- (ii) the maximum rental rate in respect of the concessionaire sales is capped at 4.5% of the gross sales proceeds to be derived from the operation of those concessionaires in Yancheng Outlet Store pursuant to the 2022 Lease Agreement (Yancheng Golden Eagle Outlet);

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- (iii) as advised by the Management, Yancheng Outlet Store's average commission rate from concessionaire sales for FY2020 was approximately 12.9% and 82 out of 87 concessionaires (i.e. 94.3%) are subject to the maximum rental rate of 4.5% during the relevant periods; and
- (iv) the relevant terms of the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/rental tenants including but not limited to the scope, cooperation period and the commission rental rate,

we are of the view that the aforesaid assumptions adopted by the Management in determining the Yancheng Outlet Store Annual Caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(d) Review on the impact of COVID-19 on retail store business

As set out in the section headed "(e) Review on the impact of COVID-19 on retail store business" on page 65, even the COVID-19 outbreak did have significant impact on the Group's retail business, the Group has already adopted various measures to prevent and contain the impact of the pandemic while trying to resume business and to integrate further its online and offline operations. In these circumstances, we are of the view that, while COVID-19 had significant impact on the business of the Group's retail stores, the situations have been turned around with recovery on the way.

Conclusion

Based on our independent work done as stated in the sub-sections above, we concur with the Management's view that the basis adopted by the Management in determining the Yancheng Outlet Store Annual Caps is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

E. Overall Conclusion for the 2022 Lease Agreement (Yancheng Golden Eagle Outlet)

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) the terms of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole; and (iii) the Yancheng Outlet Store Annual Caps are justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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II. Renewal of Annual Caps of the Relevant Lease Agreements

References are made to the Letter and set out below is the list of the Relevant Lease Agreements:

- (i) Lease Agreement (Hanzhong Plaza);
- (ii) Lease Agreement (Total Xianlin Retail Area);
- (iii) Lease Agreement (Danyang Tiandi Plaza); and
- (iv) Lease Agreement (Golden Eagle World) (as amended).

The Company proposes to renew the Relevant Annual Caps in respect of the above lease agreements for each of the three years ending 31 December 2024.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to each of the Relevant Annual Caps, we have taken into account the principal factors and reasons set out below:

1. Lease Agreement (Hanzhong Plaza)

A. Background of the Lease Agreement (Hanzhong Plaza)

On 3 July 2019, Nanjing Golden Eagle Retail and Golden Eagle International Group entered into the Lease Agreement (Hanzhong Plaza) pursuant to which Golden Eagle International Group agreed to lease the Hanzhong Plaza to Nanjing Golden Eagle Retail for a term of 10 years commencing from the effective date of the Lease Agreement (Hanzhong Plaza), which was 18 October 2019. Details of the Lease Agreement (Hanzhong Plaza) have been disclosed in the announcement of the Company dated 3 July 2019 and the circular of the Company dated 18 September 2019.

During FY2019 and FY2020, Nanjing Hanzhong Store generated (a) gross sales proceeds; (b) gross profit; and (c) operating profit for the Group as below:

	FY2019	FY2020	Change in %
	<i>RMB Million</i>	<i>RMB Million</i>	
Gross Sales Proceeds	285.53	235.48	-17.5%
Gross Profit	45.37	37.66	-17.0%
Operating Profit	31.80	24.62	-22.6%

Note: As advised by the Management, no foot traffic statistics system has been installed at Nanjing Hanzhong Store during FY2019 and FY2020.

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B. Principal terms of the Lease Agreement (Hanzhong Plaza)

According to the Letter, the principal terms of the Lease Agreement (Hanzhong Plaza) are listed as below:

Lessor: Golden Eagle International Group

Lessee: Nanjing Golden Eagle Retail

Leased premises: Hanzhong Plaza with an aggregate GFA of approximately 12,462.02 square metres

Lease term: 10 years from the effective date of the Lease Agreement (Hanzhong Plaza)

Rent: The annual rental payable by the Group shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
- (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires); and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
 - (ii) those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires); and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

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

50% of the rental proceeds derived from sub-letting the units in Nanjing Hanzhong Store (less value-added tax and other relevant taxes).

Car parking fees: Golden Eagle International Group shall provide free car parking spaces to the customers of Nanjing Hanzhong Store whereas Nanjing Hanzhong Store shall pay car parking fees at the rate offered by Golden Eagle International Group to the general public from time to time which currently is RMB6.0 per hour as part of the value-added customer services of Nanjing Hanzhong Store.

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C. Basis of the proposed annual caps in respect of the Lease Agreement (Hanzhong Plaza)

Pursuant to the Lease Agreement (Hanzhong Plaza), the annual rental payable by the Group are set out in the table below:

Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental	
1	Concessionaires which the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4% fixed rate of the annual gross sales proceeds
2	Concessionaires which the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4% fixed rate of the annual gross sales proceeds
3	Concessionaires which the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 4% of the annual gross sales proceeds
4	Concessionaires which the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 2.2% of the annual gross sales proceeds [#] [#] According to the Management, the effective sales tax and surcharges enacted of 5.6% would be imposed on gold and jewellery concessionaire sales. Therefore, the maximum rate is 2.2% (being (10% – 5.6%) x 50%)
5	Sub-letting	50% of the rental proceeds derived from sub-letting the units in Nanjing Hanzhong Store (less value-added tax and other relevant taxes)	50% fixed rate of the rental proceeds

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The Company proposes that the respective annual caps for the Lease Agreement (Hanzhong Plaza) (the “**Nanjing Hanzhong Store Annual Caps**”) for FY2022, FY2023 and FY2024 are as follows:

	FY2022	FY2023	FY2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB Million</i>
Proposed annual caps	11.05	11.70	12.39
Annual growth rate	+9.4%	+5.9%	+5.9%

As mentioned in the Letter, the Nanjing Hanzhong Store Annual Caps were determined based on the following:

- (i) the historical amounts incurred in the past and the Rent-Free Period granted by Golden Eagle International Group during the year ended 31 December 2019;
- (ii) the reasonable estimation (the “**Nanjing Hanzhong Store GSP Estimation**”) of:
 - (a) the gross sales proceeds to be derived from the operation of Nanjing Hanzhong Store with reference to its past sales performance;
 - (b) the impact from the recurrent COVID-19 outbreaks since 2020;
 - (c) the expected growth rate during the relevant periods after factoring in the government’s effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020;
 - (d) the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal;
 - (e) the prevailing market conditions; and
 - (f) the assumption that the Group will be charged at the maximum rental rate of 4% (other than the sub-letting operation which is charged at 50%); and
- (iii) Nanjing Hanzhong Store is going to pay car parking fee at RMB6.0 per hour for the free car parking spaces to be provided by Golden Eagle International Group to the customers of Nanjing Hanzhong Store during the relevant periods.

In assessing the fairness and reasonableness of the determination of the Nanjing Hanzhong Store Annual Caps, we have obtained and reviewed the operating budget and forecast prepared by the Management and we noted that the Nanjing Hanzhong Store Annual Caps were calculated based on the Nanjing Hanzhong Store GSP Estimation.

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According to the Management, the calculation of the Nanjing Hanzhong Store GSP Estimation was duly prepared with reference to:

- (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting income, to be generated from Nanjing Hanzhong Store with reference to its past sales performance;
- (ii) the expected growth rate of Nanjing Hanzhong Store for FY2022, FY2023 and FY2024;
- (iii) the current economic environment and the prevailing market conditions;
- (iv) Nanjing Hanzhong Store continues to adopt the existing car parking pricing policy; and
- (v) the impact of COVID-19 on retail store business.

(a) Review of historical sales performance of Nanjing Hanzhong Store

In this regard, we have reviewed the historical sales performance of Nanjing Hanzhong Store from the year ended 31 December 2018 to the year ended 31 December 2020. Set forth below are (i) the gross sales proceeds; (ii) the actual rental and car parking fees payable by the Group under the Lease Agreement (Hanzhong Plaza); (iii) the historical annual caps of the Lease Agreement (Hanzhong Plaza); and (iv) the utilisation rate.

	FY2018 <i>RMB Million</i>	FY2019 <i>RMB Million</i>	FY2020 <i>RMB Million</i>
Gross sales proceeds	272.11	196.54	235.55
Actual rental and car parking fees payable by the Group	8.69	6.63	8.27
Historical annual caps	9.14	7.92	9.90
Utilisation rate	95.2%	83.7%	83.5%

Note: Golden Eagle International Group has granted Nanjing Hanzhong Store a license for the free occupancy of the Hanzhong Plaza until the new lease agreement (i.e. Lease Agreement (Hanzhong Plaza)) has been entered into and become effective. Therefore, there was a rent-free period between 18 June 2019 (following the previous lease's expiry on 17 June 2019) and 17 October 2019 (immediately before Lease Agreement (Hanzhong Plaza) took effect on 18 October 2019) ("**Rent-Free Period**"). The financial information above for FY2019 excludes the relevant financial information during the Rent-Free Period. The actual gross sales proceeds generated by Nanjing Hanzhong Store amounted to RMB285.53 million for FY2019.

As set out in the table above, the utilisation rate of the annual caps maintained at a level of over 83% from FY2018 to FY2020.

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- (b) *Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Nanjing Hanzhong Store*

In addition to the aforementioned, we are given to understand that when determining the Nanjing Hanzhong Store Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Nanjing Hanzhong Store during the three years ending 31 December 2024.

It is noted that the proposed Nanjing Hanzhong Store Annual Caps for FY2022, FY2023 and FY2024 amounted to RMB11.05 million, RMB11.70 million and RMB12.39 million respectively, representing an annual growth of approximately 9.4%, 5.9% and 5.9% respectively.

According to the Management, the Group expected a general increase in gross sales proceeds to be generated by Nanjing Hanzhong Store during the relevant periods. We have conducted research from public domains in relation to the consumer goods market in Nanjing City. According to the statistics as announced by Nanjing Statistics Bureau as stated in the sub-section headed “(e) Overview of the economy and consumer goods market in Nanjing City” below on page 83, the economy of Nanjing City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 5.6%. The annual increase of average urban consumption expenditure from 2016 to 2019 also recorded a rate of above 5.0% and can still maintain the same level in 2020 in terms of amount even during the outbreak of COVID-19. In view of the above growth trend, we concur with the Management’s view that Nanjing Hanzhong Store’s sales performance for the respective periods is expected to record a stable growth.

- (c) *Review on the determination of maximum rental rate of 4% for concessionaires and 50% for sub-letting operation*

Pursuant to the Lease Agreement (Hanzhong Plaza), we noted that the annual rental payable thereunder in respect of those concessionaires and supermarket operation is charged based on a specified percentage of the commission rate on the Group’s concessionaire sales derived from the operation of Nanjing Hanzhong Store and we further noted that the Nanjing Hanzhong Store Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4%.

On the other hand, for the annual rental payable thereunder in respect of the sub-letting units, we noted that the Nanjing Hanzhong Store Annual Caps were determined based on the rental rate of 50% for the respective periods as stipulated in the Lease Agreement (Hanzhong Plaza).

