THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **Golden Eagle Retail Group Limited**, you should at once hand this Circular to the purchaser or the transferee or the bank, stockbroker or other registered dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(1) RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS
(2) THIRD SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT (GOLDEN EAGLE PLAZA)
(3) LEASE AGREEMENT (GOLDEN EAGLE WORLD)
(4) COOPERATION AGREEMENT ON PROPERTY LEASE (OFFICES)

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

Euto 裕韜 Capital Partners

EUTO CAPITAL PARTNERS LIMITED

A letter from the Board is set out on pages 15 to 52 of this Circular.

A notice convening an extraordinary general meeting ("EGM") of Golden Eagle Retail Group Limited to be held at 10:00 a.m. on Tuesday, 8 May 2018 at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong is set out on pages 180 to 182 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deliver the same 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 24 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 hereof in person should you so wish.

20 April 2018

CONTENTS

Page

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

"Additional Nanjing Zhujiang Properties"	comprise units basement floors 1 and 2 of the south wing of Zhujiang No. 1 Plaza with an aggregate gross floor area of approximately 1,919 square metres and units 2nd to 4th floors of the north wing of Zhujiang No. 1 Plaza with an aggregate gross floor area 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 gross floor area of approximately 9,982.77 square metres
"Additional Xianlin Retail Area"	comprises the 1st floor and the 2nd floor of Blocks 3 and 5 and the 1st floor of Blocks 4 and 6 of Xianlin Golden Eagle Tiandi with an aggregate gross floor area of approximately 14,556 square metres
"Ancillary Facilities"	the ancillary facilities located on 1st to 5th floors of Hanzhong Plaza, including, inter alia, water pumps, ventilation machines, air-conditioning system, electricity control system, escalators, elevators, fire extinguishers, fire alarm systems, CCTV, cables, etc.
"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
"Cooperation Agreement on Property Lease (Offices)"	the cooperation agreement on property leases in respect of various office premises dated 29 December 2017 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 center 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 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
"Danyang Tiandi Plaza Lease Area"	all parts of 1st — 8th floors and a portion of basement 1, North Zone, Block 16 of Danyang Tiandi Plaza with gross floor area of approximately 52,976.24 square metres and the ancillary facilities
"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
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve, inter alia, (i) the Relevant Proposed Annual Caps and (ii) the New Agreements and the transactions contemplated thereunder and the respective annual caps thereof
"Facilities Leasing Agreement"	the facilities leasing agreement in respect of the Ancillary Facilities dated 3 June 2009 entered into between Golden Eagle (China) and Nanjing Jinjiye
"Further Additional Nanjing Zhujiang Properties"	comprise units basement floor 1 to 1st floor of the north wing of Zhujiang No. 1 Plaza with an aggregate gross floor area of approximately 2,755 square metres

"Further Additional Xianlin Retail Area"	comprises the 1st floor of Block 2, the 1st floor and the 2nd floor of Block 5 and the 1st floor of Block 6 of Xianlin Golden Eagle Tiandi with an aggregate gross floor area of approximately 5,700 square metres
"GEICO"	GEICO Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being the indirect sole shareholder of: (1) Nanjing Zhujiang No. 1; (2) Golden Eagle International Group; (3) Xianlin Golden Eagle Technology; (4) Yancheng Golden Eagle Technology; (5) Danyang Golden Eagle Tiandi; (6) Nanjing Jiangning Technology; (7) Ma'anshan Golden Eagle Tiandi; (8) Shanghai Golden Eagle Tiandi; and (9) Nanjing Jianye Properties and the indirect controlling shareholder of the Company
"Golden Eagle (China)" or "Nanjing Xinjiekou Store"	金鷹國際商貿集團(中國)有限公司 (Golden Eagle International Retail Group (China) Co., Ltd.), a company established in the PRC with limited liability on 12 May 2000, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the lifestyle center operated by such entity
"Golden Eagle International Group"	南京金鷹國際集團有限公司 (Nanjing Golden Eagle International Group Co., Ltd.), a company established in the PRC with limited liability on 7 March 1992, which is an indirect wholly-owned subsidiary of GEICO
"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 gross floor area 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 with a total gross floor area 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 gross floor area 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"	portion of basement 1st floor to 9th floor, Golden Eagle World with a gross floor area 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 a total gross floor area of approximately 12,462.02 square metres, which is legally and beneficially owned by Golden Eagle International Group
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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. Wang Sung Yun, Eddie
"Independent Shareholders"	the Shareholders who are independent of and not connected with Nanjing Zhujiang No. 1, Golden Eagle International Group, Xianlin Golden Eagle Technology, Yancheng Golden Eagle Technology, Danyang Golden Eagle Tiandi, Nanjing Jiangning Technology, Ma'anshan Golden Eagle Tiandi, Shanghai Golden Eagle Tiandi, Nanjing Jianye Properties and their respective associates and 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"	12 April 2018, being the latest practicable date prior to the printing of this Circular for ascertaining certain information referred to in this Circular
"Lease Agreement (7/F — 9/F, Golden Eagle Plaza)"	the lease agreement in respect of Additional Shanghai Properties dated 23 December 2016 entered into between Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi
"Lease Agreement (Additional Xianlin Retail Area)"	the lease agreement in respect of 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 Danyang Tiandi Plaza 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 Shanghai Properties dated 29 December 2008 entered into between Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi
"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 June 2009 entered into between Golden Eagle (China) and Nanjing Jinjiye
"Lease Agreement (Ma'anshan Tiandi Plaza)"	the lease agreement in respect of Ma'anshan Tiandi Plaza 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 Plaza Lease Area dated 18 March 2015 entered into between Nanjing Jiangning Golden Eagle 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 dated 16 April 2014 entered into between Golden Eagle (China) and Golden Eagle International Group

"Lease Agreement (Yancheng Golden Eagle Outlet)"	the lease agreement in respect of Yancheng Golden Eagle Outlet dated 20 January 2012 entered into between Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology
"Lease Agreement (Yancheng Tiandi Plaza)"	the lease agreement in respect of Yancheng Tiandi Plaza Lease Area dated 18 March 2015 entered into between Yancheng Golden Eagle Julonghu and Yancheng Golden Eagle Technology
"Lianyungang Golden Eagle Properties"	連雲港金鷹置業有限公司 (Lianyungang Golden Eagle Properties Co., Ltd.), a company established in the PRC with limited liability on 19 March 2008, being an indirect wholly-owned subsidiary of GEICO and the legal and beneficial owner of Lianyungang Properties
"Lianyungang Properties"	basement floor of Block 11, Golden Eagle International Garden, Lianyungang City with a gross floor area of approximately 938 square metres
"Lianyungang Golden Eagle Shopping"	連雲港金鷹國際購物中心有限公司 (Lianyungang Golden Eagle International Shopping Centre Co., Ltd.), a company established in the PRC with limited liability on 17 July 2009, being an indirect wholly-owned subsidiary of the Company
"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 center 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 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 (8 Hunanxi Road, Yushanqu, Ma'anshan City) which is legally and beneficially owned by Ma'anshan Golden Eagle Tiandi

"Ma'anshan Tiandi Plaza Lease Area"	a portion of basement 1st floor, 1st floor to 8th floor, Podium Building, Ma'anshan Tiandi Plaza with a gross floor area of approximately 87,567.86 square metres
"Mr. Wang"	Mr. Wang Hung, Roger, the Chairman and the executive Director of the Company
"Ms. Wang"	Ms. Janice S. Y. Wang, the executive Director of the Company and is the daughter of Mr. Wang
"Nanjing Golden Eagle" or "Nanjing Zhujiang Store"	南京金鷹珠江路購物中心有限公司 (formerly known as 南京金鷹天地購物中心有限公司) (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
"Nanjing Golden Eagle International Properties"	南京金鷹國際物業發展有限公司 (Nanjing Golden Eagle International Properties Development Co., Ltd.), a company established in the PRC with limited liability on 20 August 2003, which is an indirect wholly-owned subsidiary of GEICO
"Nanjing Golden Eagle Properties"	南京金鷹物業資產管理有限公司 (Nanjing Golden Eagle Properties Asset Management Co., Ltd.), a company established in the PRC with limited liability on 9 September 1999, which is an indirect wholly-owned subsidiary of GEICO
"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 center 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 Plaza"	南京江寧金鷹天地廣場項目 (Nanjing Jiangning Golden Eagle Tiandi Plaza Project) located at 南京江寧開發區雙龍大道1688號 (1688, Shuanglong Dadao, Jiangning Development Zone, Nanjing City), which is legally and beneficially owned by Nanjing Jiangning Technology
"Nanjing Jiangning Tiandi Plaza Lease Area"	basement 2nd floor to 5th floor, Nanjing Jiangning Tiandi Plaza with a gross floor area of approximately 144,710 square metres
"Nanjing Jianye Properties"	南京建鄴金鷹置業有限公司 (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"	南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping 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 center operated by such entity
"Nanjing Jinjiye"	南京金紀業投資管理有限公司 (Nanjing Jinjiye Investment Management Co., Ltd.), a company established in the PRC with limited liability on 29 April 2009, being the former legal and beneficial owner of Hanzhong Plaza. On 11 November 2010, Nanjing Jinjiye was merged into Golden Eagle International Group after a series of group reorganization
"Nanjing Xinbai"	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
"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
"Nanjing Zhujiang Properties"	1st to 5th floors of Zhujiang No. 1 Plaza
"New Agreements"	collectively, the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza), the Lease Agreement (Golden Eagle World) and the Cooperation Agreement on Property Lease (Offices)

"Non-competition Period"	the period commencing from the date on which the Shares commence trading on the Main Board of the Stock Exchange and ending on the earlier of: (a) 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 (b) the date on which the Shares cease to be listed on the Stock Exchange
"Other Lease Agreements"	collectively, (a) the lease agreement entered into by Lianyungang Golden Eagle Shopping, being an indirect wholly-owned subsidiary of the Company, and Lianyungang Golden Eagle Properties, being an indirect wholly-owned subsidiary of GEICO, for the lease of Lianyungang Properties for supermarket operation; and (b) the lease agreement entered into by 金鷹國際海洋世界鹽城有限公司 (Golden Eagle International Ocean World Yancheng Co., Ltd.), being an indirect wholly-owned subsidiary of the Company, and Yancheng Golden Eagle Technology, for the lease of basement floor 1 of Yancheng Tiandi Plaza with a gross floor area of approximately 5,000 square metres for aquarium operation. Details of the agreements have been disclosed in the annual report of the Company for the year ended 31 December 2016
"PRC"	the People's Republic of China
"Property Management Engagement Parties"	collectively, Golden Eagle (China), Nanjing Golden Eagle, Taizhou Golden Eagle Shopping, Xianlin Golden Eagle Shopping, Wuhu Golden Eagle Enterprises, Wuhu Golden Eagle Riverside and Shanghai Golden Eagle and "Property Management Engagement Party" shall mean any of them
"Property Management Services Providers"	collectively, Nanjing Golden Eagle Properties, Nanjing Zhujiang No. 1, Taizhou Golden Eagle Tiandi, Xianlin Golden Eagle Tiandi, Nanjing Golden Eagle International Properties and Shanghai Golden Eagle Tiandi and "Property Management Services Provider" shall mean any of them
"Quarter"	each of the 3-month periods ended 31 March, 30 June, 30 September and 31 December respectively

"Relevant Lease Agreements"	collectively: (a) the Zhujiang Tenancy Agreement (as amended by the first, second and third supplemental agreements); (b) the Lease Agreement (Hanzhong Plaza) (as amended by the first, second and third supplemental agreements); (c) the Lease Agreements (Total Xianlin Retail Area) (as amended by the first, second and third supplemental agreements); (d) the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements); (e) the Lease Agreement (Xinjiekou Block B) (as amended by the supplemental agreement); (f) the Lease Agreement (Yancheng Tiandi Plaza); (g) the Lease Agreement (Danyang Tiandi Plaza); (h) the Lease Agreement (Nanjing Jiangning Tiandi Plaza); (i) the Lease Agreement (Ma'anshan Tiandi Plaza); and (j) the Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements)
"Relevant Proposed Annual Caps"	the proposed annual caps for each of the three years ending 31 December 2020 in respect of the Relevant Lease Agreements
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 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"	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 gross floor area of approximately 19,668 square metres
"Shareholder(s)"	the shareholder(s) of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taizhou Golden Eagle Shopping" or "Taizhou Store"	泰州金鷹商貿有限公司 (Taizhou Golden Eagle Retail Co., Ltd.), a company established in the PRC with limited liability on 18 May 2006, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the store operated by such entity
"Taizhou Golden Eagle Tiandi"	泰州金鷹天地投資管理有限公司 (Taizhou Golden Eagle Tiandi Investment Management Co., Ltd.), a company established in the PRC with limited liability on 25 August 2008, which is an indirect wholly-owned subsidiary of GEICO
"Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza)"	the third supplemental agreement to the Lease Agreement (Golden Eagle Plaza) dated 29 December 2017 entered into between Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi
"Total Nanjing Zhujiang Properties"	collectively, the Nanjing Zhujiang Properties, the Additional Nanjing Zhujiang Properties and the Further Additional Zhujiang Properties with an aggregate gross floor area of approximately 33,578 square metres
"Total Shanghai Properties"	collectively, the Shanghai Properties and the Additional Shanghai Properties with an aggregate gross floor area of approximately 29,650.77 square metres
"Total Xianlin Retail Area"	collectively, the Xianlin Golden Eagle Shopping Plaza, the Additional Xianlin Retail Area and the Further Additional Xianlin Retail Area with an aggregate gross floor area of approximately 42,795.4 square metres
"Wuhu Golden Eagle Enterprises" or "Wuhu Shopping Centre" or "Wuhu Hotel"	蕪湖金鷹國際實業有限公司 (Wuhu Golden Eagle International Enterprises Co., Ltd.) (formerly known as 蕪湖僑鴻國際實業有限公司), a company established in the PRC with limited liability on 28 December 2004, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the store or hotel operated by such entity
"Wuhu Golden Eagle Riverside" or "Wuhu New City Store"	蕪湖金鷹濱江世紀發展有限公司 (Wuhu Golden Eagle Riverside Century Development Co., Ltd.) (formerly known as 蕪湖僑鴻濱江世紀發展有限公司), a company established in the PRC with limited liability on 20 January 2011, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the store operated by such entity

"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 department store operated by such entity
"Xianlin Golden Eagle Shopping Plaza"	仙林金鷹購物中心, comprising the 1st floor to the 5th floor of Block 1 of Xianlin Golden Eagle Tiandi with an aggregate gross floor area of approximately 22,539.4 square metres and ancillary facilities
"Xianlin Golden Eagle Technology"	南京仙林金鷹天地科技有限公司 (formerly known as 南京仙林金鷹置業有限公司) (Nanjing Xianlin Golden Eagle Tiandi Technology 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 Xianlin Golden Eagle Tiandi, comprising the Total Xianlin Retail Area
"Xianlin Golden Eagle Tiandi"	仙林金鷹天地, 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) which is legally and beneficially owned by Xianlin Golden Eagle Techonology
"Xinjiekou Block B"	the premises located at basement 1st floor, 7th — 9th floor of 南京市漢中路101號 (No. 101 Hanzhong Lu, Nanjing City) together with the ancillary facilities with an aggregate gross floor area of approximately 29,242 square metres, which is legally and beneficially owned by Golden Eagle International Group
"Xuzhou Golden Eagle Industry" or "Xuzhou Store"	徐州金鷹國際實業有限公司 (Xuzhou Golden Eagle International Industry Co., Ltd.), a company established in the PRC with limited liability on 25 February 2004, being an indirect wholly-owned subsidiary of the Company, or where the context so requires, the department store operated by such entity
"Xuzhou Golden Eagle Properties"	徐州金鷹國際置業有限公司 (Xuzhou Golden Eagle International Properties Co., Ltd.), a company established in the PRC with limited liability on 29 June 2005, being an indirect wholly-owned subsidiary of GEICO

"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 center 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 gross floor area of approximately 18,376.65 square metres which is legally and beneficially owned by Yancheng Golden Eagle Technology
"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 (formerly known as 鹽城金國聯置業有限公司) (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 Plaza"	鹽城金鷹天地廣場項目 (Yancheng Golden Eagle Tiandi Plaza Project) located at 鹽城解放南路268號 (No. 268 Jiefangnan Lu, Yancheng City), which is legally and beneficially owned by Yancheng Golden Eagle Technology
"Yancheng Tiandi Plaza 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 gross floor area of approximately 110,848 square metres
"Zhujiang No. 1 Plaza"	珠江壹號廣場, a commercial building located at No.1, Zhujiang Lu, Nanjing City, which is legally and beneficially owned by Nanjing Zhujiang No. 1

"Zhujiang Tenancy Agreement"	the tenancy agreement in respect of Nanjing Zhujiang Properties dated 28 August 2007 entered into between Nanjing Golden Eagle and Nanjing Zhujiang No. 1
"%"	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. 8412.

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.

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 directors:
WANG Hung, Roger *(Chairman)*
WANG Janice S. Y.

Independent non-executive directors:
WONG Chi Keung
LAY Danny J
WANG Sung Yun, Eddie

Head office in the PRC:
8th Floor
Golden Eagle International Plaza
89 Hanzhong Road
Nanjing, the PRC

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

20 April 2018

To the Shareholders

Dear Sir or Madam,

(1) RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS
(2) THIRD SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT (GOLDEN EAGLE PLAZA)
(3) LEASE AGREEMENT (GOLDEN EAGLE WORLD)
(4) COOPERATION AGREEMENT ON PROPERTY LEASE (OFFICES)

INTRODUCTION

Reference is made to the announcement of the Company dated 29 December 2017.

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

The Independent Board Committee has been formed by the Board to advise the Independent Shareholders in respect of the Relevant Proposed Annual Caps and the New Agreements. 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 the Relevant Proposed Annual Caps and the New Agreements.

The purpose of this Circular is to provide you with further details on the Relevant Proposed Annual Caps and the New Agreements and to give notice to the Shareholders of the EGM at which ordinary resolutions will be proposed to approve the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder and to provide other relevant information in accordance with the Listing Rules.

1. ZHUJIANG TENANCY AGREEMENT (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 Zhujiang Tenancy Agreement 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 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 Zhujiang Tenancy Agreement (as amended by the first, second and third supplemental agreements) (the "**Zhujiang Tenancy Agreement (as amended and supplemented)**") have been disclosed in the announcements of the Company dated 19 December 2007, 5 January 2009, 18 March 2015 respectively and the circular of the Company dated 4 June 2015.

Pursuant to the Zhujiang Tenancy Agreement (as amended and supplemented), Nanjing Zhujiang No. 1 has leased the Total Nanjing Zhujiang Properties to Nanjing Golden Eagle up to 27 December 2027, the rental of which shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries 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 concessionaire (less value-added tax);

(ii) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries 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 concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax#)	X	50%

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in the Total Nanjing Zhujiang Properties (less business 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.

Historical figures

The amounts of rental paid by Nanjing Golden Eagle to Nanjing Zhujiang No. 1 under the Zhujiang Tenancy Agreement (as amended and supplemented) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB20,395,000	(equivalent to approximately HK$24,245,000)
31 December 2016:	RMB19,313,000	(equivalent to approximately HK$22,959,000)
31 December 2017:	RMB20,947,000	(equivalent to approximately HK$24,901,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Zhujiang Tenancy Agreement (as amended and supplemented) for each of the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB22.63 million	(equivalent to approximately HK$26.90 million)
31 December 2019:	RMB23.04 million	(equivalent to approximately HK$27.39 million)
31 December 2020:	RMB23.28 million	(equivalent to approximately HK$27.67 million)

The above annual caps for the Zhujiang Tenancy Agreement (as amended and supplemented) are determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Nanjing Zhujiang Store, including concessionaire sales, sub-letting of units and supermaket operations, with reference to the sales performance of Nanjing Zhujiang Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% on supermaket operations. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group could project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

2. LEASE AGREEMENT (HANZHONG PLAZA) (AS AMENDED BY THE FIRST, SECOND AND THIRD SUPPLEMENTAL AGREEMENTS)

On 3 June 2009, Golden Eagle (China) and Nanjing Jinjiye entered into (i) the Lease Agreement (Hanzhong Plaza) for the lease of Hanzhong Plaza and (ii) the Facilities Leasing Agreement for the lease of the Ancillary Facilities for a term of 10 years commencing from the date on which Hanzhong Plaza commenced operation in the name of Golden Eagle (China) (i.e. 18 June 2009).

Subsequently, pursuant to the first supplemental agreement to the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement dated 13 July 2009, Golden Eagle (China) has transferred all its rights and obligations to Nanjing Golden Eagle Retail and Golden Eagle International Group has assumed all the rights and obligations of Nanjing Jinjiye under the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement. The aforesaid parties subsequently entered into (i) the second supplemental agreement on 19 December 2013, removing the minimum guaranteed rental and adjusting the calculation of the annual rental payable and (ii) the third supplemental agreement on 18 March 2015, further adjusting the calculation of the annual rental payable.

Details of the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement (as amended by the first, second and third supplemental agreements) (the "**Lease Agreement (Hanzhong Plaza) (as amended and supplemented)**") have been disclosed in the announcements of the Company dated 23 June 2009, 20 December 2013 and 18 March 2015 respectively and the circular of the Company dated 4 June 2015.

Pursuant to the Lease Agreement (Hanzhong Plaza) (as amended and supplemented), Golden Eagle International Group has leased the Hanzhong Plaza and the Ancillary Facilities to Nanjing Golden Eagle Retail up to 17 June 2019, the rental of which shall be equivalent to the aggregate of:

(a) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries 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 concessionaire (less value-added tax);

(b) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries 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:

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

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

The rental above will cover the rental for the lease of Ancillary Facilities under the Facilities Leasing Agreement. Golden Eagle International Group will not separately charge Nanjing Golden Eagle Retail under the Facilities Leasing Agreement.

Historical figures

The amounts of rental paid by Nanjing Golden Eagle Retail to Golden Eagle International Group under the Lease Agreement (Hanzhong Plaza) (as amended and supplemented) for each of the three years ended 31 December 2017 are as follows:

Year ended:		
31 December 2015:	RMB9,722,000	(equivalent to approximately HK$11,557,000)
31 December 2016:	RMB8,463,000	(equivalent to approximately HK$10,061,000)
31 December 2017:	RMB8,855,000	(equivalent to approximately HK$10,527,000)

Proposed annual caps for the two years ending 31 December 2019

The Company proposes that the respective aggregate annual caps for the Lease Agreement (Hanzhong Plaza) (as amended and supplemented) for each of the two years ending 31 December 2019 are as follows:

Year ending:		
31 December 2018:	RMB9.14 million	(equivalent to approximately HK$10.87 million)
31 December 2019:	RMB4.66 million	(equivalent to approximately HK$5.54 million)

The above annual caps for the Lease Agreement (Hanzhong Plaza) (as amended and supplemented) are determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Nanjing Hanzhong Store, including concessionaire sales and sub-letting of units, with reference to the sales performance of Nanjing Hanzhong Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions, assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales and 50% for sub-letting income and the lease will expire on 17 June 2019. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the two years ending 31 December 2019 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

3. LEASE AGREEMENT (XIANLIN GOLDEN EAGLE SHOPPING PLAZA) AND LEASE AGREEMENT (ADDITIONAL XIANLIN RETAIL AREA) (AS AMENDED BY THE FIRST, SECOND AND THIRD SUPPLEMENTAL AGREEMENTS)

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 the date of soft opening of Xianlin Golden Eagle Shopping Plaza (i.e. 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 date of soft opening of Additional Xianlin Retail Area to 17 December 2029.

The aforesaid parties subsequently entered into (i) the first supplemental agreements 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 rental; and (iii) the third supplemental agreement on 18 March 2015 further adjusting the calculation of the annual rental payable.

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

Pursuant to the Lease Agreement (Total Xianlin Retail Area) (as amended and supplemented), Xianlin Golden Eagle Technology has leased the Total Xianlin Retail Area to Xianlin Golden Eagle Shopping up to 27 December 2029, the rental of which shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

  (i) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries 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 concessionaire (less value-added tax);

(ii) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries 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 concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax#)	X	50%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

(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 business tax and other relevant taxes);

(c) with respect to supermarket operations:

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

Historical figures

The amounts of rental paid by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Technology under the Lease Agreement (Total Xianlin Retail Area) (as amended and supplemented) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB27,112,000	(equivalent to approximately HK$32,230,000)
31 December 2016:	RMB26,786,000	(equivalent to approximately HK$31,843,000)
31 December 2017:	RMB27,276,000	(equivalent to approximately HK$32,425,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Total Xianlin Retail Area) (as amended and supplemented) for each of the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB30.99 million	(equivalent to approximately HK$36.84 million)
31 December 2019:	RMB33.47 million	(equivalent to approximately HK$39.79 million)
31 December 2020:	RMB36.14 million	(equivalent to approximately HK$42.96 million)

The above annual caps for the aggregate amount of rentals for the Lease Agreement (Total Xianlin Retail Area) (as amended and supplemented) are determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of the Total Xianlin Retail Area, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Total Xianlin Retail Area in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionmaire sales, 50% for sub-letting income and 4% for supermarket operations. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

4. LEASE AGREEMENT (YANCHENG GOLDEN EAGLE OUTLET) (AS AMENDED BY THE FIRST AND SECOND SUPPLEMENTAL AGREEMENTS)

On 20 January 2012, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology entered into the Lease Agreement (Yancheng Golden Eagle Outlet) for the lease of the Yancheng Golden Eagle Outlet for a term of 10 years from the date on which Yancheng Golden Eagle Outlet commenced soft opening (i.e. 18 May 2012).