In evaluating the fairness and reasonableness of adopting maximum rental rate of the aforesaid assumptions, we have taken into consideration the fact that:

- (i) the commission rate on each concessionaire charged by the Group is determined based on arm’s length negotiation after taking into account the unique characteristics of each individual store, including but not limited to its location, sales performance and attributable market share in the local market;
- (ii) the maximum rental rate in respect of the concessionaire sales is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Nanjing Hanzhong Store pursuant to the Lease Agreement (Hanzhong Plaza);

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- (iii) as advised by the Management, Nanjing Hanzhong Store's average commission rate from concessionaire sales for FY2020 was approximately 18.0% and 123 out of 123 concessionaires (i.e. 100%) are subject to the maximum rental rate of 4% during the relevant periods; and
- (iv) the relevant terms of the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/rental tenants, including but not limited to the scope, cooperation period and the commission rental rate,

we are of the view that the aforesaid assumptions adopted by the Management in determining the Nanjing Hanzhong Store Annual Caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(d) Review on car parking fees

We noted that when determining the Nanjing Hanzhong Store Annual Caps, the Management has taken into account that the car parking spaces offered by Golden Eagle International Group to Nanjing Hanzhong Store will be charged at the rate of RMB6.0 per hour for the free car parking spaces provided by Golden Eagle International Group to the customers of Nanjing Hanzhong Store. In assessing the fairness and reasonableness of the assumption, we have obtained and reviewed the forecast for the car parking fees payable under the Lease Agreement (Hanzhong Plaza) prepared by the Management and did not note any irregularities from the calculation and we hence consider the adoption of this assumption for determining the Nanjing Hanzhong Store Annual Caps is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(e) Overview of the economy and consumer goods market in Nanjing City

In assessing the fairness and reasonableness of the above expected growth rate of gross sales proceeds to be generated from the operation of Nanjing Hanzhong Store during the three years ending 31 December 2024, we have conducted research from public domains in relation to the consumer goods market in Nanjing City.

Below are the statistics in relation to (i) population; (ii) GDP; (iii) the total retail sales of consumer goods; (iv) the average urban disposable income; and (v) the average urban consumption expenditure in Nanjing City for the past 5 years ended 31 December 2020:

Year ended 31 December	2016	2017	2018	2019	2020
Population (Million)	8.27	8.34	8.44	8.50	9.31
Percentage change of population when compared to previous year	N/A	0.9%	1.2%	0.7%	9.5%
GDP (RMB Billion)	1,066.23	1,171.51	1,300.92	1,403.02	1,481.80
Percentage change of GDP when compared to previous year	N/A	8.1%	9.9%	11.0%	5.6%
Total retail sales of consumer goods in Nanjing City (RMB Billion)	508.82	560.40	583.25	613.57	720.30

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Year ended 31 December	2016	2017	2018	2019	2020
Percentage change of total retail sales of consumer goods in Nanjing City when compared to previous year	N/A	10.1%	4.1%	5.2%	17.4%
Average urban disposable income (RMB)	49,997	54,538	59,308	64,372	67,553
Percentage change of average urban disposable income when compared to previous year	N/A	9.1%	8.8%	8.5%	4.9%
Average urban consumption expenditure (RMB)	29,772	31,385	33,537	35,933	35,854
Percentage change of average urban consumption expenditure when compared to previous year	N/A	5.4%	6.9%	7.1%	-0.2%

Source: Nanjing City Statistics Bureau

As set out in the table above, the economy of Nanjing City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 5.6%.

The annual increase of average urban consumption expenditure from 2016 to 2019 also recorded a rate of above 5.0% and can still maintain the same level in 2020 in terms of amount even during the outbreak of COVID-19.

In view of the above growth trend, we concluded that the consumer goods market in Nanjing City, being the city where Nanjing Hanzhong Store is located, has maintained a steady growth and the long-term economic development as well as the retail industry growth in Nanjing City will remain positive.

(f) Review on the impact of COVID-19 on retail store business

As set out in the section headed “(e) Review on the impact of COVID-19 on retail store business” on page 65, even the COVID-19 outbreak did have significant impact on the Group’s retail business, the Group has already adopted various measures to prevent and contain the impact of the pandemic while trying to resume business and to integrate further its online and offline operations. In these circumstances, we are of the view that, while COVID-19 had significant impact on the business of the Group’s retail stores, the situations have been turned around with recovery on the way.

Conclusion

Based on our independent work done as stated in sub-sections above, we concur with the Management’s view that the basis adopted by the Management in determining the Nanjing Hanzhong Store Annual Caps is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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2. The Lease Agreement (Total Xianlin Retail Area)

A. Background of the Lease Agreement (Total Xianlin Retail Area)

On 9 November 2009, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Technology entered into the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) for the lease of Xianlin Golden Eagle Shopping Plaza for a term of 20 years commencing from 18 December 2009. On 10 November 2010, the aforesaid parties entered into the Lease Agreement (Additional Xianlin Retail Area) for the lease of Additional Xianlin Retail Area for a term commencing from the soft opening of Additional Xianlin Retail Area to 17 December 2029. The aforesaid parties subsequently entered into (i) the first supplemental agreement on 20 January 2012, leasing the Further Additional Xianlin Retail Area up to 17 December 2029 and adjusting the calculation of the annual rental payable; (ii) the second supplemental agreement on 19 December 2013, removing the minimum guaranteed rent; (iii) the third supplemental agreement on 18 March 2015, further adjusting the calculation of the annual rent payable; and (iv) the fourth supplemental agreement on 3 July 2019, leasing the 2019 Further Additional Xianlin Retail Area for the period between 18 October 2019 (the effective date of the supplemental agreement) to 17 December 2029.

Details of the Lease Agreement (Total Xianlin Retail Area) have been disclosed in the announcements of the Company dated 11 November 2009, 10 November 2010, 20 January 2012, 20 December 2013, 18 March 2015 and 3 July 2019 respectively and the circulars of the Company dated 4 June 2015 and 18 September 2019.

During FY2019 and FY2020, Nanjing Xianlin Store generated (a) gross sales proceeds; (b) gross profit; and (c) operating profit for the Group as below:

	FY2019	FY2020	Change in %
	<i>RMB Million</i>	<i>RMB Million</i>	
Gross Sales Proceeds	904.76	820.43	-9.3%
Gross Profit	216.80	194.44	-10.3%
Operating Profit	134.05	130.39	-2.7%
Customer Traffic (Million)	22.60	17.64	-21.9%

B. Principal terms of the Lease Agreement (Total Xianlin Retail Area)

According to the Letter, the principal terms of the Lease Agreement (Total Xianlin Retail Area) are listed as below:

Lessor:	Xianlin Golden Eagle Technology
Lessee:	Xianlin Golden Eagle Shopping
Leased premises:	Total Xianlin Retail Area
Lease term:	(a) Xianlin Golden Eagle Shopping Plaza: 20 years commencing from 18 December 2009 to 17 December 2029;
	(b) Additional Xianlin Retail Area: from the date of soft opening to 17 December 2029;

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- (c) Further Additional Xianlin Retail Area: from the date of delivery of the Further Additional Xianlin Retail Area to 17 December 2029; and
- (d) 2019 Further Additional Xianlin Retail Area: from the effective date to 17 December 2029.

Rent:

The annual rental payable by the Group shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
 - (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires); and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
 - (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires); and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

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

50% of the rental proceeds derived from sub-letting the units in the Total Xianlin Retail Area (less value-added tax and other relevant taxes);
- (c) with respect to supermarket operations:

4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket.

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C. Basis of the proposed annual caps in respect of the Lease Agreement (Total Xianlin Retail Area)

Pursuant to the Lease Agreement (Total Xianlin Retail Area), the annual rental payable by the Group are set out in the table below:

Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental	
1	Concessionaires which the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4% fixed rate of the annual gross sales proceeds
2	Concessionaires which the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4% fixed rate of the annual gross sales proceeds
3	Concessionaires which the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 4% of the annual gross sales proceeds
4	Concessionaires which the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 2.2% of the annual gross sales proceeds [#] [#] According to the Management, the effective sales tax and surcharges enacted of 5.6% would be imposed on gold and jewellery concessionaire sales. Therefore, the maximum rate is 2.2% (being (10% – 5.6%) x 50%)

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Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental
5 Sub-letting	50% of the rental proceeds derived from sub-letting the units in the Total Xianlin Retail Area (less value-added tax and other relevant taxes)	50% fixed rate of the rental proceeds
6 Supermarket operation	4% of the gross sales proceeds (less value-added tax)	4% fixed rate of the annual gross sales proceeds

The Company proposes that the respective annual caps for the Lease Agreement (Total Xianlin Retail Area) (the “**Nanjing Xianlin Store Annual Caps**”) for FY2022, FY2023 and FY2024 are as follows:

	FY2022	FY2023	FY2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB Million</i>
Proposed annual caps	31.23	32.36	33.53
Annual growth rate	-11.8%	+3.6%	+3.6%

As mentioned in the Letter, the Nanjing Xianlin Store Annual Caps were determined based on the following:

- (i) the historical amounts incurred in the past and a rental concession in the amount of RMB1.0 million granted by Xianlin Golden Eagle Technology for the six months ended 30 June 2020;
- (ii) the reasonable estimation (the “**Nanjing Xianlin Store GSP Estimation**”) of:
 - (a) the gross sales proceeds to be derived from the operation of Total Xianlin Retail Area with reference to its past sales performance;
 - (b) the impact from the recurrent COVID-19 outbreaks since 2020;
 - (c) the expected growth rate during the relevant periods after factoring in the government’s effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020;
 - (d) the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal;
 - (e) the prevailing market conditions; and
 - (f) the assumption that the Group will be charged at the maximum rental rate of 4% (other than the sub-letting operation which is charged at 50%).

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In assessing the fairness and reasonableness of the determination of the Nanjing Xianlin Store Annual Caps, we have obtained and reviewed the operating budget and forecast prepared by the Management and we noted that the Nanjing Xianlin Store Annual Caps were calculated based on the Nanjing Xianlin Store GSP Estimation.

According to the Management, the calculation of the Nanjing Xianlin Store GSP Estimation was duly prepared with reference to:

- (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting income, to be generated from the Total Xianlin Retail Area with reference to its past sales performance;
- (ii) the expected growth rate of Total Xianlin Retail Area for FY2022, FY2023 and FY2024;
- (iii) the current economic environment and the prevailing market conditions; and
- (iv) the impact of COVID-19 on retail store business.

(a) Review of historical sales performance of Nanjing Xianlin Store Zone A

Total Xianlin Retail Area refers to Nanjing Xianlin Store Zone A area. Nanjing Xianlin Store operates in two zones, Zone A, i.e. Total Xianlin Lease Area, with an aggregate GFA of approximately 47,495.02 square metres operated under the lease model whereas Zone B with an aggregate GFA of approximately 168,900 square metres operated at its self-owned property. In this regard, we have discussed with the Management about the historical sales performance of Total Xianlin Retail Area from the year ended 31 December 2018 to the year ended 31 December 2020. Set forth below are (i) the gross sales proceeds of Nanjing Xianlin Store Zone A; (ii) the actual rental payable by the Group under the Lease Agreement (Total Xianlin Retail Area); (iii) the historical annual caps of the Lease Agreement (Total Xianlin Retail Area); and (iv) the utilisation rate.

	FY2018	FY2019	FY2020
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Gross sales proceeds (Zone A)	664.47	600.40	438.37
Actual rental payable by the Group	25.70	28.01	22.09
Historical annual caps	30.99	29.99	33.70
Utilisation rate	82.9%	93.4%	65.5%

As set out in the table above, the utilisation rate of the annual caps for FY2018 and FY2019 maintained at a level above approximately 82.0% while it dropped to 65.5% for FY2020 which was mainly due to the impact from COVID-19 on the gross sales proceeds as per the Management.

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(b) Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Nanjing Xianlin Store Zone A

In addition to the aforementioned, we are given to understand that when determining the Nanjing Xianlin Store Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Nanjing Xianlin Store Zone A during the three years ending 31 December 2024.

It is noted that the proposed Xianlin Annual Caps for FY2022, FY2023 and FY2024 amounted to RMB31.23 million, RMB32.36 million and RMB33.53 million respectively, representing an annual growth of approximately -11.8%, 3.6% and 3.6% respectively.