The aforesaid parties subsequently entered into (i) the first supplemental agreement on 19 December 2013, removing the minimum guaranteed rental; and (ii) the second supplemental agreement on 18 March 2015 adjusting the calculation of the annual rental payable.

Details of the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) (the "**Lease Agreement (Yancheng Golden Eagle Outlet) (as amended and supplemented)**") have been disclosed in the announcements of the Company dated 20 January 2012, 20 December 2013 and 18 March 2015 respectively and the circular of the Company dated 4 June 2015.

Pursuant to the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended and supplemented), Yancheng Golden Eagle Technology has leased the Yancheng Golden Eagle Outlet to Yancheng Golden Eagle Shopping up to 17 May 2022, the rental of which shall be equivalent to the aggregate of:

(a) for those concessionaries which (I) the Group charges more than 8% commission rate on their concessionaries 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 concessionaire (less value-added tax);

(b) for those concessionaries which (I) the Group charges 8% or less commission rate on their concessionaries 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 concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax#)	X	50%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

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

Historical figures

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 and supplemented) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB4,767,000	(equivalent to approximately HK$5,667,000)
31 December 2016:	RMB5,386,000	(equivalent to approximately HK$6,403,000)
31 December 2017:	RMB5,725,000	(equivalent to approximately HK$6,806,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended and supplemented) for each of the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB6.34 million	(equivalent to approximately HK$7.54 million)
31 December 2019:	RMB6.53 million	(equivalent to approximately HK$7.76 million)
31 December 2020:	RMB6.72 million	(equivalent to approximately HK$7.99 million)

The above annual caps for the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended and supplemented) are determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Yancheng Outlet Store, including concessionaire sales and sub-letting of units, with reference to the sales performance of Yancheng Outlet Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4.5% for its concessionaire sales and 50% for sub-letting income. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

5. LEASE AGREEMENT (XINJIEKOU BLOCK B) (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)

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). On 18 March 2015, the aforesaid parties subsequently entered into the supplemental agreement, adjusting the calculation of the annual rental payable.

Details of the Lease Agreement (Xinjiekou Block B) (as amended by the supplemental agreement) (the "**Lease Agreement (Xinjiekou Block B) (as amended and supplemented)**") have been disclosed in the announcements of the Company dated 16 April 2014 and 18 March 2015 respectively and the circular of the Company dated 4 June 2015.

Pursuant to the Lease Agreement (Xinjiekou Block B) (as amended and supplemented), Golden Eagle International Group has leased the Xinjiekou Block B to Golden Eagle (China) up to 25 April 2034, the rental of which shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries 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 concessionaries (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 concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax[#])	X	50%

[#] the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in Xinjiekou Block B (less business 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.

Historical figures

The amounts of rental paid by Golden Eagle (China) to Golden Eagle International Group under the Lease Agreement (Xinjiekou Block B) (as amended and supplemented) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB22,225,000	(equivalent to approximately HK$26,421,000)
31 December 2016:	RMB24,293,000	(equivalent to approximately HK$28,879,000)
31 December 2017:	RMB26,714,000	(equivalent to approximately HK$31,757,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Xinjiekou Block B) (as amended and supplemented) for the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB32.13 million	(equivalent to approximately HK$38.20 million)
31 December 2019:	RMB34.09 million	(equivalent to approximately HK$40.53 million)
31 December 2020:	RMB36.07 million	(equivalent to approximately HK$42.88 million)

The above annual caps for the Lease Agreement (Xinjiekou Block B) (as amended and supplemented) are determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Xinjiekou Block B, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Xinjiekou Block B in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

6. 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 Plaza Lease Area for a term of 20 years 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. The rental of the Lease Agreement (Yancheng Tiandi Plaza) shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries 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 concessionaries (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 concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax#)	X	50%

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in Yancheng Tiandi Plaza Lease Area (less business 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.

Historical amounts

The amounts of rental paid by Yancheng Golden Eagle Julonghu to Yancheng Golden Eagle Technology under the Lease Agreement (Yancheng Tiandi Plaza) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB11,894,000	(equivalent to approximately HK$14,139,000)
31 December 2016:	RMB19,624,000	(equivalent to approximately HK$23,329,000)
31 December 2017:	RMB25,896,000	(equivalent to approximately HK$30,785,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Yancheng Tiandi Plaza) for the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB33.07 million	(equivalent to approximately HK$39.31 million)
31 December 2019:	RMB36.29 million	(equivalent to approximately HK$43.14 million)
31 December 2020:	RMB39.31 million	(equivalent to approximately HK$46.73 million)

The above annual caps for the Lease Agreement (Yancheng Tiandi Plaza) are determined based on (i) the historical amounts incurred in the past; (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Yancheng Julonghu Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Yancheng Julonghu Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations; (iii) the assumption that the car parking spaces offered by Yancheng Golden Eagle Technology to the general public and Yancheng Julonghu Store will be free of charge during the relevant periods. In the event that Yancheng Golden Eagle Technology ceases to offer car parking spaces free of charge in the future, the above annual caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Yancheng Golden Eagle Technology in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Yancheng Tiandi Plaza Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The sales of Yanchang Julonghu Store increased by (i) approximately 18.9% from RMB356.9 million for the year ended 31 December 2015 to RMB424.3 million for the year ended 31 December 2016 and (ii) approximately 21.8% to RMB516.7 million for the year ended 31 December 2017. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. It is also in the Group's experience that a new store will experience a relatively rapid increase in sales in its first few years of operation because of the low base effect. Yanchang Julonghu Store commenced soft opening on 6 September 2014. During the first few years of operation, the Group would also be able to obtain more local and updated information about the consumer preferences. With reference to these information, the Group will implement various measures and strategies to improve the sales performance of the store, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp. Therefore, the management is of the view that Yancheng Julonghu Store can maintain its momentum in sales growth. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

7. **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 Plaza Lease Area for a term of 20 years from the date on which Danyang Store commenced soft opening (i.e. 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. The rental of the Lease Agreement (Danyang Tiandi Plaza) shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries 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 concessionaries (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 concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax#)	X	50%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in Danyang Tiandi Plaza 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;

(ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 1 January 2018 onwards.

Historical 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 three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB4,903,000	(equivalent to approximately HK$5,829,000)
31 December 2016:	RMB5,016,000	(equivalent to approximately HK$5,963,000)
31 December 2017:	RMB4,558,000	(equivalent to approximately HK$5,418,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Danyang Tiandi Plaza) for the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB5.59 million	(equivalent to approximately HK$6.65 million)
31 December 2019:	RMB6.06 million	(equivalent to approximately HK$7.20 million)
31 December 2020:	RMB6.58 million	(equivalent to approximately HK$7.82 million)

The above annual caps for the Lease Agreement (Danyang Tiandi Plaza) are determined based on (i) the historical amounts incurred in the past; (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Danyang Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Danyang Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations; (iii) the assumption that the car parking spaces offered by Danyang Golden Eagle Tiandi to the general public and Danyang Store will be free of charge during the relevant periods. In the event that Danyang Golden Eagle Tiandi ceases to offer car parking spaces free of charge in the future, the above annual caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Danyang Golden Eagle Tiandi in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Danyang Tiandi Plaza Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

8. **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 Plaza

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. The rental of the Lease Agreement (Nanjing Jiangning Tiandi Plaza) shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries 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 concessionaries (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:

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

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

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

50% of the rental proceeds derived from sub-letting the units in Nanjing Jiangning Tiandi Plaza 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 during the first three years commencing from 3 July 2015;

(ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 3 July 2018 onwards.

Historical amounts

The amounts of rental paid by Nanjing Jiangning Shopping to Nanjing Jiangning Technology under the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB10,491,000	(equivalent to approximately HK$12,471,000)
31 December 2016:	RMB24,057,000	(equivalent to approximately HK$28,598,000)
31 December 2017:	RMB32,369,000	(equivalent to approximately HK$38,480,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB44.16 million	(equivalent to approximately HK$52.50 million)
31 December 2019:	RMB57.05 million	(equivalent to approximately HK$67.82 million)
31 December 2020:	RMB72.39 million	(equivalent to approximately HK$86.06 million)

The above annual caps for the Lease Agreement (Nanjing Jiangning Tiandi Plaza) are determined based on (i) the historical amounts incurred in the past; (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Nanjing Jiangning Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Nanjing Jiangning Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4.5% for its concessionaire sales, 50% for sub-letting income and 3%/4% (as the case may be) for supermarket operations; (iii) the assumption that the car parking spaces offered by Nanjing Jiangning Technology to the general public and Nanjing Jiangning Store will be free of charge during the relevant periods. In the event that Nanjing Jiangning Technology ceases to offer car parking spaces free of charge in the future, the above annual caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Nanjing Jiangning Technology in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Nanjing Jiangning Tiandi Plaza Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The sales of Nanjing Jiangning Store increased by (i) approximately 121.7% (operating results from 3 July 2015 to 31 December 2015 as against 2016 full year operating results) from RMB182.2 million for the year ended 31 December 2015 to RMB404.0 million for the year ended 31 December 2016 and (ii) approximately 19.5% to RMB482.8 million for the year ended 31 December 2017. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. It is also the Group's experience that a new store will experience a relatively rapid increase in sales in its first few years of operation because of the low base effect. Nanjing Jiangning Store commenced soft opening on 3 July 2015. During the first few years of operation, the Group would also be able to obtain more local and updated information about the consumer preferences. With reference to these information, the Group will implement various measures and strategies to improve the sales performance of the store, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp. Therefore, the management is of the view that the Nanjing Jiangning Store can maintain its momentum in sales growth. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

9. **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 Plaza 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. The rental of the Lease Agreement (Ma'anshan Tiandi Plaza) shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) for those concessionaries 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 concessionaries (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:

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

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

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

50% of the rental proceeds derived from sub-letting the units in Ma'anshan Tiandi Plaza 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 during the first three years commencing from 29 August 2015;

(ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 29 August 2018 onwards.

Historical Amount

The amounts of rental paid by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi under the Lease Agreement (Ma'anshan Tiandi Plaza) for each of the three years ended 31 December 2017 are as follows:

Year ended:

31 December 2015:	RMB6,648,000	(equivalent to approximately HK$7,903,000)
31 December 2016:	RMB15,622,000	(equivalent to approximately HK$18,571,000)
31 December 2017:	RMB18,341,000	(equivalent to approximately HK$21,803,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Ma'anshan Tiandi Plaza) for the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB21.15 million	(equivalent to approximately HK$25.14 million)
31 December 2019:	RMB23.27 million	(equivalent to approximately HK$27.66 million)
31 December 2020:	RMB25.59 million	(equivalent to approximately HK$30.42 million)

The above annual caps for the Lease Agreement (Ma'anshan Tiandi Plaza) are determined based on (i) the historical amounts incurred in the past; (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Ma'anshan Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Ma'anshan Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4.5% for its concessionaire sales, 50% for sub-letting income and 3%/4% (as the case may be) for supermarket operations; (iii) the assumption that the car parking spaces offered by Ma'anshan Golden Eagle Tiandi to the general public and Ma'anshan Store will be free of charge during the relevant periods. In the event that Ma'anshan Golden Eagle Tiandi ceases to offer car parking spaces free of charge in the future, the above annual caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Ma'anshan Golden Eagle Tiandi in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Ma'anshan Tiandi Plaza Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The sales of Ma'anshan Store increased by (i) approximately 142.2% (operating results from 29 August 2015 to 31 December 2015 as against 2016 full year operating results) from RMB115.0 million for the year ended 31 December 2015 to RMB278.4 million for the year ended 31 December 2016 and (ii) approximately 13.8% to RMB316.8 million for the year ended 31 December 2017. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. It is also the Group's experience that a new store will experience a relatively rapid increase in sales in its first few years of operation because of the low base effect. Ma'anshan Store commenced soft opening in 29 August 2015. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The proposed annual caps for each of the three years ending 31 December 2020 is conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

10. 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; and (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.

Details of the Lease Agreement (Golden Eagle Plaza), the first supplemental agreement and the second supplemental agreement have been disclosed in the announcements of the Company dated 21 January 2009, 20 December 2013, and 18 March 2015 respectively and the circular of the Company dated 4 June 2015.