According to the Management, the Group reduced the Nanjing Xianlin Store Annual Cap for FY2022 when compared to that in FY2021 as the estimation for the Nanjing Xianlin Store Annual Cap in FY2021 had been over-estimated due to the impact from the unexpected outbreak of COVID-19 since 2020, the rental concession in the amount of RMB1.0 million granted and Nanjing Xianlin Store did not achieve the relatively high sales growth as expected. The reduction is hence an adjustment of the estimation. Thereafter, the Group expected a general increase in gross sales proceeds to be generated by Nanjing Xianlin Store Zone A during the relevant periods. We have conducted research from public domains in relation to the consumer goods market in Nanjing City. According to the statistics as announced by Nanjing Statistics Bureau as stated in the sub-section headed “(e) Overview of the economy and consumer goods market in Nanjing City” above on page 83, the economy of Nanjing City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 5.6%. The annual increase of average urban consumption expenditure from 2016 to 2019 also recorded a rate of above 5.0% and can still maintain the same level in 2020 in terms of amount even during the outbreak of COVID-19. In view of the above growth trend, we concur with the Management’s view that Nanjing Xianlin Store Zone A’s sales performance for the respective periods is expected to record a stable growth.

(c) Review on the determination of maximum rental rate of 4% for concessionaires and 50% for sub-letting operation

Pursuant to the Lease Agreement (Total Xianlin Retail Area), we noted that the annual rental payable thereunder in respect of those concessionaires and supermarket operation is charged based on a specified percentage of the commission rate on the Group’s concessionaire sales and supermarket sales derived from the operation of Nanjing Xianlin Store Zone A and we further noted that the Nanjing Xianlin Store Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4%.

On the other hand, for the annual rental payable thereunder in respect of the sub-letting units, we noted that the Nanjing Xianlin Store Annual Caps were determined based on the rental rate of 50% for the respective periods as stipulated in the Lease Agreement (Total Xianlin Retail Area).

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In evaluating the fairness and reasonableness of adopting maximum rental rate of the aforesaid assumptions, we have taken into consideration the fact that:

- (i) the commission rate on each concessionaire charged by the Group is determined based on arm's length negotiation after taking into account the unique characteristics of each individual store, including but not limited to its location, sales performance and attributable market share in the local market;
- (ii) the maximum rental rate in respect of the concessionaire sales is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Nanjing Xianlin Store Zone A pursuant to the Lease Agreement (Total Xianlin Retail Area);
- (iii) as advised by the Management, Nanjing Xianlin Store Zone A's average commission rate from concessionaire sales for FY2020 was approximately 16.1% and 200 out of 200 concessionaires (i.e. 100%) are subject to the maximum rental rate of 4% during the relevant periods; and
- (iv) the relevant terms of the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/rental tenants, including but not limited to the scope, cooperation period and the commission rental rate,

we are of the view that the aforesaid assumptions adopted by the Management in determining the Nanjing Xianlin Store Annual Caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(d) Review on the impact of COVID-19 on retail store business

As set out in the section headed "(e) Review on the impact of COVID-19 on retail store business" on page 65, even the COVID-19 outbreak did have significant impact on the Group's retail business, the Group has already adopted various measures to prevent and contain the impact of the pandemic while trying to resume business and to integrate further its online and offline operations. In these circumstances, we are of the view that, while COVID-19 had significant impact on the business of the Group's retail stores, the situations have been turned around with recovery on the way.

Conclusion

Based on our independent work done as stated in sub-sections above, we concur with the Management's view that the basis adopted by the Management in determining the Nanjing Xianlin Store Annual Caps is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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3. The Lease Agreement (Danyang Tiandi Plaza)

A. Background of the Lease Agreement (Danyang Tiandi Plaza)

On 18 March 2015, Danyang Golden Eagle Shopping and Danyang Golden Eagle Tiandi entered into the Lease Agreement (Danyang Tiandi Plaza) for the lease of Danyang Tiandi Lease Area for a term of 20 years commencing from 1 January 2015. Details of the Lease Agreement (Danyang Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

During FY2019 and FY2020, Danyang Store generated (a) gross sales proceeds; (b) gross profit; and (c) operating profit for the Group as below:

	FY2019	FY2020	Change in
	<i>RMB Million</i>	<i>RMB Million</i>	<i>%</i>
Gross Sales Proceeds	43.64	36.45	-16.5%
Gross Profit	17.96	16.59	-7.7%
Operating Profit	-6.49	-5.14	N/A
Customer Traffic (Million)	3.67	3.15	-14.2%

B. Principal terms of the Lease Agreement (Danyang Tiandi Plaza)

According to the Letter, the principal terms of the Lease Agreement (Danyang Tiandi Plaza) are listed as below:

Lessor:	Danyang Golden Eagle Tiandi
Lessee:	Danyang Golden Eagle Shopping
Leased premises:	Danyang Tiandi Lease Area
Lease term:	20 years commencing from 1 January 2015

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Rent: The annual rental payable by the Group shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
- (i) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires); and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax);
 - (ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires); and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, the amount to be calculated in accordance with the following formula:

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

- (b) with respect to sub-letting of units:
- 50% of the rental proceeds derived from sub-letting the units in Danyang Tiandi Lease Area (less business tax and other relevant taxes);
- (c) with respect to supermarket operations:
- (i) 3% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket from 1 May 2015 to 31 December 2017; and
 - (ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket from 1 January 2018 onwards.

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Car parking fees: Free car parking spaces to the customers of Danyang Store whereas Danyang Golden Eagle Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Danyang Golden Eagle Tiandi to the general public from time to time as part of the value-added customer services of Danyang Store.

Property management fees: Property management services in respect of the nearby area outside the Danyang Tiandi Lease Area, including but not limited to the provision of cleaning, environmental and greenery services, shall be charged at the actual costs incurred by Danyang Golden Eagle Tiandi plus a mark-up of 10%.

C. Basis of the proposed annual caps in respect of Lease Agreement (Danyang Tiandi Plaza)

Pursuant to the Lease Agreement (Danyang Tiandi Plaza), the annual rental payable by the Group are set out in the table below:

Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental	
1	Concessionaires which the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4% fixed rate of the annual gross sales proceeds
2	Concessionaires which the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	4% fixed rate of the annual gross sales proceeds
3	Concessionaires which the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	Based on the formula below: Rental Payable = A x B x 50% where A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax) B = Commission rate charged by the Group (less sales tax)	Maximum up to 4% of the annual gross sales proceeds

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Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental
4	<p>Concessionaires which the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires</p> <p>Based on the formula below:</p> $\text{Rental Payable} = A \times B \times 50\%$ <p>where</p> <p>A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)</p> <p>B = Commission rate charged by the Group (less sales tax)</p>	<p>Maximum up to 2.2% of the annual gross sales proceeds[#]</p> <p># According to the Management, the effective sales tax and surcharges enacted of 5.6% would be imposed on gold and jewellery concessionaire sales. Therefore, the maximum rate is 2.2% (being (10% – 5.6%) x 50%)</p>
5	<p>Sub-letting</p> <p>50% of the rental proceeds derived from sub-letting the units in Danyang Tiandi Lease Area (less business tax and other relevant taxes)</p>	<p>50% fixed rate of the rental proceeds</p>
6	<p>Supermarket operation</p> <p>4% of the gross sales proceeds (less value-added tax)</p>	<p>4% fixed rate of the annual gross sales proceeds</p>

The Company proposes that the respective annual caps for the Lease Agreement (Danyang Tiandi Plaza) (the “**Danyang Store Annual Caps**”) for FY2022, FY2023 and FY2024 are as follows:

	FY2022 <i>RMB million</i>	FY2023 <i>RMB million</i>	FY2024 <i>RMB Million</i>
Proposed annual caps	10.00	10.96	12.03
Annual growth rate	+6.8%	+9.7%	+9.7%

As mentioned in the Letter, the Danyang Store Annual Caps were determined based on the following:

- (i) the historical amounts incurred in the past;
- (ii) the reasonable estimation (the “**Danyang Store GSP Estimation**”) of:
 - (a) the gross sales proceeds to be derived from the operation of Danyang Store with reference to its past sales performance;
 - (b) the impact from the recurrent COVID-19 outbreaks since 2020;

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- (c) the expected growth rate during the relevant periods after factoring in the government's effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020;
 - (d) the economic environment which is against the backdrop of protracted combat against the pandemic as a new normal;
 - (e) the prevailing market conditions; and
 - (f) the assumption that the Group will be charged at the maximum rental rate of 4% (other than the sub-letting operation which is charged at 50%);
- (iii) the continuous optimisation of Danyang Store's merchandise and lifestyle amenities offerings and further enhancement of its utilisation rate and productivity of floor space;
 - (iv) the assumption that the car parking spaces offered by Danyang Golden Eagle Tiandi to Danyang Store will be temporarily free of charge during the relevant periods while Danyang Golden Eagle Tiandi is charging the general public car parking fee at the rate of RMB6.0 per hour (first hour free of charge); and
 - (v) the assumption that Danyang Golden Eagle Tiandi shall provide the property management services to Danyang Store temporarily free of charge during the relevant periods.

In assessing the fairness and reasonableness of the determination of the Danyang Store Annual Caps, we have obtained and reviewed the operating budget and forecast prepared by the Management and we noted that the Danyang Store Annual Caps were calculated based on the Danyang Store GSP Estimation.

According to the Management, the calculation of the Danyang Store GSP Estimation was duly prepared with reference to:

- (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting income, to be generated from the Danyang Store with reference to its past sales performance;
- (ii) the expected growth rate of Danyang Store for FY2022, FY2023 and FY2024;
- (iii) the current economic environment and the prevailing market conditions; and
- (iv) the impact of COVID-19 on retail store business.

(a) Review of historical sales performance of Danyang Store

In this regard, we have discussed with the Management about the historical sales performance of Danyang Store from the year ended 31 December 2018 to the year ended 31 December 2020. Set forth below are (i) the gross sales proceeds of Danyang Store; (ii) the actual rental payable by the Group under the Lease Agreement (Danyang Tiandi Plaza); (iii) the historical annual caps of the Lease Agreement (Danyang Tiandi Plaza); and (iv) the utilisation rate.

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	FY2018	FY2019	FY2020
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Gross sales proceeds	42.22	43.64	36.45
Actual rental payable by the Group	5.59	7.51	6.30
Historical annual caps	5.59	7.81	8.55
Utilisation rate	100.0%	96.2%	73.7%

As set out in the table above, the utilisation rate of the annual caps from FY2018 to FY 2019 maintained at a level above approximately 96% while it dropped to 73.7% in FY2020 which was mainly due to the impact from COVID-19 on the gross sales proceeds as per the Management.

(b) Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Danyang Store

In addition to the aforementioned, we are given to understand that when determining the Danyang Store Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Danyang Store during the three years ending 31 December 2024.

It is noted that the proposed Danyang Store Annual Caps for FY2022, FY2023 and FY2024 amounted to RMB10.00 million, RMB10.96 million and RMB12.03 million respectively, representing an annual growth of approximately 6.8%, 9.7% and 9.7% respectively.

According to the Management, the Group expected a general increase in gross sales proceeds to be generated by Danyang Store during the relevant periods. We have conducted research from public domains in relation to the consumer goods market in Danyang City. According to the statistics as announced by Danyang Statistics Bureau as stated in the sub-section headed “(d) Overview of the economy and consumer goods market in Danyang City” below on page 98, the GDP of Danyang City has sustained a continuous growth from 2016 to 2020 except for 2019. In view of the above growth trend, we concur with the Management’s view that Danyang Store’s sales performance for the respective periods is expected to record a stable growth.