On 23 December 2016, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the Lease Agreement (7/F - 9/F, Golden Eagle Plaza) for the lease of Additional Shanghai Properties for a period from 1 April 2016 to 31 December 2017. Details of the Lease Agreement (7/F - 9/F, Golden Eagle Plaza) have been disclosed in the annual report of the Company for the year ended 31 December 2016.

On 29 December 2017, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza), pursuant to which the parties agree that:

(a) Shanghai Golden Eagle Tiandi agrees to lease the Additional Shanghai Properties with the aggregate gross floor area of approximately 9,983 square metres to Shanghai Golden Eagle from 1 January 2018 to 27 May 2029; and

(b) with effect from 1 January 2018, the Total Shanghai Properties is subject to property management fee payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi equivalent to the actual property management 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. Shanghai Golden Eagle Tiandi agreed to provide monthly statement on the actual property management costs incurred to the Group within 5 days after the end of each month during the term of the lease. 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 Shanghai Golden Eagle Tiandi and determine whether the amount of usage and costs are justified and reasonable. After the end of each financial year, the Group will review the aggregate amount of the 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 make reference and compare to the property management fees charged by other landlords which are independent third parties for those buildings of similar class in the nearby area with no less than 3 comparables and determine whether any adjustment to the costs is needed in order to arrive at the exact amount of property management fee to be payable for the year. The mark-up of 10% was arrived at after arm's length negotiation taking into account (i) the prevailing property management fees charged by property management service providers for nearby buildings and complexes; (ii) average profit margin of the property management service providers listed on the Stock Exchange; and (iii) the related taxes to be payable and the general administrative expenses to be incurred by Shanghai Golden Eagle Tiandi for rendering such property management services.

Under the Lease Agreement (Golden Eagle Plaza), Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi agreed that the latter would not charge the former property management fee for the first three years after the entering into of the Lease Agreement (Golden Eagle Plaza), and they would revisit the arrangement regarding property management fee thereafter (i.e. in 2012). Shanghai Store was not performing well since 2012 because of the challenging and competitive operating environment in Shanghai market and the closure of the store for major revamp since May 2014 together with the internal renovation of the entire leased premises of Golden Eagle Plaza since early 2013. As such, Shanghai Store started to incur operating losses since 2014. Upon negotiations, Shanghai Golden Eagle Tiandi agreed not to charge property management fees during such period. Shanghai Store was re-launched in October 2016 and started to generate operating profit in the year of 2017 and, upon negotiations, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi agreed that the latter would begin charging property management fees.

Subject to the aforesaid, all other major terms of the Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements) (the "**Lease Agreement (Golden Eagle Plaza) (as amended and supplemented)**") remain unchanged and in full force and effect.

Pursuant to the Lease Agreement (Golden Eagle Plaza) (as amended and supplemented), Shanghai Golden Eagle Tiandi has leased the Total Shanghai Properties to Shanghai Golden Eagle up to 27 May 2029, the rental of which shall be equivalent to the aggregate of:

(a) for those concessionaries 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 concessionaries (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:

Gross sales proceeds derived from the operation of those concessionaries (less value-added tax)	X	Commission rate charged by the Group (less sales tax#)	X	50%

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

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

Historical figures

The aggregate amounts of rental paid by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi under the Lease Agreement (Golden Eagle Plaza) (as amended and supplemented) and the Lease Agreement (7/F - 9/F, Golden Eagle Plaza) for each of the three years ended 31 December 2017 are as follows:

Year ended:		
31 December 2015:	RMB1,704,000	(equivalent to approximately HK$2,026,000)
31 December 2016:	RMB2,850,000	(equivalent to approximately HK$3,388,000)
31 December 2017:	RMB13,798,000	(equivalent to approximately HK$16,403,000)

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Golden Eagle Plaza) (as amended and supplemented) for each of the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB29.69 million	(equivalent to approximately HK$35.29 million)
31 December 2019:	RMB32.96 million	(equivalent to approximately HK$39.18 million)
31 December 2020:	RMB33.05 million	(equivalent to approximately HK$39.29 million)

The above annual caps for the Lease Agreement (Golden Eagle Plaza) (as amended and supplemented) are determined based on (i) the historical amounts incurred in the past; (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Shanghai Store, including concessionaire sales and sub-letting of units, with reference to the sales performance of Shanghai Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales and 50% for sub-letting income; (iii) the reasonable estimation of the additional gross sales proceeds to be derived from the operation of the increased retail area as a results of the lease of the Additional Shanghai Properties; (iv) the improved sales performance of Shanghai Store after its re-launched in October 2016; and (v) the estimated costs expected to be incurred by Shanghai Golden Eagle Tiandi in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Total Shanghai Properties during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs. Sales performance in the past is the most important benchmark in the determination of the proposed annual caps because it shows what the store could actually achieve. The sales of Shanghai Store (i) decreased by approximately 8.1% from RMB79.73 million for the year ended 31 December 2015 to RMB73.28 million for the year ended 31 December 2016 and (ii) increased by approximately 75.9% to RMB128.87 million for the year ended 31 December 2017 which showed a significant operating improvement after its re-launched in October 2016. The current economic environment and the prevailing market conditions are, and will remain, challenging, which in turn affect the market sentiment and the expected growth rate of the local area in the forthcoming three years. Taking into account the above-mentioned factors, the Group will project the growth rate of the business of the store.

Condition precedent

The Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza) and the proposed annual caps in respect of the Lease Agreement (Golden Eagle Plaza) (as amended and supplemented) for each of the three years ending 31 December 2020 are conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

Reasons for entering into the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza)

To satisfy the diversified consumption demands of our customers, the Group has been proactively implementing its comprehensive lifestyle concept by introducing more functions and amenities into its operating area. Accordingly, additional retail area is required for the Shanghai Store. The Group has been leasing the Additional Shanghai Properties since 2016 and the Additional Shanghai Properties has been leased out as shared offices and business centres. With such new functions, Shanghai Store's foot traffic and profitability had been improved. The Board therefore believes that the entering into of the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza) coupled with the renovated Shanghai Store will facilitate the Group to enhance its market presence and competitiveness in Shanghai.

11. LEASE AGREEMENT (GOLDEN EAGLE WORLD) DATED 29 DECEMBER 2017

Lessor:	南京建鄴金鷹置業有限公司 (Nanjing Jianye Golden Eagle Properties Co., Ltd.), being an indirect wholly-owned subsidiary of GEICO
Lessee:	南京建鄴金鷹購物中心有限公司 (Nanjing Jianye Golden Eagle Shopping Co., Ltd.), being an indirect wholly-owned subsidiary of the Company

Assets to be leased under the Lease Agreement (Golden Eagle World)

The assets to be leased under the Lease Agreement (Golden Eagle World) is Golden Eagle World Lease Area with a gross floor area of approximately 227,396 square metres.

During the term of the Lease Agreement (Golden Eagle World), as ancillary facilities and services to the lease, Nanjing Jianye Properties shall also provide (i) car parking spaces at Golden Eagle World, comprising 5,000 car parking spaces located at nine above-ground storeys and four underground storeys with a total parking area of over 150,000 square metres, to Nanjing Jianye Shopping at a discounted rate and (ii) property management services in respect of the nearby area outside the Golden Eagle World Lease Area, including but not limited to the provision of cleaning, environmental and greenery services. As at the Latest Practicable Date, Nanjing Jianye Properties did not charge the general public and Nanjing Jianye Shopping for the use of the car parking spaces. Nanjing Jianye Properties and Nanjing Jianye Shopping will negotiate for a discount if the former would like to charge car parking fees for the use of the car parking spaces in the future.

Term of the Lease Agreement (Golden Eagle World)

The term of the Lease Agreement (Golden Eagle World) will be 20 years commencing from 18 November 2017 (i.e. the date on which Golden Eagle World commenced soft opening) and ending on 17 November 2037.

Rental, Car Parking Fee and Property Management Fee

The rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties for the lease of Golden Eagle World Lease Area shall be as follows:

(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 concessionaries (less value-added tax);

(ii) for those concessionaries 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, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (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 concessionaries (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:

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

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

(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 Golden Eagle World Lease Area (less value-added tax and other relevant taxes);

(ii) during the third year commencing from 18 November 2017, 30% of the rental proceeds derived from sub-letting the units in 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 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 derived from the operation of supermarket (less value-added tax) during the first two years commencing from 18 November 2017;

(ii) 3% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) during the third year commencing from 18 November 2017; and

(iii) 4% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) commencing from 18 November 2020 onwards,

which shall be payable by Nanjing Jianye Shopping to Nanjing Jianye Properties quarterly in arrears within 10 Business Days after the end of the relevant Quarter, except for the first rental payment to be payable in arrears within 10 Business Days after the end of the relevant Quarter where the Lease Agreement (Golden Eagle World) becomes effective.

Nanjing Jianye Properties is now offering those car parking spaces to the general public and Nanjing Jianye Shopping free of charge. In the event that Nanjing Jianye Properties charges any car parking fees in the future, Nanjing Jianye Shopping shall be entitled to not less than 20% discount of the normal car parking fee offered by Nanjing Jianye Properties to the general public from time to time. The parties will enter into detailed implementation agreement regarding the use of the car parking spaces, if necessary.

The property management fee payable by Nanjing Jianye Shopping to Nanjing Jianye Properties shall be equivalent to the actual property management 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. Nanjing Jianye Properties agreed to provide monthly statement on the actual property management costs incurred to the Group within 5 days after the end of each month during the term of the lease. 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 Nanjing Jianye Properties 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 the 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 fee to be payable for the year. The mark-up of 10% was arrived at after arm's length negotiation taking into account (i) the prevailing property management fees charged by property management service providers for nearby buildings and complexes; (ii) the average profit margin of the property management service providers listed on the Stock Exchange; and (iii) the related taxes to be payable and the general administrative expenses to be incurred by Nanjing Jianye Properties for rendering such property management services.

In the event that the operation of the Group in the Golden Eagle World Lease Area is affected due to (i) construction work on public transport facilities; or (ii) major construction or renovation work on the Golden Eagle World Lease Area, the parties may negotiate for rental reduction.

The terms of the Lease Agreement (Golden Eagle World) were arrived at after arm's length negotiations taking into account (i) the Golden Eagle World Lease Area will be delivered to the Group at renovated state; (ii) the expected operating costs of Nanjing Jianye Properties in the provision of car parking services; (iii) the expected operating costs of Nanjing Jianye Properties in the provision of property management services plus the related taxes payable; and (iv) with reference to the prevailing market rate.

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

Rental deposit

Nanjing Jianye Shopping shall pay a sum of RMB50.00 million (equivalent to approximately HK$59.44 million) (the "**Rental Deposit**") to Nanjing Jianye Properties within 5 Business Days after the date of the Lease Agreement (Golden Eagle World).

Nanjing Jianye Properties shall refund the Rental Deposit to Nanjing Jianye Shopping upon (i) the expiry of the Lease Agreement (Golden Eagle World) or (ii) early termination of the Lease Agreement (Golden Eagle World) not attributable to any default on the part of Nanjing Jianye Shopping, whichever is the earlier.

In the event of the early termination of the Lease Agreement (Golden Eagle World) due to the default on the part of Nanjing Jianye Shopping, Nanjing Jianye Properties shall be entitled to forfeit the Rental Deposit in full, without prejudice to the right of Nanjing Jianye Shopping to seek any further remedies.

In the event of the early termination of the Lease Agreement (Golden Eagle World) due to the default on the part of Nanjing Jianye Properties, Nanjing Jianye Properties shall pay a sum equivalent to two times of the Rental Deposit to Nanjing Jianye Shopping without prejudice to the right of Nanjing Jianye Shopping to seek any further remedies.

Right of first refusal

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

Condition precedent

The Lease Agreement (Golden Eagle World) and the proposed annual caps for each of the three years ending 31 December 2020 thereof are conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

Reasons for entering into the Lease Agreement (Golden Eagle World)

Since the opening of Nanjing Xinjiekou flagship store in 1996, the Group's first retail store, the Group has been achieving rapid growth over the past 21 years, and has gradually developed from a mid-to-high-end fashion department store to a comprehensive lifestyle center operator focusing on enhancing quality of life and providing comprehensive services for customers. With Nanjing City as its core market and Jiangsu Province as its home base, the Group has further expanded its business to Shanghai, Shaanxi, Yunnan and Anhui.