(c) Review on the determination of maximum rental rate of 4% for concessionaires and 50% for sub-letting operation

Pursuant to the Lease Agreement (Danyang Tiandi Plaza), we noted that the annual rental payable thereunder in respect of those concessionaires and supermarket operation is charged based on a specified percentage of the commission rate on the Group’s concessionaire sales and supermarket sales derived from the operation of Danyang Store and we further noted that the Danyang Store Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4%.

On the other hand, for the annual rental payable thereunder in respect of the sub-letting of units, we noted that the Danyang Store Annual Caps were determined based on the rental rate of 50% for the respective periods as stipulated in the Lease Agreement (Danyang Tiandi Plaza).

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In evaluating the fairness and reasonableness of adopting maximum rental rate of the aforesaid assumptions, we have taken into consideration the fact that:

- (i) the commission rate on each concessionaire charged by the Group is determined based on arm's length negotiation after taking into account the unique characteristics of each individual store, including but not limited to its location, sales performance and attributable market share in the local market;
- (ii) the maximum rental rate in respect of the concessionaire sales is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Danyang Store pursuant to the Lease Agreement (Danyang Tiandi Plaza);
- (iii) as advised by the Management, Danyang Store's average commission rate from concessionaire sales for FY2020 was approximately 8.2% and 23 out of 27 concessionaires (i.e. 85.2%) are subject to the maximum rental rate of 4% during the relevant period; and
- (iv) the relevant terms of the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/rental tenants, including but not limited to the scope, cooperation period and the commission rental rate,

we are of the view that the aforesaid assumptions adopted by the Management in determining the Danyang Store Annual Caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(d) Overview of the economy and consumer goods market in Danyang City

In assessing the fairness and reasonableness of the above expected growth rate of gross sales proceeds estimated by the Management to be generated from the operation of Danyang Store during the three years ending 31 December 2024, we have conducted research from public domains in relation to the consumer goods market in Danyang City.

Statistics in relation to (i) population; (ii) GDP; (iii) the total retail sales of consumer goods; (iv) the average urban disposable income; and (v) the average urban consumption expenditure in Danyang City for the past 5 years ended 31 December 2020 are set out below:

Year ended 31 December	2016	2017	2018	2019	2020
Population (Million)	0.811	0.808	0.806	0.803	0.799
Percentage change of population when compared to previous year	N/A	0.4%	-0.2%	-0.4%	-0.5%
GDP (RMB Billion)	113.60	123.33	125.03	112.20	114.54
Percentage change of GDP when compared to previous year	N/A	8.6%	1.4%	-10.3%	2.1%
Total retail sales of consumer goods in Danyang City (RMB Billion)	31.56	34.92	35.87	37.95	30.23
Percentage change of total retail sales of consumer goods in Danyang City when compared to previous year	N/A	10.6%	2.7%	5.8%	-20.3%

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Year ended 31 December	2016	2017	2018	2019	2020
Average urban disposable income (RMB)	41,653	45,151	48,790	52,508	54,315
Percentage change of average urban disposable income when compared to previous year	N/A	8.4%	8.1%	7.6%	3.4%
Average urban consumption expenditure (RMB)	22,452	23,459	25,007	26,708	26,253
Percentage change of average urban consumption expenditure when compared to previous year	N/A	4.5%	6.6%	6.8%	-1.7%

Source: Danyang City Statistics Bureau

As set out in the table above, the GDP of Danyang City has sustained a continuous growth from 2016 to 2020 except for 2019. In view of the above growth trend, we concluded that the consumer goods market in Danyang City, being the city where Danyang Store is located, has maintained a steady growth and the long-term economic development as well as the retail industry growths in Danyang City will remain positive.

(e) Review on the impact of COVID-19 on retail store business

As set out in the section headed “(e) Review on the impact of COVID-19 on retail store business” on page 65, even the COVID-19 outbreak did have significant impact on the Group’s retail business, the Group has already adopted various measures to prevent and contain the impact of the pandemic while trying to resume business and to integrate further its online and offline operations. In these circumstances, we are of the view that, while COVID-19 had significant impact on the business of the Group’s retail stores, the situations have been turned around with recovery on the way.

Conclusion

Based on our independent work done as stated in sub-sections above, we concur with the Management’s view that the basis adopted by the Management in determining the Danyang Store Annual Caps is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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4. The Lease Agreement (Golden Eagle World) (as amended)

A. Background of the Lease Agreement (Golden Eagle World) (as amended)

On 29 December 2017, Nanjing Jianye Shopping and Nanjing Jianye Properties entered into the Lease Agreement (Golden Eagle World) for the lease of Golden Eagle World Lease Area for a term of 20 years commencing from 18 November 2017. On 3 July 2019, the aforesaid parties entered into the Supplemental Agreement to Lease Agreement (Golden Eagle World) for the lease of Additional Golden Eagle World Lease Area for a term commencing from 18 October 2019 (the effective date of the supplemental agreement) to 17 November 2037.

Details of the Lease Agreement (Golden Eagle World) (as amended) are disclosed in the announcements of the Company dated 29 December 2017 and 3 July 2019 and the circulars of the Company dated 20 April 2018 and 18 September 2019.

During FY2019 and FY2020, Golden Eagle World Store generated (a) gross sales proceeds; (b) gross profit; and (c) operating profit for the Group as below:

	FY2019	FY2020	Change in %
	<i>RMB Million</i>	<i>RMB Million</i>	
Gross Sales Proceeds	767.83	1,032.50	34.5%
Gross Profit	207.15	267.82	29.3%
Operating Profit	143.40	197.74	37.9%
Customer Traffic (Million)	13.94	11.57	-17.0%

B. Principal terms of the Lease Agreement (Golden Eagle World) (as amended)

According to the Letter, the principal terms of the Lease Agreement (Golden Eagle World) (as amended) are listed as below:

Lessor:	Nanjing Jianye Properties
Lessee:	Nanjing Jianye Shopping
Leased premises:	Total Golden Eagle World Lease Area
Lease term:	(a) Golden Eagle World Lease Area: 20 years commencing from 18 November 2017 to 17 November 2037; and (b) Additional Golden Eagle World Lease Area: from the effective date or the date of actual delivery (whichever is later) to 17 November 2037.

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Rent: The annual rental payable by the Group shall be equivalent to the aggregate of:

- (a) with respect to those concessionaires:
- (i) during the first two years commencing from 18 November 2017, 2% of the annual gross sale proceeds derived from the operation of those concessionaires (less value-added tax);
 - (ii) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires:
 - 1. during the third year commencing from 18 November 2017, i.e. during the period from 18 November 2019 and up to 17 November 2020, 4% of the annual gross sale proceeds derived from the operation of those concessionaires (less value-added tax);
 - 2. commencing from 18 November 2020 onwards, 4.5% of the annual gross sale proceeds derived from the operation of those concessionaires (less value-added tax);
 - (iii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, commencing from 18 November 2019 onwards the amount to be calculated in accordance with the following formula:

Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	X		Commission rate charged by the Group (less sales tax)	X	50%
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- (b) with respect to sub-letting of units:
- (i) during the first two years commencing from 18 November 2017, 25% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes);

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- (ii) during the third year commencing from 18 November 2017, i.e. during the period from 18 November 2019 and up to 17 November 2020, 30% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes); and
 - (iii) commencing from 18 November 2020 onwards, 50% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes);
- (c) with respect to supermarket operations:
- (i) 2% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket during the first two years commencing from 18 November 2017;
 - (ii) 3% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket during the third year commencing from 18 November 2017, i.e. during the period from 18 November 2019 and up to 17 November 2020; and
 - (iii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 18 November 2020 onwards.

Car parking fees:

Free car parking spaces to the customers of Golden Eagle World Store whereas Nanjing Jianye Shopping shall pay car parking fees at not less than 20% discount of the normal car parking rate offered by Nanjing Jianye Properties to the general public from time to time as part of the value-added customer services of Golden Eagle World Store.

Property management fees:

Property management services in respect of the nearby area outside the Total Golden Eagle World Lease Area, including but not limited to the provision of cleaning, environmental and greenery services, will be charged at the actual costs incurred by Nanjing Jianye Properties plus a mark-up of 10%.

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C. Basis of the proposed annual caps in respect of the Lease Agreement (Golden Eagle World) (as amended)

Pursuant to the Lease Agreement (Golden Eagle World) (as amended), the annual rental payable by the Group are set out in the table below:

Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental
1	Concessionaires which the Group charges more than 8% commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)	
	From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds
	From 18 November 2019 to 17 November 2020: 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	From 18 November 2019 to 17 November 2020: 4% of the annual gross sales proceeds
	From 18 November 2020 onwards: 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	From 18 November 2020 onwards: 4.5% of the annual gross sales proceeds
2	Concessionaires which the Group charges more than 10% commission rate on their concessionaire sales relating to those gold and jewellery concessionaires	
	From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds
	From 18 November 2019 to 17 November 2020: 4% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	From 18 November 2019 to 17 November 2020: 4% of the annual gross sales proceeds
	From 18 November 2020 onwards: 4.5% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)	From 18 November 2020 onwards: 4.5% of the annual gross sales proceeds

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Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental
<p>3 Concessionaires which the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaires)</p>	<p>From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)</p> <p>From 18 November 2019 onwards, based on the formula below:</p> <p>Rental Payable = A x B x 50%</p> <p>where</p> <p>A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)</p> <p>B = Commission rate charged by the Group (less sales tax)</p>	<p>From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds</p> <p>From 18 November 2019 onwards: maximum up to 4% of the annual gross sales proceeds</p>
<p>4 Concessionaires which the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires</p>	<p>From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds derived from the operation of those concessionaires (less value-added tax)</p> <p>From 18 November 2019 onwards, based on the formula below:</p> <p>Rental Payable = A x B x 50%</p> <p>where</p> <p>A = Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)</p> <p>B = Commission rate charged by the Group (less sales tax)</p>	<p>From 18 November 2017 to 17 November 2019: 2% of the annual gross sales proceeds</p> <p>From 18 November 2019 onwards: maximum up to 2.2% of the annual gross sales proceeds[#]</p> <p>[#] According to the Management, the effective sales tax and surcharges enacted of 5.6% would be imposed on gold and jewellery concessionaire sales. Therefore, the maximum rate is 2.2% (being (10% – 5.6%) x 50%)</p>

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Items	Rental Payable	Maximum Rate of Annual Gross Sales Proceeds for Rental
5	Sub-letting	<p>From 18 November 2017 to 17 November 2019: 25% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes)</p> <p>From 18 November 2019 to 17 November 2020: 30% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes)</p> <p>From 18 November 2020 onwards: 50% of the rental proceeds derived from sub-letting the units in Total Golden Eagle World Lease Area (less value-added tax and other relevant taxes)</p>
6	Supermarket operation	<p>From 18 November 2017 to 17 November 2019: 2% of the gross sales proceeds (less value-added tax)</p> <p>From 18 November 2019 to 17 November 2020: 3% of the gross sales proceeds (less value-added tax)</p> <p>From 18 November 2020 onwards: 4% of the gross sales proceeds (less value-added tax)</p>

The Company proposes that the respective annual caps for the Lease Agreement (Golden Eagle World) (as amended) (the “**Golden Eagle World Store Annual Caps**”) for FY2022, FY2023 and FY2024 are as follows:

	FY2022	FY2023	FY2024
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed annual caps	168.85	190.86	214.42
Annual growth rate	-19.1%	13.0%	12.3%

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As mentioned in the Letter, the Golden Eagle World Store Annual Caps were determined based on the following:

- (i) the historical amounts incurred in the past and rental and property management fees concession in the amounts of RMB2.0 million and RMB1.5 million respectively granted by Nanjing Jianye Properties for the six months ended 30 June 2020;
- (ii) the reasonable estimation (the “**Golden Eagle World Store GSP Estimation**”) of:
 - (a) the gross sales proceeds to be derived from the operation of Golden Eagle World Store with reference to its past sales performance;
 - (b) the impact from the recurrent COVID-19 outbreaks since 2020;
 - (c) the expected growth rate during the relevant periods after factoring in the government’s effective measures to bring the pandemic under control and to stimulate the economy since the second quarter of 2020;
 - (d) the overall economic environment under the backdrop of protracted combat against the pandemic as a new normal;
 - (e) the prevailing market conditions; and
 - (f) the assumption that the Group will be charged at the maximum rental rate of 4.5% (other than the sub-letting operation which is charged at 50%);
- (iii) Golden Eagle World Store is going to pay car parking fee at RMB4.8 per hour, i.e. 20% discount of the normal car parking fee of RMB6.0 per hour, for the free car parking spaces to be provided by Nanjing Jianye Properties to the customers of Golden Eagle World Store; and
- (iv) the estimated costs expected to be incurred by Nanjing Jianye Properties in providing property management services during the relevant periods.