The Group has been proceeding with strategic transformation into a comprehensive lifestyle center operator since 2014, with the opening of its first Nanjing Xinjiekou Comprehensive Lifestyle Center in the same year. Since then, the Group has successfully opened 12 comprehensive lifestyle centers which serve as key drivers for the Group's rapid development. The Group is also actively developing into Nanjing Hexi, a new core business district in Nanjing City, as the strategically-selected location for the establishment of "Golden Eagle World", the Group's new flagship store as well as the largest comprehensive lifestyle center with multiple functions and amenities.

As the second largest central business district in eastern China, Nanjing Hexi is the hub of finance, commerce, trading, exhibitions and culture and sports, and has developed itself into a prosperous consumption hub suitable for middle class in Nanjing. Golden Eagle World is the world's tallest asymmetric three-tower skyscraper under construction with a total gross floor area of approximately 920,000 square metres. Tower A is the tallest among the three towers with 368 metres and the other two towers with 328 metres and 300 metres respectively. The three towers are connected with a skyscraper corridor which is at 190 metres above the ground. Golden Eagle World is expected to become a new commercial landmark and tourism destination in eastern China and even the entire China. The opening of Golden Eagle World is expected to reinforce the Group's leading industry position in Yangtze River Delta region and become a long-term growth driver for the Group in the next two decades.

Golden Eagle World is the Group's sixth store and also the third comprehensive lifestyle center opened in Nanjing City. The six stores with aggregate gross floor area of over 700,000 square metres are all positioned differently from one and others and targeted at different customer groups in the city. Golden Eagle World not only features flagship stores of internationally renowned brands of fashion, children's products, outdoor sports products, food and beverages and leisure activities, but also introduced our full collection of G•LIFE series to demonstrate the Group's strong merchandise resources integration capabilities. It is expected that huge synergies could be created among these stores.

The Board believes that the entering into of the Lease Agreement (Golden Eagle World) will further solidify the Group's presence, market share and competitiveness in Nanjing City in which the Group is already enjoying a leading position.

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective annual caps for the Lease Agreement (Golden Eagle World) for the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB70.40 million	(equivalent to approximately HK$83.69 million)
31 December 2019:	RMB65.12 million	(equivalent to approximately HK$77.41 million)
31 December 2020:	RMB86.61 million	(equivalent to approximately HK$102.96 million)

The above annual caps for the Lease Agreement (Golden Eagle World) are determined based on (i) the reasonable estimation of the gross sales proceeds to be derived from the operation of Golden Eagle World, including concessionaire sales, sub-letting of units and supermarket operations, based on our past experiences of opening new stores, the initial sales performance since its soft opening (i.e. operation on a trial basis and a portion of the store was not yet in full operation) on 18 November 2017, the floor plan of the Golden Eagle World Lease Area, including the gross floor area which had been allocated for department store, sub-letted units and supermarket, the specific nature of the local market and the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate for the respective periods; (ii) the first rental payment to be payable, which is expected to be in 2018, includes the rental payable from 18 November 2017 until the Lease Agreement (Golden Eagle World) becomes effective. The first rental payment has not been paid as at the Latest Practicable Date; (iii) the assumption that the car parking spaces offered by Nanjing Jianye Properties to the general public and Golden Eagle World will be free of charge during the relevant periods. In the event that Nanjing Jianye Properties ceases to offer car parking spaces free of charge in the future, the above annual caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Nanjing Jianye Properties in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Golden Eagle World Lease Area during the relevant periods with reference to the size of the surrounding area. The proposed annual cap for the year ending 31 December 2019 is lower than that for the year ending 31 December 2018 because the latter figure has taken into account the rentals payable by the Group during the period between 18 November 2017 and 31 December 2017. The annual cap for the year ending 31 December 2020 is higher than that for the year ending 31 December 2019 because in the Group's experience, a new store will experience a relatively rapid increase in sales in its first few years of operation because of the low base effect. The Company had conducted detailed budgeting and forecasting prior to the soft opening of the Golden Eagle World by considering the floor plan of the Golden Eagle World Lease Area, including the gross floor area which had been allocated for department store, sub-letted units and supermarket, the specific nature of the local market, the prevailing market conditions, the past performance of the concessionaires/tenants at other stores operated by the Group or in nearby cities or for the Group's new concessionaires/tenants, the past performance in the same city or nearby cities. Prior to the announcement of the entering of the Lease Agreement (Golden Eagle World), the Company compared the actual performance during the soft opening period with its budget and forecast to ascertain such budget and forecast are reasonably determined to arrive at the proposed annual caps. Even if it transpires that the budget and forecast are not accurate, it can also show the deviation and enable the Group to make appropriate adjustments.

12. COOPERATION AGREEMENT ON PROPERTY LEASE (OFFICES)

On 29 December 2017, Golden Eagle Trading and Golden Eagle International Group entered into the Cooperation Agreement on Property Lease (Offices), pursuant to which Golden Eagle International Group agrees to lease to Golden Eagle Trading or its invested entities, including its subsidiaries, various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC which are in the proximity of the Group's retail operation in respective cities, including, inter alia, Nanjing City, commencing from 1 January 2018 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 2020, the rental of which shall be at a discount to the prevailing market rate. The discount on rental under the Cooperation Agreement on Property Lease (Offices) is determined by comparing the rentals charged by Golden Eagle International Group or its subsidiaries to independent third parties for the same building with similar size and lease term and Golden Eagle Trading will also refer to the level of market rentals in the local area with reference to the classes of property and the proximity to the Group's retail operation. Golden Eagle Trading would make enquiries about the market rentals in the local area, and would enquire Golden Eagle International Group on the amount of rental that Golden Eagle International Group or its subsidiaries charges other tenants in the same building with similar size and lease term which are independent third parties. Such rental will be at a reasonable discount (usually not less than 20% off) of the market rate in those cities where the relevant office premises are located which, on terms no less favourable than (i) based on the market research work conducted by the Group, which involves enquiring property agents and business partners and conducting online searches, the terms the Group can obtain from independent third party with reference to the classes of the property and proximity to the Group's retail operation and the Group's general understanding on the market trend; and (ii) based on the documentary evidence provided by Golden Eagle International Group, the terms offered by Golden Eagle International Group or its subsidiaries to independent third parties for the same building with similar size and lease term at the time of inception, shall be payable by the lessee to the lessor in accordance with the relevant detailed implementation agreement. There is no exact rule or policy as to how much discount the Group should obtain on top of the 20% off and the exact amount of discount will be negotiated in good faith between the parties with reference to the market rate at the material time and the Group would use its best endeavour to bargain for the best rental rate.

The rental in respect of the Cooperation Agreement on Property Lease (Offices) was arrived at after arm's length negotiations and with reference to the prevailing market rate and market practice.

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

Proposed annual caps for the three years ending 31 December 2020

The Company proposes that the respective aggregate annual caps for the Cooperation Agreement on Property Lease (Offices) for each of the three years ending 31 December 2020 are as follows:

Year ending:

31 December 2018:	RMB12.00 million	(equivalent to approximately HK$14.27 million)
31 December 2019:	RMB12.00 million	(equivalent to approximately HK$14.27 million)
31 December 2020:	RMB12.00 million	(equivalent to approximately HK$14.27 million)

The above annual caps for the Cooperation Agreement on Property Lease (Offices) are determined based on the reasonable estimation of the gross floor area of office premises to be leased by the Group taking into account the operation requirements and business expansion plan of the Group during the relevant periods and assuming that the Group will be charged at the agreed rental rates (i.e. at the anticipated discounted market rates). While the leases of those office premises under the Cooperation Agreement on Property Lease (Offices) may commence on different dates, all leases will end on or before 31 December 2020. The Group anticipates that other than the potential seven office leases with aggregate gross floor area of approximately 6,150 square meters which will be entered into under the Cooperation Agreement on Property Lease (Offices) upon it becomes effective, the Group might lease additional office premises with aggregate gross floor area of approximately 4,180 square meters during the three years ending 31 December 2020 for its new business departments and offices use following the Group's strategic transformation from fashion department store to "Comprehensive Lifestyle Center".

Condition precedent

The Cooperation Agreement on Property Lease (Offices) and the proposed annual caps for each of the three years ending 31 December 2020 thereof are conditional upon the obtaining by the Company of all approvals required under the Listing Rules (including independent shareholders' approval).

Reasons for the transaction

The Group's stores are located in various parts of the PRC and the Group needs office premises for various administration and back office supports for its stores in the proximity of the Group's retail operation from time to time. In the past, the Group usually allocated a portion of the area in each store to use as administration office. The Company believes that converting the space originally designated for office use to retail purpose can create more spaces for its retail operation and hence, new sources of revenue and profitability of the respective store. Accordingly, the Company had relocated certain of its offices to those locations in the proximity of the respective stores. In addition, following the Group's strategic transformation and the expansion of its operating scale, more office space is needed from time to time for its administration office and new business departments. The Cooperation Agreement on Property Lease (Offices) establishes a framework for the Group to lease and use various office premises owned by Golden Eagle International Group or its subsidiaries from time to time and will facilitate the Group to arrange lease arrangements in a flexible manner.

RELATIONSHIPS WITH GEICO

GEICO, through Golden Eagle International Retail Group Limited (one of its wholly-owned subsidiaries), is now indirectly holding approximately 74.49% of the entire issued share capital of the Company and is accordingly a controlling shareholder of the Company. GEICO is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Ms. Wang is a beneficiary of The 2004 RVJD Family Trust.

Nanjing Zhujiang No. 1, Golden Eagle International Group, Xianlin Golden Eagle Technology, Yancheng Golden Eagle Technology, Danyang Golden Eagle Tiandi, Nanjing Jiangning Technology, Ma'anshan Golden Eagle Tiandi, Shanghai Golden Eagle Tiandi and Nanjing Jianye Properties are wholly-owned subsidiaries of GEICO, a 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 Relevant Lease Agreements and the New Agreements constituted continuing connected transactions of the Company.

VIEWS OF THE DIRECTORS

The Board (including the independent non-executive Directors) considers that (i) the Relevant Proposed Annual Caps and (ii) the terms of the New Agreements and the respective proposed annual caps for each of the three years ending 31 December 2020 are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DISADVANTAGES FOR RENEWING THE RELEVANT PROPOSED ANNUAL CAPS AND THE ENTERING INTO OF THE NEW AGREEMENTS

While the management of the Company has extensive experiences in operating retail stores in the PRC, it may be difficult to formulate an accurate forecast of the prospect of its existing stores and the stores to be opened under the New Agreements. Therefore, the Relevant Annual Caps may not be an indicative result of operation of these stores of the Group in the three years ending 31 December 2020. Further, in the event that any of these stores to be opened under the New Agreements turns to be a failure and incurred significant losses, the profitability and results of operation of the Group will be adversely affected.

INTERNAL CONTROL

The Group has an established internal control system to identify related persons. The Group has staff of the accounting department at its headquarter who is specifically delegated with the task of monitoring the rentals on a monthly basis and other fees against the approved annual caps under various continuing connected transactions. The Group has provided copies of the Relevant Lease Agreements and the New Agreements to accounting department, internal control department, administrative department, store managers at the respective stores to monitor the compliance with the terms of the Relevant Lease Agreements and the New Agreements. For those Relevant Lease Agreements and the Lease Agreement (Golden Eagle World), renal expenses will be calculated by the Group's ERP system on a daily basis based on the daily sales data of the respective store. The aggregate monthly or yearly rentals under each 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 Cooperation Agreement on Property Lease (Offices), rental expenses will be initiated and calculated by the administrative 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 Relevant Lease

Agreements and the New Agreements on a sampling basis. In the event there is any uncertainty on compliance with any terms of the agreements, the Group may also consult its legal advisers. The Group will use its best endeavour to procure that the Relevant Lease Agreements and the New Agreements will be timely renewed.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 53 and 54 of this circular. The Independent Board Committee, having taken into account the advice of Euto Capital Partners Limited, considers that the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee also considers that the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, the Directors, including the Independent Board Committee, recommend the Independent Shareholders to vote in favour of the ordinary resolutions concerning the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder to be proposed at the EGM. If any of the Relevant Proposed Annual Caps and/or the New Agreements are not approved by the Independent Shareholders, the Company would not be able to fulfil the Listing Rules requirement regarding the continuing connected transaction, which is the condition precedent under the Relevant Lease Agreements and the New Agreements. In such case, the Company would not be liable to pay any rentals and other fees under the Relevant Lease Agreements and the New Agreements but have to vacate the premises. The Company had considered the consequence of the Relevant Proposed Annual Caps and of the New Agreements not being approved by the Shareholders before entering into the Relevant Lease Agreements and the New Agreements. The impact of such consequence is not material because (1) the initial upfront cost of launching a store in leased properties is not high and (2) during the year ended 31 December 2017, the aggregate gross sales proceeds generated by those stores which those Relevant Proposed Annual Caps and the New Agreements are related represented only approximately 21% of the total gross sales proceeds generated by all the stores of the Group while the aggregate gross floor area attributable to those stores represented approximately 31.6% of the total gross floor area of all the stores of the Group. In order to ensure profitability and sustainability of each of its retail chain stores, the Management will evaluate carefully each potential location for its chain store expansion. In some occasions, the Company will launch store, test the market sentiment on a short term basis in order to ascertain the tenor of the lease, the area to be leased and project a more accurate annual caps. The Group will look for alternative sites to run its business in case any of the Relevant Proposed Annual Caps and/or the New Agreements is not approved.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 53 and 54 of this Circular and the letter from Euto Capital Partners Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 55 to 168 of this Circular.