In assessing the fairness and reasonableness of the determination of the Golden Eagle World Store Annual Caps, we have obtained and reviewed the operating budget and forecast prepared by the Management and we noted that the Golden Eagle World Store Annual Caps were calculated based on the Golden Eagle World Store GSP Estimation.

According to the Management, the calculation of the Golden Eagle World Store GSP Estimation was duly prepared with reference to:

- (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting income, to be generated from the Golden Eagle World Store with reference to its past sales performance;
- (ii) the expected growth rate of Golden Eagle World Store for FY2022, FY2023 and FY2024;

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- (iii) the current economic environment and the prevailing market conditions;
- (iv) Nanjing Jianye Properties continues to adopt the existing car parking pricing policy; and
- (v) the impact of COVID-19 on retail store business.

(a) Review of historical sales performance of Golden Eagle World Store

In this regard, we have discussed with the Management about the historical sales performance of Golden Eagle World Store from the year ended 31 December 2018 to the year ended 31 December 2020. Set forth below are (i) the gross sales proceeds of Golden Eagle World Store; (ii) the actual rental, the car parking fees and property management fees payable by the Group under the Lease Agreement (Golden Eagle World) (as amended); (iii) the historical annual caps of the Lease Agreement (Golden Eagle World) (as amended); and (iv) the utilisation rate.

	FY2018	FY2019	FY2020
	<i>RMB Million</i>	<i>RMB Million</i>	<i>RMB Million</i>
Gross sales proceeds	591.20	767.83	1,032.50
Actual rental, car parking fees and property management fees payable by the Group	68.87	75.88	89.65
Historical annual caps	70.40	78.54	142.18
Utilisation rate	97.8%	96.6%	63.1%

As set out in the table above, the utilisation rate of the annual caps for FY2018 and FY 2019 maintained at a level above approximately 96.0% while it dropped to 63.1% for FY2020 which was mainly due to the impact from COVID-19 on the gross sales proceeds as per the Management.

(b) Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Golden Eagle World Store

In addition to the aforementioned, we are given to understand that when determining the Golden Eagle World Store Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Golden Eagle World Store during the three years ending 31 December 2024.

It is noted that the proposed Golden Eagle World Store Annual Caps for FY2022, FY2023 and FY2024 amounted to RMB168.85 million, RMB190.86 million and RMB214.42 million respectively, representing an annual growth of approximately -19.1%, +13.0% and +13.0% respectively.

According to the Management, the Group reduced the Golden Eagle World Store Annual Cap for FY2022 when compared to that in FY2021 as the estimation for the Golden Eagle World Store Annual Cap in FY2021 had been over-estimated due to the impact from the unexpected outbreak of COVID-19 since 2020, the rental and property management fees concession in the amounts of RMB2.0 million and RMB1.5 million granted and Golden Eagle World Store did not achieve the relatively high sales growth as expected. The reduction is hence an adjustment of the estimation. Thereafter, the Group expected a general increase in gross sales proceeds to be generated by Golden Eagle World Store during the relevant periods. We have conducted research from public domains in relation to the consumer goods market in Nanjing City.

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According to the statistics as announced by Nanjing Statistics Bureau as stated in the sub-section headed “(e) Overview of the economy and consumer goods market in Nanjing City” above on page 83, the economy of Nanjing City has sustained a continuous growth for the past 4 years with an annual increase of GDP of above 5.6%. The annual increase of average urban consumption expenditure from 2016 to 2019 also recorded a rate of above 5.0% and can still maintain the same level in 2020 in terms of amount even during the outbreak of COVID-19.

In view of the above growth trend, we concur with the Management’s view that Golden Eagle World Store’s sales performance for the respective periods is expected to record a stable growth.

(c) Review on the determination of maximum rental rate of 4.5% for concessionaires and 50% for sub-letting operation

Pursuant to the Lease Agreement (Golden Eagle World) (as amended), we noted that the annual rental payable in respect of those concessionaires and supermarket operation is charged based on a specified percentage of the commission rate on the Group’s concessionaire sales and supermarket sales derived from the operation of Golden Eagle World Store and we further noted that the Golden Eagle World Store Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4.5% for the relevant periods.

On the other hand, for the annual rental payable thereunder in respect of the sub-letting of units, we noted that the Golden Eagle World Store Annual Caps were determined based on the rental rate of 50% for the periods as stipulated in the Lease Agreement (Golden Eagle World) (as amended).

In evaluating the fairness and reasonableness of adopting maximum rental rate of the aforesaid assumptions, we have taken into consideration the fact that:

- (i) the commission rate on each concessionaire charged by the Group is determined based on arm’s length negotiation after taking into account the unique characteristics of each individual store, including but not limited to its location, sales performance and attributable market share in the local market;
- (ii) the maximum rental rate in respect of the concessionaire sales is capped at 4.5% of the gross sales proceeds to be derived from the operation of those concessionaires in Golden Eagle World Store pursuant to the Lease Agreement (Golden Eagle World) (as amended);
- (iii) as advised by the Management, Golden Eagle World Store’s average commission rate from concessionaire sales for FY2020 was approximately 14.5% and 142 out of 154 concessionaires (i.e. 92.2%) are subject to the maximum rental rate of 4.5% during the relevant periods;
- (iv) the relevant terms of the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/rental tenants, including but not limited to the scope, cooperation period and the commission rental rate,

we are of the view that the aforesaid assumptions adopted by the Management in determining the Golden Eagle World Store Annual Caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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(d) Review on car parking fees

We noted that when determining the Golden Eagle World Store Annual Caps, the Management has taken into account that the car parking spaces offered by Nanjing Jianye Properties to Golden Eagle World Store will be charged at the rate of RMB4.8 per hour, i.e. 20% discount of the normal car parking fee of RMB6.0 per hour, for the free car parking spaces provided by Nanjing Jianye Properties to the customers of Golden Eagle World Store. In assessing the fairness and reasonableness of the assumption, we have obtained and reviewed the forecast for the car parking fees payable under the Lease Agreement (Golden Eagle World) (as amended) prepared by the Management and did not note any irregularities from the calculation and we hence consider the adoption of this assumption for determining the Golden Eagle World Store Annual Caps is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

(e) Review of the impact of COVID-19 on retail store business

As set out in the section headed “(e) Review on the impact of COVID-19 on retail store business” on page 65, even the COVID-19 outbreak did have significant impact on the Group’s retail business, the Group has already adopted various measures to prevent and contain the impact of the pandemic while trying to resume business and to integrate further its online and offline operations. In these circumstances, we are of the view that, while COVID-19 had significant impact on the business of the Group’s retail stores, the situations have been turned around with recovery on the way.

Conclusion

Based on our independent work done as stated in sub-sections above, we concur with the Management’s view that the basis adopted by the Management in determining the Golden Eagle World Store Annual Caps is justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

III. REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUED CONNECTED TRANSACTIONS

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions are subject to the following annual review requirements:

- (a) each year, the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts of the Company that the continuing connected transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) in accordance with each of the New Lease Agreements and the Relevant Lease Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as whole;

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- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
 - (iii) were not entered into, in accordance with each of the New Lease Agreements and the Relevant Lease Agreements governing the continuing connected transactions; and
 - (iv) have exceeded the annual caps contemplated under each of the New Lease Agreements and the Relevant Lease Agreements;
- (c) the Company must allow, and ensure that the relevant transaction counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

IV. INTERNAL CONTROL MEASURES TAKEN BY THE GROUP

We have discussed with the Management about the internal control measures implemented by the Group in relation to the rent, the car parking fees and the property management fees. Based on our discussion and set out in the Letter, there are following overriding principles in determining the amount of rental and other fees payable by the Group:

1. the lease arrangement must be mutually beneficial to the Group and the landlord, otherwise either party may not be willing to enter into the arrangement. As such, the amount of rental and other fees payable under the lease arrangement is not unilaterally determined by the Group but is subject to the agreement of the landlord;
2. the Group shall be able to generate a reasonable amount of profit in the operation of the store during the tenor of the lease; and
3. based on the understanding of the Group, the landlord has taken into account their own operating costs such that the rental and other fees to be received by them on a long-term basis will be able to cover their own costs, which usually includes depreciation and amortisation of the property and finance costs, with a reasonable amount of profit.

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Further, based on the above overriding principles, the following basic restraints and facts have also been taken into account by the Group:

- (a) it is infeasible for the Group to estimate accurately the exact amount of revenue and expenses to be generated/incurred by each store in the forthcoming years;
- (b) in light of paragraph (a), it is also infeasible for the Group to estimate accurately the exact amount of profit for each store;
- (c) before determining and bargaining for the term of lease, the Group will compile financial projection on the forecasted results of operation of the store in the forthcoming years. Such projection is compiled based on, to a large extent, the experiences and knowledge of the management, the future operating environment perceived by the management and the business strategies to be adopted. Historical results achieved by the Group in the past are of reference value in this regard; and
- (d) while the Group will be less able to control the income, the Group will be more positioned to control the operating costs of the store. The lower the operating costs, the more room for the Group to manage its operational risk and achieve a profit for that store.

Under the above overriding principles and basic restraints, the Group has developed an established internal control system to identify related persons. The Group has provided copies of the New Lease Agreements, the Relevant Lease Agreements and the Other Lease Agreements (collectively, “**Lease Agreements**”) to accounting department, internal control department, administrative department and/or store managers at the respective stores to monitor the compliance with the terms of the relevant agreements. For rental expenses to be calculated based on certain percentage of the gross sales proceeds of the relevant store, rental expenses will be calculated by the Group’s ERP system on a daily basis based on the sales data of the respective store. The aggregate monthly or yearly rentals under such lease agreement will be inputted into the Group’s SAP accounting system and to be reviewed by the accounting department and store manager at the respective store for reasonableness on a monthly basis. For fixed rental arrangement under certain Lease Agreements, including but not limited to the implementation agreements under the Cooperation Agreement on Property Lease (Offices), rental expenses will be initiated and calculated by the administrative department/accounting department at the respective store or office and to be reviewed by the accounting department and store manager at the respective store, if any, for reasonableness on a monthly basis. Internal audit department will audit the reasonableness of the rental expenses and the compliance with the terms of the Lease Agreements on a sampling basis. In the event that there is any uncertainty on compliance with the terms of any of the Lease Agreements, the Group may also consult its legal advisers.

In respect of the car parking fees, the car parking fees will be paid by the Group to the respective landlord for the free parking provided by the landlord to the Group’s customers. The Group’s ERP system will record the free parking time redeemed by the customers, and the landlord will record the free parking time provided to the Group’s customers. At the end of each month, the Group and the respective landlord will reconcile the total number of free parking hours provided under both systems and calculate the car parking fees to be payable by the Group.