EGM

EGM notice and proxy form

A notice convening the EGM to be held at 10:00 a.m. on Tuesday, 8 May 2018 at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve, the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder pursuant to the terms and conditions as set out on pages 180 to 182 of this Circular.

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 much 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 24 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 the Relevant Lease Agreements or the New Agreements and his/ her/ its associates, will not vote at the EGM. In this regard, Mr. Wang, Ms. Wang and their associates (including Golden Eagle International Retail Group Limited) will abstain from voting at the EGM. Mr. Wang and Ms. Wang, the executive Directors, who have material interests in the transactions contemplated under the Relevant Lease Agreements and the New Agreements by virtue of their indirect beneficial interests in Nanjing Zhujiang No. 1, Golden Eagle International Group, Xianlin Golden Eagle Technology, Yancheng Golden Eagle Technology, Danyang Golden Eagle Tiandi, Nanjing Jiangning Technology, Ma'anshan Golden Eagle Tiandi, Shanghai Golden Eagle Tiandi and Nanjing Jianye Properties, have abstained from signing on the board resolutions approving (i) the Relevant Proposed Annual Caps; and (ii) the New Agreements and the proposed annual caps thereof.

ADDITIONAL INFORMATION

Your attention is also drawn to the letters from the Independent Board Committee and the independent financial adviser which are respectively set out on pages 53 and 54 and pages 55 to 168 to this Circular. Additional information is also set out in the Appendix to this Circular.

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

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)

20 April 2018

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular (the "Circular") dated 20 April 2018 and despatched to the Shareholders of which this letter forms part of it. 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 the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and whether the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole. Euto Capital Partners Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Relevant Proposed Annual Caps and (ii) the New Agreements and the transactions contemplated thereunder and the annual caps thereof.

We wish to draw your attention to the letter from the Board set out on pages 15 to 52 of the Circular which contains, inter alia, information in respect of the Relevant Proposed Annual Caps and the New Agreements and the letter of advice issued by Euto Capital Partners Limited in relation to the Relevant Proposed Annual Caps and the New Agreements and the transactions contemplated thereunder which is set out on pages 55 to 168 of the Circular.

Having considered the advice given by Euto Capital Partners Limited, we are of the opinion that the Relevant Proposed Annual Caps, the terms of the New Agreements and the annual caps thereof are on normal commercial terms, 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 and the (i) the Relevant Proposed Annual Caps and (ii) the New Agreements and the transactions contemplated thereunder and the annual caps thereof are in the interest of the Company and the Shareholders as a whole.

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
Wang Sung Yun, Eddie
Independent Non-executive Directors

Euto 裕韜 Capital Partners

Euto Capital Partners Limited
Room 2418, Wing On Centre,
111 Connaught Road Central,
Hong Kong

T +852 3106 2393
F +852 3582 4722
www.eutocapital.com

20 April 2018

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

Dear Sirs and Madams,

(1) RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS; (2) THIRD SUPPLEMENTAL AGREEMENT TO LEASE AGREEMENT (GOLDEN EAGLE PLAZA); (3) LEASE AGREEMENT (GOLDEN EAGLE WORLD); AND (4) COOPERATION AGREEMENT OF PROPERTY LEASE (OFFICES)

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the terms of the non-exempt continuing connected transactions to be conducted under the New Agreements and the transactions contemplated thereunder (the "**Continuing Connected Transactions**"); and (ii) the proposed annual caps for each of the three years ending 31 December 2020 in respect of the Relevant Lease Agreements and the New Agreements (collectively the "**Proposed Annual Caps**"). Details of the Relevant Lease Agreements and the New Agreements are set out in the "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 20 April 2018 (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 contest otherwise requires.

I. The New Agreements and the respective annual caps of continuing connected transactions

Reference is made to the announcement of the Company dated 29 December 2017.

(i) ***The Lease Agreement (Golden Eagle World)***

On 29 December 2017, Nanjing Jianye Shopping and Nanjing Jianye Properties entered into the Lease Agreement (Golden Eagle World), pursuant to which Nanjing Jianye Properties agrees to lease the Golden Eagle World Lease Area with a gross floor area of approximately 227,396 square metres to Nanjing Jianye Shopping for 20 years commencing from 18 November 2017 (i.e. the date on which Golden Eagle World commenced soft opening) and ending on 17 November 2037.

(ii) ***The Cooperation Agreement on Property Lease (Offices)***

On 29 December 2017, Golden Eagle Trading and Golden Eagle International Group entered into the Cooperation Agreement on Property Lease (Offices), pursuant to which Golden Eagle International Group agrees to lease to Golden Eagle Trading or its invested entities, including its subsidiaries, various office premises owned by Golden Eagle International Group or its subsidiaries located in various part of the PRC, including, inter alia, Nanjing City, commencing from 1 January 2018 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 2020, the rental of which shall be at a discount to the prevailing market rate.

(iii) ***The Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza)***

On 29 December 2017, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza), pursuant to which the parties agree that:

(a) Shanghai Golden Eagle Tiandi agrees to lease the Additional Shanghai Properties with the aggregate gross floor area of approximately 9,983 square metres to Shanghai Golden Eagle 1 January 2018 to 27 May 2029; and

(b) with effect from 1 January 2018, the Total Shanghai Properties is subject to property management fee payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi equivalent to the actual property management 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.

Subject to the aforesaid, all other major terms of the Amended Golden Eagle Plaza Agreement remain unchanged and in full force and effect.

Based on the above New Agreements, the Company proposed the annual caps in respect of the maximum annual rental payable by the Group to the relevant lessors under the New Agreements for each of the three years ending 31 December 2020 and seek the Independent Shareholders' approval as required under Chapter 14A of the Listing Rules.

Set out below are the details of the summary of the Lease Agreement (Golden Eagle World) and the Cooperation Agreement on Property Lease (Offices) including (i) the date of each agreements and (ii) the proposed annual caps for the three years ended 31 December 2020:

No.	The tenancy agreements	Date	Proposed annual caps		
			FY2018	**FY2019**	**FY2020**
			RMB' million	*RMB' million*	*RMB' million*
(i)	the Lease Agreement (Golden Eagle World)	29/12/2017	70.40	65.12	86.61
(ii)	the Cooperation Agreement on Property Lease (Offices)	29/12/2017	12.00	12.00	12.00

II. Renewal of annual caps of continuing connected transactions in respect of the Relevant Lease Agreements

Reference are made to the announcement and circular of the Company dated 18 March 2015 and 4 June 2015 respectively in relation to the continuing connected transactions of the Group contemplated under the Relevant Lease Agreements (as defined below).

Set out below are the details of the Relevant Lease Agreements including (i) the date of each of the main tenancy agreements and its supplemental agreements; (ii) the historical annual caps of each tenancy agreements together with its supplemental agreements for the three years ended 31 December 2017 which were approved by the Independent Shareholders on 26 June 2015; and (iii) the proposed annual caps of each tenancy agreements together with its supplemental agreements for the three years ending 31 December 2020:

No.	**The tenancy agreements**	**Date of**				**Historical annual caps**			**Proposed annual caps**		
		The main tenancy agreement	**the 1st supplemental agreement**	**the 2nd supplemental agreement**	**the 3rd supplemental agreement**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**
		(dd/mm/yy)	*(dd/mm/yy)*	*(dd/mm/yy)*	*(dd/mm/yy)*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*
(i)	the Zhujiang Tenancy Agreement (as amended by the first, second and third supplemental agreements) (the "**Amended Zhujiang Agreement**")	28/8/2007	4/6/2008	29/12/2008	18/3/2015	30.50	33.40	36.60	22.63	23.04	23.28
(ii)	the Lease Agreement (Hanzhong Agreement) and the Facilities Leasing Agreement (as amended by the first, second and third supplemental agreements) (the "**Amended Hanzhong Agreement**")	3/6/2009	13/7/2009	19/12/2013	18/3/2015	10.5	11.2	11.9	9.14	4.66	N/A
(iii)	the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) and the Lease Agreement (Additional Xianlin Retail Area) (as amended by the first, second and third supplemental agreements) (the "**Amended Xianlin Agreement**")	9/11/2009 (10/11/2010 for the Lease Agreement (Additional Xianlin Retail Area)	20/1/2012	19/12/2013	18/3/2015	35.10	42.00	49.50	30.99	33.47	36.14
(iv)	the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended by the first and second supplemental agreements) (the "**Amended Yancheng Outlet Agreement**")	20/1/2012	19/12/2013	18/3/2015	N/A	8.00	12.30	16.00	6.34	6.53	6.72

No.	The tenancy agreements	Date of				Historical annual caps			Proposed annual caps		
		The main tenancy agreement	**the 1st supplemental agreement**	**the 2nd supplemental agreement**	**the 3rd supplemental agreement**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**	**FY2020**
		(dd/mm/yy)	*(dd/mm/yy)*	*(dd/mm/yy)*	*(dd/mm/yy)*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*
(v)	the Lease Agreement (Xinjiekou Block B) (as amended by the supplemental agreement) (the "**Amended Xinjiekou Agreement**")	16/4/2014	18/3/2015	N/A	N/A	33.60	37.40	41.10	32.13	34.09	36.07
(vi)	the Lease Agreement (Yancheng Tiandi Plaza)	18/3/2015	N/A	N/A	N/A	19.70	31.60	36.00	33.07	36.29	39.31
(vii)	the Lease Agreement (Danyang Tiandi Plaza)	18/3/2015	N/A	N/A	N/A	12.30	19.40	22.10	5.59	6.06	6.58
(viii)	the Lease Agreement (Nanjing Jiangning Tiandi Plaza)	18/3/2015	N/A	N/A	N/A	33.10	53.60	61.10	44.16	57.05	72.39
(ix)	the Lease Agreement (Ma'anshan Tiandi Plaza)	18/3/2015	N/A	N/A	N/A	11.00	26.40	30.60	21.15	23.27	25.59
(x)	the Lease Agreement (Golden Eagle Plaza) (as amended by the first, second and third supplemental agreements) (the "**Amended Golden Eagle Plaza Agreement**")	29/12/2008	19/12/2013	18/3/2015	29/12/2017	18.90	47.90	56.10	29.69	32.96	33.05

As the annual caps in respect of the Relevant Lease Agreements (the "**Relevant Annual Caps**") were approved by the Independent Shareholders for each of the three years ended 31 December 2017, the Company proposes to renew the Relevant Annual Caps for each of the three years ending 31 December 2020 in respect of each of the above lease agreements.

Listing Rules implication

GEICO, through Golden Eagle International Retail Group Limited (one of its wholly-owned subsidiaries), is now indirectly holding approximately 74.49% of the entire issued share capital of the Company as at the date of this letter and is accordingly a controlling shareholder of the Company. GEICO is in turn wholly-owned by The 2004 RVJD Family Trust, the family trust of Mr. Wang. Ms. Wang is a beneficiary of The 2004 RVJD Family Trust.

Nanjing Zhujiang No. 1, Golden Eagle International Group, Xianlin Golden Eagle Technology, Yancheng Golden Eagle Technology, Danyang Golden Eagle Tiandi, Nanjing Jiangning Technology, Ma'anshan Golden Eagle Tiandi, Shanghai Golden Eagle Tiandi and Nanjing Jianye Properties are wholly-owned subsidiaries of GEICO, a 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 Relevant Lease Agreements and the New Agreements constituted continuing connected transactions of the Company

The Directors anticipated that the aggregate amount of rentals, (if applicable) the car parking fees and (if applicable) the management fees payable under the Relevant Lease Agreements, the New Agreements and the Other Lease Agreements calculated on an aggregate and annual basis with reference to the annual caps available represent more than 5% of the revenue ratio. Accordingly, (i) the Relevant Proposed Annual Caps and (ii) the entering into of the New Agreements and the transactions contemplated thereunder and the respective annual caps thereof 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. Wang Sung Yun Eddie, has been established to (i) advise the Independent Shareholders as to whether the terms of the transactions contemplated under the New Agreements and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (ii) give recommendations to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listing Rules, our role is to give an independent opinion as to whether the terms of the New Agreements, the transaction contemplated thereunder and the Proposed Annual Caps are in the interest of the Company and the Shareholders as a whole, being fair and reasonable so far as the Independent Shareholders are concerned.

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. Mr. Manfred Shiu ("**Mr. Shiu**") is the person signing off the opinion stated in this letter contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2009 and has 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 be 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 Shareholders in respect of the Continuing Connected Transactions. 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 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. Euto Capital has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Continuing Connected Transactions and the Proposed Annual Caps.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the Proposed Annual Caps, 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, management of the Company and its subsidiaries (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true 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 the Continuing Connected Transactions and the Proposed Annual Caps, 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 of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Continuing Connected Transactions 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.

I. THE NEW AGREEMENTS

Reference is made to the announcement of the Company dated 29 December 2017.

PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendation with regard to each of the New Agreements and the respective proposed annual caps, we have taken into account the principal factors and reasons set out below:

1. The Lease Agreement (Golden Eagle World)

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

On 29 December 2017, Nanjing Jianye Shopping and Nanjing Jianye Properties entered into the Lease Agreement (Golden Eagle World), pursuant to which Nanjing Jianye Properties agrees to lease the Golden Eagle World Lease Area with a gross floor area of approximately 227,396 square metres to Nanjing Jianye Shopping for 20 years commencing from 18 November 2017 (i.e. the date on which Golden Eagle World commenced soft opening) and ending on 17 November 2037.

B. *Reasons for entering into the Lease Agreement (Golden Eagle World)*

(i) *The Directors' consideration on entering into the Lease Agreement (Golden Eagle World)*

As stated in the Letter, we noted that since the opening of Nanjing Xinjiekou flagship store in 1996, the Group's first retail store, the Group has been achieving rapid growth over the past 21 years, and has gradually developed from a mid-to-high-end fashion department store to a comprehensive lifestyle center operator focusing on enhancing quality of life and providing comprehensive services for customers. With Nanjing City as its core market and Jiangsu Province as its home base, the Group has further expanded its business to Shanghai, Shaanxi, Yunnan and Anhui.

(a) Business plan of the Group in Nanjing City

The Group has been proceeding with strategic transformation into a comprehensive lifestyle center operator since 2014, with the opening of its first Nanjing Xinjiekou Comprehensive Lifestyle Center in the same year. Since then, the Group has successfully opened 12 comprehensive lifestyle centers which serve as key drivers for the Group's rapid development. The Group is also actively developing into Nanjing Hexi, a new core business district in Nanjing City, as the strategically-selected location for the establishment of "Golden Eagle World", the Group's new flagship store as well as the largest comprehensive lifestyle center with multiple functions and amenities.

(b) Information about Golden Eagle World

Golden Eagle World is the Group's sixth store and also the third comprehensive lifestyle center opened in Nanjing City. The six stores with aggregate gross floor area of over 700,000 square metres are all positioned differently from one and others and targeted at different customer groups in the city. Golden Eagle World not only features flagship stores of internationally renowned brands of fashion, children's products, outdoor sports products, food and beverages and leisure activities, but also introduced its full collection of G•LIFE series to demonstrate the Group's strong merchandise resources integration capabilities. It is expected that huge synergies could be created among these stores.

Golden Eagle World is the world's tallest asymmetric three-tower skyscraper under construction with a total gross floor area of approximately 920,000 square metres. Tower A is the tallest among the three towers with 368 metres and the other two towers with 328 metres and 300 metres respectively. The three towers are connected with a skyscraper corridor which is at 190 metres above the ground. Golden Eagle World is expected to become a new commercial landmark and tourism destination in eastern China and even the entire China. The opening of Golden Eagle World is expected to reinforce the Group's leading industry position in Yangtze River Delta region and become a long-term growth driver for the Group in the next two decades.

The Board believes that the entering into of the Lease Agreement (Golden Eagle World) will further solidify the Group's presence, market share and competitiveness in Nanjing City in which the Group is already enjoying a leading position.

(ii) *Factors in assessing the entering into of the Lease Agreement (Golden Eagle World)*

In assessing the entering into of the Lease Agreement (Golden Eagle World) and forming the view that the terms of the Lease Agreement (Golden Eagle World) 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 Nanjing economy

As mentioned above, Golden Eagle World is located in the city of Nanjing, Jiangsu Province, the PRC. Nanjing, the capital of Jiangsu Province, is an important industrial base in China. As the second largest financial center in the Eastern China region after Shanghai, Nanjing had a total population of approximately 8.27 million at the end of 2016 and covers an area of approximately 6,596 square kilometers as per the statistics published by the National Bureau of Statistics* (南京市統計局) published in March 2017. Nanjing is currently ranked the fifth of the Best Performing Cities China 2017 by Milken Institute published in 2017 (being a non-profit, nonpartisan think institute determined to increase global prosperity by advancing collaborative solutions that widen access to capital, create jobs and improve health). According to the National Bureau of Statistics, Nanjing ranked 13 among the top 100 PRC cities in terms of competitiveness (中國城市綜合實力百強城市).

The Nanjing economy has been growing at an accelerated pace in the past few years. According to an articles entitled "12 Chinese cities' GDP reach 1 trln yuan in 2016" published by China.org.cn on 24 March 2017, the gross domestic product ("**GDP**") in Nanjing reached approximately RMB1,050.3 billion in 2016 and has been growing at an annual growth rate of approximately 8.04% when compare to the corresponding year in 2015 of approximately RMB972.1 billion.

In addition, according to the statistics conducted by the National Bureau of Statistics* published in October 2017, the GDP in Nanjing was reaching approximately RMB870.3 billion for the period from January 2017 to September 2017 and has been growing at a growth rate of approximately 8.1% when compare to the corresponding period in 2016 of approximately RMB805.1 billion. With reference to the above statistics, we consider that Nanjing City's economy is expected to sustain its pace of growth in 2017 and will eventually lead to further development opportunities.

(b) Review on the consumer goods market in Nanjing City

As announced by the official website of the Nanjing Government (www.nanjing.gov.cn) on 9 February 2017, the total retail sales of consumer goods in Nanjing City in 2016 reached approximately RMB508.82 billion, representing a year-on-year growth of approximately 10.9%, ranked first in Jiangsu Province. For the nine months ended 30 September 2017, the consumer goods market in Nanjing City continued to grow at a rate of approximately 10.5% as compared to the corresponding period in 2016 and reached approximately RMB409.09 billion. In view of the above growth trend, we concluded that the consumer goods market in Nanjing City, being the city where the Golden Eagle World is located, has maintained a steady growth.

In addition, we have further conducted research on the average urban disposable income and the consumption expenditures per capita of Nanjing City. According to the statistics published on the official website of the Nanjing City Statistical Yearbook 2016, the total urban population in Nanjing City increased from approximately 8.23 million in 2015 to approximately 8.27 million in 2017, representing an annual growth rate of approximately 0.41%. Throughout the same period, the average urban disposable income and consumption expenditures per capita of Nanjing City increased by approximately RMB3,554 and RMB1,926 to approximately RMB44,009 and RMB26,802, respectively, representing an annual growth rate of approximately 8.8% and 7.7% respectively.

In light of the above findings, we consider that the consumer goods market in Nanjing City is expected to be favorable to the operation and development of Golden Eagle World.

(c) Experience in operating and developing department stores

As at the Latest Practical Date, the Group operates 32 department stores and lifestyle centers which span four provinces and one municipality, namely Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai. Out of which, 24 stores are in Jiangsu Province covering 12 cities and 6 stores are located in Nanjing City, which is the Group's headquarter is based, also where the Group's Nanjing Xinjiekou Lifestyle Center flagship is located in.

Having considered (i) Golden Eagle World is the Group's sixth retail store and also the Group's third comprehensive lifestyle center in Nanjing City, Jiangsu Province and (ii) the Group possesses extensive experience in operating department stores and lifestyle centers in the PRC as demonstrated above, we concur with the Director's view that the aforementioned extensive experience would be beneficial to the Group's business expansion.

Conclusions

Having considered that:

(i) it is the Group's development strategy to reinforce its market leadership and presence in the region of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai by establishing comprehensive lifestyle centers with potential for long-term growth, the entering into of the Lease Agreement (Golden Eagle World) is in line with the Group's development plan;

(ii) the consumer goods market in Nanjing City, where Golden Eagle World is located, have been under healthy growth and are expected to be favorable to the operation and development of the Golden Eagle World; and

(iii) the Group possesses extensive experience in operating and developing retail stores in the PRC and especially in Nanjing City;

we are of the view that the terms of the Lease Agreement (Golden Eagle World) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Lease Agreements (Golden Eagle World) is in the interest of the Company and the Shareholders as a whole.

C. ***Principal terms of the Lease Agreement (Golden Eagle World)***

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

Lessor: Nanjing Jianye Properties

Lessee: Nanjing Jianye Shopping

Leased premises: Golden Eagle World Lease Area with a gross floor area of approximately 227,396 square metres;

During the term of the Lease Agreement (Golden Eagle World), as ancillary facilities and services to the lease, Nanjing Jianye Properties shall also provide:

(i) car parking spaces at Golden Eagle World, comprising 5,000 car parking spaces located at nine above-ground storeys and four underground storeys with a total parking area of over 150,000 square metres, to Nanjing Jianye Shopping at a discounted rate; and

(ii) property management services in respect of the nearby area outside the Golden Eagle World Lease Area, including but not limited to the provision of cleaning, environmental and greenery services.

Lease term: 20 years commencing from 18 November 2017 (i.e. the date on which Golden Eagle World commenced soft opening) and ending on 17 November 2037

Rent and related charges: The annual rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties for the lease of Golden Eagle World Lease Area shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(i) during the first two years commencing from 18 November 2017, 2% of the annual gross sales proceeds derived from the operation of those concessionaries (less value-added tax);

(ii) for those concessionaries 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:

— during the third year commencing from 18 November 2017, 4% of the annual gross sales proceeds derived from the operation of those concessionaries (less value-added tax);

— commencing from 18 November 2020 onwards, 4.5% of the annual gross sales proceeds derived from the operation of those concessionaries (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%

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

(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 the Golden Eagle World Lease Area (less value-added tax and other relevant taxes);

(ii) during the third year commencing from 18 November 2017, 30% of the rental proceeds derived from sub-letting the units in the 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 the 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 derived from the operation of supermarket (less value-added tax) during the first two years commencing from 18 November 2017;

(ii) 3% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) during the third year commencing from 18 November 2017; and

(iii) 4% of the gross sales proceeds derived from the operation of supermarket (less value-added tax) commencing from 18 November 2020 onwards which shall be payable by Nanjing Jianye Shopping to Nanjing Jianye Properties quarterly in arrears within 10 Business Days after the end of the relevant Quarter, except for the first rental payment to be payable in arrears within 10 Business Days after the end of the relevant Quarter where the Lease Agreement (Golden Eagle World) becomes effective. Upon payment of each quarterly rental, Nanjing Jianye Shopping shall at the same time submit the management accounts in respect of that quarter to Nanjing Jianye Properties. After the end of each financial year, Nanjing Jianye Shopping and Nanjing Jianye Properties shall finalize the exact amount of rentals payable by Nanjing Jianye Shopping in respect of that financial year. If the exact amount of rental payables by Nanjing Jianye Shopping in respect of that financial year is less than the actual amount of rental paid by Nanjing Jianye Shopping, the difference will be reconciled in the next rental payment.

In the event that the operation of the Group in the Golden Eagle World Lease Area is affected due to (i) construction work on public transport facilities; or (ii) major construction or renovation work on the Golden Eagle World Lease Area, the parties may negotiate for rental reduction.

Car parking fee: Nanjing Jianye Properties is now offering those car parking spaces to the general public and Nanjing Jianye Shopping free of charge. In the event that Nanjing Jianye Properties charges any car parking fees in the future, Nanjing Jianye Shopping shall be entitled to not less than 20% discount of the normal car parking fee offered by Nanjing Jianye Properties to the general public from time to time. The parties will enter into detailed implementation agreement regarding the use of the car parking spaces.

Property management fee: The property management fee payable by Nanjing Jianye Shopping to Nanjing Jianye Properties shall be equivalent to the actual property management 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. Nanjing Jianye Properties is required to provide monthly statement on the actual property management costs incurred to the Group within 5 days after the end of each month during the term of the lease and the Group will review the same. The mark-up of 10% was determined based on negotiation at arm's length between the contractual parties after taking into account (i) the prevailing property management fees charged by property management service providers for nearby buildings and complexes; (ii) the average profit margin of the property management service providers listed on the Stock Exchange; and (iii) the related taxes to be payable and the general administrative expenses to be incurred by Nanjing Jianye Properties for rendering such property management services.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Lease Agreement (Golden Eagle World) is fair and reasonable. Having considered the quarterly payment of the rental payables under the Lease Agreement (Golden Eagle World) gives the Group more flexibility in cash flow management than payable in monthly basis, we consider that such payment term is reasonable and favorable to the Group.