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In respect of the property management fees, the respective landlords under the Lease Agreements will provide monthly statement on the actual property management costs incurred to the Group. The Group will review the monthly statement by: (1) making reference to its experience in property management of some of its own stores; and (2) considering the number of staff involved in property management with the quantity of supplies utilised and consumed by the relevant landlords for the property management services provided and determine whether the amount of usage and the costs are justified and reasonable. After the end of each financial year, the Group will review the aggregate amount of actual property management costs incurred for the year to determine whether the overall usage and costs incurred are justified and reasonable based on the Group's experience in property management and with reference to the property management costs of those buildings of similar class in the nearby area and whether any adjustment to the costs is needed in order to arrive at the exact amount of property management fees to be payable for the year.

In assessing the adequacy and effectiveness of the Company's internal control measures, we have obtained and reviewed the aforesaid reports from the Group's ERP system and SAP accounting system and the monthly statements on property management costs and noted that the aforesaid internal control procedures were duly adopted.

Accordingly, based on our interview regarding the internal control procedures and the Company's previous record in carrying out such procedures, we consider that the above internal control procedures are enforceable and in place to ensure that the rent, the car parking fees and the property management fees are (i) on normal commercial terms or on terms no more favourable than those available to independent third parties; and (ii) in accordance with the terms of each of the New Lease Agreements and the Relevant Lease Agreements.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the New Lease Agreements and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the terms of the New Lease Agreements are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole; and (ii) the respective proposed annual caps/revised annual caps of each of the New Lease Agreements and the Relevant Lease Agreements are justifiable, fair and reasonable as far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolutions at the EGM to approve (i) the New Lease Agreements, the transactions contemplated thereunder and the respective proposed annual caps thereof; and (ii) the Relevant Proposed Annual Caps.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Carfield Tang
Assistant Director

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Manfred Shiu
Director

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.

2. DISCLOSURE OF INTERESTS

a. Directors'/chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 and short positions, if any, 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 in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

Long position in the Shares or underlying shares

Name of Director	Personal Interests	Corporate Interests	Total Interests	Total interests as percentage of the issued share capital
Mr. Wang	4,250,000	1,141,733,000	1,145,983,000 <i>(Note)</i>	69.03%

Note: These 1,145,983,000 Shares comprised (i) 1,141,733,000 Shares beneficially held by the Family Trust's interest in GEICO, which in turn is interested in the entire issued share capital of Golden Eagle International Retail Group Limited, to which Mr. Wang is the trustee; (ii) 4,000,000 Shares held by Mr. Wang as the beneficial owner; and (iii) 250,000 Shares beneficially held by Ms. Wang Hsu Vivine H ("Mrs. Wang"), the spouse of Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in all the Shares held by the Family Trust and Mrs. Wang. Mrs. Wang is deemed to be interested in all the Shares held by Mr. Wang.

b. Substantial shareholders'/other persons' interests

Save as disclosed below, as at the Latest Practicable Date, the Directors and the chief executive of the Company had not been notified of any other relevant interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein:

Long position in the Shares or underlying shares

Name	Nature of Interest	Number of Shares held	Total interests as percentage of the issued share capital
GEICO (<i>Note 1</i>)	Interest in controlled corporation	1,141,733,000	68.77%
Golden Eagle International Retail Group Limited (<i>Note 1</i>)	Beneficial owner	1,141,733,000	68.77%
RVJD Holding Limited (<i>Note 2</i>)	Interest in controlled corporation	165,880,000	9.99%
RVJD STAR Company (<i>Note 2</i>)	Beneficial owner	165,880,000	9.99%
ICFI HK (U.S.A.) Investments, LLC	Beneficial owner	119,232,588	7.18%

Notes:

1. These Shares were held by Golden Eagle International Retail Group Limited, a wholly-owned subsidiary of GEICO which is in turn wholly-owned by the Family Trust. Mr. Wang is the trustee.
2. These Shares were held by RVJD STAR Company, a wholly-owned subsidiary of RVJD Holding Limited which is in turn wholly-owned by The 2019 RVJD STAR Trust, a discretionary trust with Cititrust Private Trust (Cayman) Limited as the trustee. None of the Directors are beneficiaries of the trust. The 2019 RVJD STAR Trust is not a core connected person (as defined in the Listing Rules) of the Company and its shareholding in the Company is counted towards the Company's public float under the Listing Rules.

3. DIRECTORS' SERVICES CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or their respective close associates was considered to have interests in competing businesses with the Group.

Pursuant to the Deed of Non-Competition, Mr. Wang has unconditionally and irrevocably undertaken to and for the benefit of the Company (for itself and on behalf of each other member of the Group) that during the Non-Competition Period, not to, whether as principal or agent and whether directly or indirectly (including through any associate, subsidiary, body corporate, partnership, joint venture or other contractual arrangement) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business of retail trade in merchandise in the form of department stores, supermarkets, hypermarkets, convenience stores, specialty merchandise stores (excluding any retail or wholesale outlets for the sale of vehicle tyres), supercentres or category killers in the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan other than 南京新街口百貨商店股份有限公司 (Nanjing Xinjiekou Department Store Co., Ltd., a company established in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange).

5. DIRECTORS' AND EXPERT'S INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, save as disclosed on pages 15 to 35 and below, none of the Directors nor Euto Capital Partners Limited had any interest 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 were proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, save as disclosed below, none of the Directors nor Euto Capital Partners Limited was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

Contracts which the Directors are materially interested in

Lease Agreement (Zhujiang No. 1 Plaza) (as amended by the first, second and third supplemental agreements)

On 28 August 2007, Nanjing Golden Eagle and Nanjing Zhujiang No. 1 entered into the Lease Agreement (Zhujiang No. 1 Plaza) for the lease of Nanjing Zhujiang Properties for a term of 20 years commencing from the date on which Nanjing Zhujiang Store commenced operation (i.e. 28 December 2007).

The aforesaid parties subsequently entered into (i) the first supplemental agreement on 4 June 2008, amending the area of the property to be leased from approximately 22,780 square metres to approximately 24,545.46 square metres; (ii) the second supplemental agreement on 29 December 2008, leasing the Additional Nanjing Zhujiang Properties; and (iii) the third supplemental agreement on 18 March 2015, leasing the Further Additional Nanjing Zhujiang Properties up to 27 December 2027 and adjusting the calculation of the annual rental payable.

Details of the Lease Agreement (Zhujiang No. 1 Plaza) (as amended by the first, second and third supplemental agreements) have been disclosed in the announcements of the Company dated 19 December 2007, 5 January 2009, 18 March 2015, 29 December 2017 and the circulars of the Company dated 4 June 2015 and 20 April 2018 respectively.

Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements)

On 29 December 2008, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the Lease Agreement (Golden Eagle Plaza) for the lease of Shanghai Properties for a term of 20 years commencing from the date on which Shanghai Store commenced operation (i.e. 28 May 2009).

The aforesaid parties subsequently entered into (i) the first supplemental agreement on 19 December 2013, adjusting the annual rental payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi for the year ended 31 December 2013 while the entire leased premise underwent internal renovation and adjusting the calculation of the annual rental subsequently payable; (ii) the second supplemental agreement on 18 March 2015, extending the internal renovation period until 30 September 2015 (subject to adjustment as may be agreed between the parties) and further adjusting the calculation of the annual rental subsequently payable; and (iii) the third supplement agreement on 29 December 2017, leasing the Additional Shanghai Properties up to 29 May 2029.

Details of the Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements) have been disclosed in the announcements of the Company dated 21 January 2009, 20 December 2013, 18 March 2015 and 29 December 2017 and the circulars of the Company dated 4 June 2015 and 20 April 2018 respectively.

Lease Agreement (Xinjiekou Block B) (as amended by the first and second supplemental agreements)

On 16 April 2014, Golden Eagle (China) and Golden Eagle International Group entered into the Lease Agreement (Xinjiekou Block B) for the lease of Xinjiekou Block B for a term of 20 years commencing from the date on which the Group commenced its retail operation at Xinjiekou Block B (i.e. 26 April 2014).

The aforesaid parties subsequently entered into (i) the first supplemental agreement on 18 March 2015, adjusting the calculation of the annual rental payable; and (ii) the second supplemental agreement on 29 September 2020, leasing the Additional Xinjiekou Block B Lease Area for a period from 1 January 2021 to 25 April 2034.

Details of the Lease Agreement (Xinjiekou Block B) (as amended by the first and second supplemental agreements) have been disclosed in the announcements of the Company dated 16 April 2014, 18 March 2015 and 29 September 2020 and the circulars of the Company dated 4 June 2015 and 13 November 2020 respectively.

Lease Agreement (7/F, Xinjiekou Block A)

On 29 September 2020, Golden Eagle (China) and Golden Eagle International Industry entered into the Lease Agreement (7/F, Xinjiekou Block A) for the lease of 7/F, Golden Eagle Centre Tower A with GFA of approximately 5,420.79 square metres for a period from 1 January 2021 to 25 April 2034.

Details of the Lease Agreement (7/F, Xinjiekou Block A) have been disclosed in the announcement of the Company dated 29 September 2020 and the circular of the Company dated 13 November 2020.

Lease Agreement (Yancheng Tiandi Plaza)

On 18 March 2015, Yancheng Golden Eagle Julonghu and Yancheng Golden Eagle Technology entered into the Lease Agreement (Yancheng Tiandi Plaza) for the lease of Yancheng Tiandi Lease Area for a term of 20 years commencing from the date on which Yancheng Julonghu Store commenced soft opening (i.e. 6 September 2014).

Details of the Lease Agreement (Yancheng Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

Lease Agreement (Nanjing Jiangning Tiandi Plaza)

On 18 March 2015, Nanjing Jiangning Shopping and Nanjing Jiangning Technology entered into the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for the lease of Nanjing Jiangning Tiandi Lease Area for a term of 20 years commencing from the date on which Nanjing Jiangning Store commenced operation (i.e. 3 July 2015).

Details of the Lease Agreement (Nanjing Jiangning Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015 and the circular of the Company dated 4 June 2015.

Lianyungang Tenancy Agreements

On 31 December 2018, 連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.), or where the context so requires, the supermarket operated by such company (the “**Lianyungang Supermarket**”) and 連雲港金鷹置業有限公司 (Lianyungang Golden Eagle Properties Co., Ltd.) (the “**Lianyungang Properties**”), an indirect wholly-owned subsidiary of GEICO, entered into a Lianyungang tenancy agreement (the “**2019 Lianyungang Tenancy Agreement**”) for the lease of basement floor of Block 11, Golden Eagle International Garden, Lianyungang City with a GFA of approximately 938 square metres for supermarket operation for a term of 3 years commencing from 1 January 2019. Since the 2019 Lianyungang Tenancy Agreement will expire on 31 December 2021, on 30 September 2021, the aforesaid parties entered into the 2022 Lianyungang Tenancy Agreement for a term of 3 years commencing from 1 January 2022.

Details of the 2019 Lianyungang Tenancy Agreement have been disclosed in the annual report of the Company for the year ended 31 December 2020.

Yancheng Aquarium Tenancy Agreements

On 31 December 2018, 鹽城金鷹聚龍湖購物中心有限公司海洋世界分公司 (Yancheng Golden Eagle Julonghu Shopping Centre Co., Ltd. (Ocean World Branch)) and Yancheng Golden Eagle Technology entered into a Yancheng aquarium tenancy agreement (the “**2019 Yancheng Aquarium Tenancy Agreement**”) for the lease of basement 1st floor of Yancheng Tiandi Plaza with a GFA of approximately 5,000 square metres for aquarium operation for a term of 3 years commencing from 1 January 2019. Since the 2019 Yancheng Aquarium Tenancy Agreement will expire on 31 December 2021, on 30 September 2021, the aforesaid parties entered into the 2022 Yancheng Aquarium Tenancy Agreement for a term of 3 years commencing from 1 January 2022.

Details of the 2019 Yancheng Aquarium Tenancy Agreement have been disclosed in the annual report of the Company for the year ended 31 December 2020.

Cooperation Agreement on Property Lease (Offices)

On 29 September 2020, Golden Eagle Trading and Golden Eagle International Group entered into the Cooperation Agreement on Property Lease (Offices) in respect of various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC commencing from 1 January 2021 or the date on which the relevant parties have entered into formal leasing agreement from time to time (whichever is the later) until 31 December 2023.

Details of the Cooperation Agreement on Property Lease (Offices) have been disclosed in the announcement of the Company dated 29 September 2020 and the circular of the Company dated 13 November 2020.

Cooperation Agreement on Property Lease (Convenience Stores)

On 29 September 2020, Golden Eagle Convenience Store on one part, and Golden Eagle International Group and Nanjing Xinbai Group on the other part, entered into the Cooperation Agreement on Property Lease (Convenience Stores), pursuant to which Golden Eagle International Group and Nanjing Xinbai Group agree to lease, or procure their respective subsidiaries to lease, to Golden Eagle Convenience Store various premises owned by Golden Eagle International Group, Nanjing Xinbai Group or their respective subsidiaries located at various parts of the PRC for 7-Eleven convenience stores operation for a term commencing from 1 January 2021 or the date on which the relevant parties have entered into formal implementation agreement from time to time (whichever is the later) until 31 December 2023.

Details of the Cooperation Agreement on Property Lease (Convenience Stores) have been disclosed in the announcement of the Company dated 29 September 2020 and the circular of the Company dated 13 November 2020.

Property Management Services Agreements

On 30 December 2019, Golden Eagle (China), Nanjing Golden Eagle, 泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.) (“**Taizhou Golden Eagle Shopping**”) and Xianlin Golden Eagle Shopping and the corresponding party, namely 南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle

Properties Asset Management Co., Ltd.) (“**Nanjing Golden Eagle Properties**”), 南京金鷹國際物業發展有限公司 (Nanjing Golden Eagle International Properties Development Co., Ltd.) (“**Nanjing Golden Eagle International Properties**”), Nanjing Zhujiang No. 1, 泰州金鷹天地投資管理有限公司 (Taizhou Golden Eagle Tiandi Investment Management Co., Ltd.) (“**Taizhou Golden Eagle Tiandi**”) and Xianlin Golden Eagle Technology, indirect wholly-owned subsidiaries of GEICO, entered into a master property management services agreement (collectively the “**Property Management Services Agreements**”), pursuant to which:

- (a) Golden Eagle (China) agreed to engage Nanjing Golden Eagle Properties and Nanjing Golden Eagle International Properties to provide property management services to Nanjing Xinjiekou Store and those stores and operations under its control from time to time, including as at the date of this circular, Yangzhou Store, Xuzhou Store, Xi’an Gaoxin Store, Kunming Store, Huai’an Store, Yancheng Store, Yangzhou Jinghua Store, Nanjing Hanzhong Store, Anhui Huaibei Store, Suqian Store, Xuzhou People’s Square Store, Yancheng Outlet Store, Yancheng Julonghu Store, Nantong Lifestyle Centre, Danyang Store, Kunshan Store, Nanjing Jiangning Store, Anhui Ma’anshan Store, Nantong Renmin Road Store, Anhui Wuhu Store, Anhui Wuhu New City Store, Suzhou Store, Yangzhou New City Centre, Anhui Wuhu Hotel, Changzhou Aquarium and Yancheng Aquarium;
- (b) Nanjing Golden Eagle agreed to engage Nanjing Zhujiang No. 1 to provide property management services to Nanjing Zhujiang Road Store;
- (c) Taizhou Golden Eagle Shopping agreed to engage Taizhou Golden Eagle Tiandi to provide property management services to Taizhou Store; and
- (d) Xianlin Golden Eagle Shopping agreed to engage Xianlin Golden Eagle Technology to provide property management services to Nanjing Xianlin Store

for a term of 3 years commencing from 1 January 2020. The property management services include but not limited to the provision of property (interior) maintenance, cleaning, environmental and greenery services.

Details of the Property Management Services Agreements have been disclosed in the announcement of the Company dated 30 December 2019.

Project Management Services Agreement

On 30 December 2019, Golden Eagle (China) and Golden Eagle International Group entered into a project management services agreement (the “**Project Management Services Agreement**”) for a term of 3 years commencing from 1 January 2020, pursuant to which Golden Eagle International Group has agreed to provide project management services including design, purchase of building materials and construction of the Group’s new stores to Golden Eagle (China).

Details of the Project Management Services Agreement have been disclosed in the announcement of the Company dated 30 December 2019.

Decoration Services Agreement (as amended and supplemented)

On 26 February 2006, Golden Eagle (China) and 南京金鷹工程建設有限公司 (Nanjing Golden Eagle Construction Work Co., Ltd.) (“**Golden Eagle Construction Work**”), an indirect wholly-owned subsidiary of GEICO, entered into a decoration services agreement for a term of 2 years commencing from 1 January 2006 to 31 December 2007. The agreement was supplemented by the first supplemental agreement dated 18 December 2007, the second supplemental agreement dated 16 November 2010, the third supplemental agreement dated 19 December 2013, the fourth supplemental agreement dated 23 December 2016 and the fifth supplemental agreement dated 30 December 2019, for a renewed term of up to 31 December 2022 (the “**Decoration Services Agreement (as amended and supplemented)**”). Under the Decoration Services Agreement (as amended and supplemented), Golden Eagle Construction Work shall provide decoration services to the existing and new stores of the Group.

Details of the Decoration Services Agreement (as amended and supplemented) have been disclosed in the prospectus and announcements of the Company dated 8 March 2006, 19 December 2007, 16 November 2010, 20 December 2013, 23 December 2016 and 30 December 2019.

Carpark Management Services Agreement

On 30 December 2019, Nanjing Golden Eagle and Nanjing Zhujiang No. 1 entered into a carpark management services agreement (the “**Carpark Management Services Agreement**”) for a term of 3 years commencing from 1 January 2020. Pursuant to the Carpark Management Services Agreement, Nanjing Zhujiang No. 1 shall provide free car parking spaces to the customers of Nanjing Zhujiang Store and Nanjing Zhujiang Store shall pay carpark fees at a rate of RMB8.0 per hour to Nanjing Zhujiang No. 1 as part of the value-added services provided for its customers.

Details of the Carpark Management Services Agreement have been disclosed in the annual report of the Company for the year ended 31 December 2020.

Street Shop Management Agreements

On 29 September 2020, Golden Eagle (China) and Golden Eagle International Group entered into a street shop management agreement (the “**Street Shop Management Agreement**”) in respect of the street shop properties which were being owned, or would be owned, by Golden Eagle International Group or its subsidiaries from time to time (the “**Street Shop Properties**”), pursuant to which Golden Eagle (China) and its subsidiaries are delegated with the tasks of managing the daily operation of the Street Shop Properties for a term of 3 years commencing from 1 January 2021. As at the Latest Practicable Date, these properties include, inter alia, standalone non-specialty street shops with an aggregate leasable area of approximately 204,399 square metres held for lease in the cities of Nanjing, Taizhou, Yancheng, Suqian, Danyang, Kunshan and Ma’anshan (being the area of be leased by Ma’anshan Golden Eagle Shopping under the Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza)) which are all located at the prime shopping districts in the proximity of the retail chain stores being operated by the Group in the same city.

Details of the Street Shop Management Agreement have been disclosed in the announcement of the Company dated 29 September 2020.

Jinqiao Market Management Agreement

On 30 December 2019, Golden Eagle (China), on one hand, and 南京金橋市場管理有限公司 (Nanjing Jinqiao Market Management Co., Ltd.) (“**Nanjing Jinqiao Market**”) and 南京金橋燈飾市場經營管理有限公司 (Nanjing Jinqiao Lighting Market Management Co., Ltd.) (“**Nanjing Jinqiao Lighting Market**”), indirect wholly-owned subsidiaries of GEICO, on the other hand, entered into an agreement (the “**Jinqiao Market Management Agreement**”) for a term of 3 years commencing from 1 January 2020. Pursuant to the agreement, Golden Eagle (China) and its subsidiaries are delegated with the tasks of managing the daily operation of the wholesale and retail markets which are owned, or will be owned by Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market from time to time. As at the Latest Practicable Date, these properties include three large scale wholesale and retail markets with an aggregate leasable area of approximately 107,786 square metres for general merchandise, decorative materials, lighting and curtain fabrics located at Nanjing City.

Details of the Jinqiao Market Management Agreement have been disclosed in the announcement of the Company dated 30 December 2019.

Integrated Services Agreements

On 31 December 2018, Lianyungang Supermarket and Lianyungang Properties entered into an integrated services agreement (the “**2019 Integrated Services Agreement**”) for a term of 3 years commencing from 1 January 2019. Pursuant to which Lianyungang Supermarket would provide integrated services, including customer resources sharing, information technology and market promotion supports, training and service management to Lianyungang Properties. Since the 2019 Integrated Services Agreement will expire on 31 December 2021, the aforesaid parties entered into another integrated services agreement (the “**2022 Integrated Services Agreement**”) on 30 September 2021 for a term of 3 years commencing from 1 January 2022.

Details of the 2019 Integrated Services Agreement have been disclosed in the annual report of the Company for the year ended 31 December 2020.

Motor Group Management Agreement

On 3 December 2014, Golden Eagle (China) and 南京金鷹國際投資管理有限公司 (Nanjing Golden Eagle International Investment Management Co., Ltd.) entered into a management agreement (the “**Motor Group Management Agreement**”), pursuant to which Golden Eagle (China) is delegated with the tasks of managing the daily operation of 南京金鷹國際汽車銷售服務集團有限公司 (Nanjing Golden Eagle International Motor Sales Services Group Co., Ltd.) and its subsidiaries for a term of 3 years. The Motor Group Management Agreement was supplemented by (i) the first supplemental agreement dated 29 December 2017; and (ii) the second supplemental agreement dated 29 September 2020 for a renewed term of up to 31 December 2023.

Details of the Motor Group Management Agreement have been disclosed in the annual report of the Company for the year ended 31 December 2020.

Yangzhou Car Park Lease Agreement

On 31 December 2018, 揚州金鷹新城市中心開發有限公司 (Yangzhou Golden Eagle New City Centre Development Co., Ltd.), as lessor, and 揚州金鷹國際物業管理有限公司 (Yangzhou Golden Eagle International Property Management Co., Ltd.), an indirect wholly-owned subsidiary of GEICO, as lessee, entered into a lease agreement (the “**Yangzhou Car Park Lease Agreement**”) for the lease of the carparks situated at ground floor and basement 1st floor of 揚州金鷹新城市中心廣場 (Yangzhou Golden Eagle New City Centre Plaza) at 揚州市文昌東路1177 (No. 1177 Wenchang Road East, Yangzhou City) with an aggregate GFA of approximately 31,982 square metres (the “**Yangzhou New City Store Car Park**”) for a term of 3 years commencing from 1 January 2019.

Details of the Yangzhou Car Park Lease Agreement have been disclosed in the annual report of the Company for the year ended 31 December 2020.

Master Car Park Lease Agreement

On 30 December 2019, Golden Eagle (China) and Golden Eagle International Group entered into a master car park lease agreement (the “**Master Car Park Lease Agreement**”), pursuant to which Golden Eagle (China) agrees to lease to Golden Eagle International Group or its subsidiaries various car parks owned by Golden Eagle (China) or its subsidiaries located in various parts of the PRC, commencing from 1 January 2020 or the date on which the relevant parties have entered into formal implementation leasing agreement under the Master Car Park Lease Agreement from time to time (whichever is the later) until 31 December 2022. As at the Latest Practicable Date, 6 car parks with an aggregate GFA of approximately 218,045 square metres, comprising 4,634 car parking lots at Wuhu New City Store, Xuzhou Store, Wuhu Store, Nanjing Xianlin Store Zone B, Kunming Store Block B and Suzhou Store, were covered by the Master Car Park Lease Agreement.

Details of the Master Car Park Lease Agreement have been disclosed in the announcement of the Company dated 30 December 2019.

Procurement Agreement

On 30 September 2021, Golden Eagle (China) on the one part, and Golden Eagle International Group and 南京展泰貿易有限公司 (Nanjing Zhantai Trading Co., Ltd.) (“**Nanjing Zhantai**”) on the other part, entered into a procurement agreement (the “**Procurement Agreement**”), pursuant to which Golden Eagle International Group, Nanjing Zhantai and their respective subsidiaries will purchase such merchandise, products and goods available for sale in the retail stores operated by Golden Eagle (China) and/or its subsidiaries, including but not limited to liquor, tobacco, processed and unprocessed food, apparels and accessories and office supplies from Golden Eagle (China) and/or its subsidiaries, for a term of 3 years commencing from 1 January 2022 to 31 December 2024.

Details of the Procurement Agreement have been disclosed in the announcement of the Company dated 30 September 2021.

Xinjiekou Block B Framework Agreement

On 9 November 2009, Golden Eagle (China) and Golden Eagle International Group entered into a framework agreement (the “**Xinjiekou Block B Framework Agreement**”), pursuant to which Golden Eagle International Group agreed to develop and sell, and Golden Eagle (China) agreed to acquire, the whole of 1st to 6th floors and portion of second level of basement of 南京市漢中路101號 (No. 101 Hanzhong Lu, Nanjing City) developed by Golden Eagle International Group at the consideration of RMB875.0 million (subject to adjustment).

Details of the Xinjiekou Block B Framework Agreement have been disclosed in the announcement of the Company dated 11 November 2009 and the circular of the Company dated 2 December 2009.

Kunshan Framework Agreement

On 28 March 2011, 昆山金鷹購物中心有限公司 (Kunshan Golden Eagle Shopping Centre Co., Ltd.) and 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.), an indirect wholly-owned subsidiary of GEICO, entered into a cooperation framework agreement (the “**Kunshan Framework Agreement**”) for the acquisition of a property situated at Kunshan City, which comprise the whole of 1st to 8th floors and basements B1 and B2 of Kunshan Tiandi Project with an aggregate GFA of approximately 118,500 square metres at the consideration of RMB1,125.8 million (subject to adjustment).

Details of the Kunshan Framework Agreement have been disclosed in the announcement of the Company dated 28 March 2011 and the circular of the Company dated 21 April 2011.

Each of the counter-parties of the above transactions is an indirect wholly-owned subsidiary of GEICO. GEICO is in turn wholly-owned by the Family Trust.

The only Director who has interest in those contracts and agreements as set out above is Mr. Wang.

Save for the aforesaid and disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, Euto Capital Partners Limited was not materially interested in any contract or arrangement with the Group.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there is no material adverse change in the financial or trading position of the Company since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

8. EXPERT

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

Name	Qualification	Date of advice
Euto Capital Partners Limited	A licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities under the SFO	15 November 2021

Euto Capital Partners Limited has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and the references to its name, in the form and context in which they respectively appear.

Euto Capital Partners Limited does not have any shareholding, direct or indirect, in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL

The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands.

The head office of the Group is situated at 17th Floor, Block A, Golden Eagle World, No. 888 Yingtian Street, Jianye District, Nanjing, the PRC.

Ms. Tai Ping, Patricia, who is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia, is the company secretary of the Company.

The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation, except that if there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.geretail.com) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 42 and 43 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 44 to 112 of this circular;
- (d) the written consent of the Independent Financial Adviser referred to in Section 8 of this Appendix;
- (e) the New Lease Agreements, namely:
 - (i) Supplemental Agreement to Lease Agreement (Ma'anshan Tiandi Plaza) (together with Lease Agreement (Ma'anshan Tiandi Plaza)); and
 - (ii) 2022 Lease Agreement (Yancheng Golden Eagle Outlet);
- (f) the Relevant Lease Agreements, namely:
 - (i) Lease Agreement (Hanzhong Plaza);
 - (ii) Lease Agreement (Total Xianlin Retail Area);
 - (iii) Lease Agreement (Danyang Tiandi Plaza); and
 - (iv) Lease Agreement (Golden Eagle World) (as amended);
- (g) the Other Lease Agreements, namely:
 - (i) Lease Agreement (Zhujiang No. 1 Plaza) (as amended by the first, second and third supplemental agreements);
 - (ii) Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements);
 - (iii) Lease Agreement (Xinjiekou Block B) (as amended by the first and second supplemental agreements);
 - (iv) Lease Agreement (Yancheng Tiandi Plaza);
 - (v) Lease Agreement (Nanjing Jiangning Tiandi Plaza);
 - (vi) Cooperation Agreement on Property Lease (Offices);
 - (vii) Cooperation Agreement on Property Lease (Convenience Stores);
 - (viii) Lease Agreement (7/F, Xinjiekou Block A);
 - (ix) 2022 Lianyungang Tenancy Agreement; and
 - (x) 2022 Yancheng Aquarium Tenancy Agreement;

- (h) the contracts (and the supplemental agreements thereto) as referred to in section 5 of this Appendix, namely:
 - (i) 2019 Lianyungang Tenancy Agreement;
 - (ii) 2019 Yancheng Aquarium Tenancy Agreement;
 - (iii) Property Management Services Agreements;
 - (iv) Project Management Services Agreement;
 - (v) Decoration Services Agreement (as amended and supplemented);
 - (vi) Carpark Management Services Agreement;
 - (vii) Street Shop Management Agreement;
 - (viii) Jinqiao Market Management Agreement;
 - (ix) 2019 Integrated Services Agreement;
 - (x) 2022 Integrated Services Agreement;
 - (xi) Motor Group Management Agreement;
 - (xii) Yangzhou Car Park Lease Agreement;
 - (xiii) Master Car Park Lease Agreement;
 - (xiv) Procurement Agreement;
 - (xv) Xinjiekou Block B Framework Agreement; and
 - (xvi) Kunshan Framework Agreement;
- (i) the Deed of Non-Competition;
- (j) the annual report of the Company for the year ended 31 December 2020; and
- (k) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Golden Eagle Retail Group Limited (the “Company”) will be held at 10:00 a.m. on Thursday, 16 December 2021 at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company.

1. “**THAT**

- (a) the entering into of the Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza) (as defined and described in the circular (the “Circular”) of the Company dated 15 November 2021) and the transactions contemplated thereunder be and are hereby approved and ratified;
- (b) the annual caps in respect of the transactions contemplated under the Lease Agreement (Ma’anshan Tiandi Plaza) (as amended) in the amount of RMB52.23 million, RMB60.09 million and RMB69.13 million for each of the three years ending 31 December 2024 respectively be and are hereby approved and confirmed; and
- (c) any Director or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of the Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza) and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza) which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of the Supplemental Agreement to Lease Agreement (Ma’anshan Tiandi Plaza) and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matters referred to in this resolution.”

2. “**THAT**

- (a) the entering into of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) (as defined and described in the Circular) and the transactions contemplated thereunder be and are hereby approved and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the annual caps in respect of the transactions contemplated under the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) in the amount of RMB5.25 million, RMB10.25 million and RMB11.21 million for each of the three years ending 31 December 2024 respectively be and are hereby approved and confirmed; and
- (c) any Director or any other person authorised by the board of Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for or in connection with the implementation of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) which is in his/her opinion not of a material nature and necessary, desirable or expedient for or in connection with the implementation of the 2022 Lease Agreement (Yancheng Golden Eagle Outlet) and all transactions and other matters contemplated thereunder or ancillary thereto, and to effect or implement any other matters referred to in this resolution.”
3. “**THAT** the proposed annual caps for the Lease Agreement (Hanzhong Plaza) (as defined and described in the Circular) in the amount of RMB11.05 million, RMB11.70 million and RMB12.39 million for each of the three years ending 31 December 2024 respectively be and are hereby approved and confirmed.”
4. “**THAT** the proposed annual caps for the Lease Agreement (Total Xianlin Retail Area) (as defined and described in the Circular) in the amount of RMB31.23 million, RMB32.36 million and RMB33.53 million for each of the three years ending 31 December 2024 respectively be and are hereby approved and confirmed.”
5. “**THAT** the proposed annual caps for the Lease Agreement (Danyang Tiandi Plaza) (as defined and described in the Circular) in the amount of RMB10.00 million, RMB10.96 million and RMB12.03 million for each of the three years ending 31 December 2024 respectively be and are hereby approved and confirmed.”
6. “**THAT** the proposed annual caps for the Lease Agreement (Golden Eagle World) (as amended) (as defined and described in the Circular) in the amount of RMB168.85 million, RMB190.86 million and RMB214.42 million for each of the three years ending 31 December 2024 respectively be and are hereby approved and confirmed.”

By Order of the Board
Golden Eagle Retail Group Limited
Tai Ping, Patricia
Company Secretary

Hong Kong, 15 November 2021

Principal Place of Business in Hong Kong:
Unit 1206, 12th Floor
Tower 2, Lippo Centre
89 Queensway
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) If Typhoon signal number 8 or above, or a “black” rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company at www.geretail.com and on the HKEx news website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
- (2) Where there are joint registered holders of any share of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (3) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and vote in his stead. A proxy need not be a member of the Company. The Company would like to remind member that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that member appoint the Chairman of the EGM as their proxy and submit their form of proxy as early as possible. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (4) There will be no closure of register of members. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, 10 December 2021. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2021.

PRECAUTIONARY MEASURES OF COVID-19 FOR THE EGM

Due to the outbreak of the new coronavirus COVID-19 pandemic (the “**Pandemic**”), the Company will implement the following precautionary measures against the Pandemic at the venue of meeting of the EGM (the “**Venue**”) to protect the Shareholders from the risk of infection:

- i. compulsory body temperature check will be conducted for every Shareholder or his/her proxy at the entrance of the Venue. Any person with a body temperature of over 37.0 degrees Celsius will not be admitted to the Venue;
- ii. every Shareholder or his/her proxy will have to submit a completed health declaration form prior to entry into the Venue;
- iii. every Shareholder or his/her proxy is required to wear a surgical facial mask throughout the EGM. Any person who refuses to follow the aforesaid will not be admitted to the Venue;
- iv. every Shareholder or his/her proxy who has travelled from jurisdictions, which according to the Department of Health of Hong Kong would render such person subject to a quarantine order, within 21 days of the date of the EGM will not be admitted to the Venue; and
- v. no refreshments will be served and no corporate gift will be given.

To the extent permitted under the laws, the Company reserves the right to deny entry into the Venue or require any person to leave the Venue so as to ensure the health and safety of the attendees at the EGM.

Furthermore, the Company wishes to strongly advise the Shareholders, particularly the Shareholders who are unwell, subject to quarantine in relation to the Pandemic or unable to travel to attend to the EGM, that they may appoint any person or the chairman of the EGM as a proxy to vote on the resolutions to be proposed at the EGM, instead of attending the EGM in person. The Company also encourages the Shareholders to watch the websites of the Company and the Stock Exchange for any updates in relation to the EGM that may need to be provided.

As at the date of this notice, the Board comprises one executive Director, namely Mr. Wang Hung, Roger and three independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Lay Danny J and Mr. Lo Ching Yan.