As stated in the Letter, the terms of the Lease Agreement (Golden Eagle World) were arrived at after arm's length negotiations taking into account (i) the Golden Eagle World Lease Area will be delivered to the Group at renovated state; (ii) the expected operating costs of Nanjing Jianye Properties in the provision of car parking services; (iii) the expected operating costs of Nanjing Jianye Properties in the provision of property management services plus the related taxes payable; and (iv) with reference to the prevailing market rate.

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

(a) *Review on the terms of the annual rental as stated in the Lease Agreement (Golden Eagle World)*

Pursuant to the Lease Agreement (Golden Eagle World), the annual rentals payable by Nanjing Jianye Shopping to Nanjing Jianye Properties is determined based on the gross sales proceeds and rental proceeds to be derived by the Golden Eagle World during the period under the Lease Agreement (Golden Eagle World).

(i) In respect of the annual rental payable relating to the concessionaries and supermarket operations

In assessing the fairness and reasonableness of the basis of calculation of rental payable by Nanjing Jianye Shopping under the Lease Agreement (Golden Eagle World) in respect of rental payable of those concessionaries and supermarket operations, we have identified, to the best of our knowledge and effort, 5 transactions from companies listed on the Stock Exchange (as listed below and collectively defined as "**Listed Comparables**"), on which the tenants are principally engaged in the operation of department store, supermarket, restaurants or retail shops. We consider the Listed Comparables are fair and representative comparables to the Company and represent an exhaustive list of relevant comparable transactions based on the said criteria above. Based on our review on the announcements published by the Listed Comparables, we noted that it is common for department store or retail business to lease properties from lessors either at fixed rental or at rental charged based on a specified percentage of their turnover or a combination of both. Although the size, profitability, financial position and prospectus of the Listed Comparables are not the same as that of the Group, given that (i) the characteristics of the Listed Comparables are similar to the Group, where all of the department store or retail store operators targeting at mid-end customers with sizable scale; and 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 to our analysis.

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
15/11/2017	163	Emperor International Holdings Limited	3 years from 15/11/2017 — 14/11/2020	Higher of basic rent or turnover rent at equivalent to 3% of the gross sales turnover of the tenant's business	Retail shop operation	Did not specify
23/6/2017	50	Hong Kong Ferry (Holdings) Company Limited	3 years from 1/7/2017 — 30/6/2020	Basic rent and 7% of the excess of annual gross turnover	Department store operation	Payable monthly in arrears
5/5/2017	163	Emperor International Holdings Limited	10 years from 5/5/2017 — 4/5/2027	Higher of basic rent or turnover rent at equivalent to 7.5%-18% of the gross sales turnover of the tenant's business	Retail store as cinema operation and related businesses	Did not specify
27/3/2017	14	Hysan Development Company Limited	5 years from 28/3/2014 — 27/3/2019	12% on monthly gross sales exceeding monthly basic rent	Department store operation	Cash in advance on a monthly basis
27/2/2017	530	Goldin Financial Holdings Limited	3 years from 1/12/2016 — 30/11/2019	Turnover rent of 5% of the monthly revenue from the business operated by the company on the leased premises	As food and beverage zone with specialty and fine dining restaurants	Payable quarterly

Source: the website of the Hong Kong Stock Exchange

We note from the above table that the annual rental of the Listed Comparables are charged based on a specified percentage ranged from 3% to 18% of the gross sales turnover, gross sales or revenue. Although the determination basis of annual rentals under the Lease Agreement (Golden Eagle World), which uses the annual gross sales proceeds as the calculation basis, is not the same as the Listed Comparables, we consider that the Listed Comparables serve as a benchmark for assessing the terms of the Lease Agreement (Golden Eagle World) given that all of the gross sales turnover, gross sales or revenue are referring to sales income of a business and there is no material difference between the calculation basis of these terms. Pursuant to the Lease Agreement (Golden Eagle World), the annual rentals payable by Nanjing Jianye Shopping to Nanjing Jianye Properties under the Lease Agreement (Golden Eagle World) is capped at 4.5% of the annual gross sales proceeds to be derived from the operation of those concessionaires and supermarket in Golden Eagle World, having considered that in case (I) the Group charges 8% or less commission rate on their concessionaire sales (excluding those gold and jewellery concessionaire) and (II) the Group charges 10% or less commission rate on their concessionaire sales relating to those gold and jewellery concessionaires, after deduction of the sales tax with surcharges (being 5.6% as at the Latest Practicable Date) times 50% as stated in the formula under the Lease Agreement (Golden Eagle World), the rental rate will be less than 4.5%, hence, we consider that the maximum rental rate of 4.5% capped by the Group in the calculation of proposed annual cap is fair and reasonable. Besides, the said capped percentage falls within the range of percentages of 3% to 18% as noted from the Listed Comparables, we consider that the capped percentage of 4.5% of the annual gross sales proceeds under the Lease Agreement (Golden Eagle World) is fair and reasonable and is comparable to the prevailing market rate.

(ii) In respect 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, the determination basis of such annual rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties under the Lease Agreement (Golden Eagle World) is not the same, as it is charged based on 25% of the rental proceeds derived from sub-letting the units in the Golden Eagle World Lease Area for the first two years commencing from 18 November 2017, 30% for the third year commencing from 18 November 2017 and 50% commencing from 18 November 2020 onwards.

Given that we could not locate other similar lease agreements entered into by the comparable companies with specified payment terms in relation to sub-letting arrangement, in assessing the fairness and reasonableness of the basis of calculation of rental payable by Nanjing Jianye Shopping under the Lease Agreement (Golden Eagle World) in respect of rental payable of the sub-letting units, we have discussed with the Management and we are also given to understand that, out of the Group's 32 retail stores in operation, 17 stores are self-owned, 12 stores are operating in fully leased area and 3 stores are operating in partially owned and partially leased area. Out of the 12 fully leased stores, 10 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 (Golden Eagle World), we are of the view that it is an appropriate reference for assessing the reasonableness of the basis of calculation of rental payable of the sub-letting units under the Lease Agreement (Golden Eagle World). After reviewing the aforementioned lease agreements, we noted that the annual rentals payable by the Group to the relevant lessors in relation to sub-letting arrangement is charged based on 50% of the rental proceeds derived from sub-letting the units. However, we considered that the 2 lease agreements are not sufficient for us in opining and confirm that it is a normal business practice for agreements of such term. Therefore, we have also reviewed the Golden Eagle World GSP Estimation and noted that under the revenue model of sub-letting the units, 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 when compare to the revenue model in respect of the concessionaries and supermarket. In light of this, having considered that (i) the terms in respect of the sub-letting of units is comparable to that of the independent third party agreements; (ii) the annual rentals are only required to pay when the units could be successfully sub-let to the lessee; and (iii) the proceeds from sub-letting of units after deducting the 50% annual rentals will flow to the Group without incurring material operating costs, we are of the view that the calculation basis of annual rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties under the Lease Agreement (Golden Eagle World) in relation to sub-letting arrangement is favorable to the Company, and is thus in the interest for the Company and its Shareholders as a whole.

(b) *Review on the terms of the car parking fee under the Lease Agreement (Golden Eagle World)*

In respect of the car parking fee, it was stipulated in the Lease Agreement (Golden Eagle World) that Nanjing Jianye Shopping shall be entitled to not less than 20% discount to the normal car parking fees offered by Nanjing Jianye Properties to the general public from time to time. The said discount was offered to the Group after arm's length negotiations with Nanjing Jianye Properties taking into account the operating costs of Nanjing Jianye Properties in the provision of car parking services and the Group expects that Nanjing Jianye Properties will not charge car parking fees for the three years ending 31 December 2020.

We have enquired with the Management and were advised that as part of the Group's value-added services and incentives to its customers, the Group will provide its VIP customers with free car parking arrangement. The Management considers that the entering into of the Lease Agreement (Golden Eagle World) allows Nanjing Jianye Shopping to rent car parking spaces in the complex, where Golden Eagle World are located, at not less than 20% discount to the normal car parking fees offered by Nanjing Jianye Properties to the general public from time to time for the use of its VIP customers, so as to enhance the competitiveness of Golden Eagle World. In assessing and reviewing the terms of the car parking fee under the Lease Agreement (Golden Eagle World), we have reviewed the internal control policies of the Group and understand that at the time when Nanjing Jianye Properties charges any car parking fees in the future and before implementation of such pricing policy, the Management will, based on the fees to be charged by Nanjing Jianye Properties and car parking fees charged by the relevant service providers from nearby locations to agree a reasonable discount (which will be no less than 20%) with Nanjing Jianye Properties before entering into the detailed implementation agreement so that the said car parking fee to be charged will be in line with the market practice and potentially favourable to the Group. Furthermore, Nanjing Jianye Properties have guaranteed to Nanjing Jianye Shopping in writing that Nanjing Jianye Properties would not offer car parking spaces to independent third parties at a better rate as compared to that offered to Nanjing Jianye Shopping.

We have obtained from the Management, and reviewed, such written confirmation. Currently, Nanjing Jianye Properties are offering those car parking spaces to the general public (including Nanjing Jianye Shopping) free of charge. In view of the above, in particular, the car parking fees charged by Nanjing Jianye Properties to Nanjing Jianye Shopping is more favorable than that charged to the general public, we are of the view that the terms of the Lease Agreement (Golden Eagle World) in relation to the car parking arrangement are fair and reasonable.

(c) *Review on the terms of the property management fee under the Lease Agreement (Golden Eagle World)*

According to the Lease Agreement (Golden Eagle World), the property management fee payable by Nanjing Jianye Shopping to Nanjing Jianye Properties shall be equivalent to the actual property management costs incurred plus a mark-up of 10%. The property management fee is determined taking into account the operating costs of Nanjing Jianye Properties in the provision of property management services plus the related taxes payable by them.

Based on the calculation basis of the mark-up of 10%, we have enquired with the Management and are given to understand that the Group will implement the following controls prior to arriving at the final monthly property management fee agreed by both parties:

1. Nanjing Jianye Properties agreed to provide monthly statement on the actual property management costs incurred to the Group within 5 days after the end of each month during the term of the lease. The Group will review the monthly statement by: (i) making reference to its experience in property management of some of its own stores; and (ii) considering the number of staff involved in property management with the quantity of supplies utilized and consumed by Nanjing Jianye Properties and determine whether the amount of usage and the costs are justified and reasonable; and

2. after the end of each financial year, the Group will review the aggregate amount of the 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 fee to be payable for the year.

Besides, we also understand that the mark-up of 10% was arrived at after arm's length negotiation taking into account (i) the prevailing property management fees charged by property management service providers for nearby buildings; (ii) complexes with reference to the average profit margin of the property management service providers listed on the Stock Exchange; and (iii) the related taxes to be payable (i.e. the profit tax to be payable by Nanjing Jianye Properties for the corresponding year) and the general administrative expenses (i.e. the general office management and administrative expenses such as staff costs, office expenses etc.) to be incurred by Nanjing Jianye Properties for rendering such property management services.

In assessing the fairness and reasonableness of the property management fee payable by Nanjing Jianye Shopping to Nanjing Jianye Properties, we attempted to obtain from the Management sample property management agreement entered into between Nanjing Jianye Properties and other independent lessees. However, we were advised by the Management that Nanjing Jianye Properties has not yet entered into any property management agreement with independent lessees. As such, we could not obtain any relevant property management agreement entered into by Nanjing Jianye Properties and other independent third parties. Nevertheless, we understand from the Management that the proposed property management fee, being the actual property management costs incurred plus a mark-up of 10%, is the best rate that could be offered by Nanjing Jianye Properties, so as to cover their operating costs in the provision of property management services plus the related taxes payable by them. In order to assess the fairness and reasonableness of the calculation basis relating the terms of the property management fee under the Lease Agreement (Golden Eagle World), we attempt to identify, to the best of our knowledge and effort, 6 companies that are listed on the Stock Exchange and are principally engaged in the provision of property management services ("**Property Management Comparables**"). We consider that the Property Management Comparables are fair and representative comparables and represent an exhaustive list of relevant comparable transactions based on the criteria mentioned above. Based on our review on the prospectus, circular and annual report published by the Property Management Comparables, we note that the average gross profit margin of the Property Management Comparables is approximately 25.9%, ranged from the highest of 61.8% to the lowest of 14.8%. Having considered, in particulars, (i) the mark-up of 10% on the actual property management cost is equivalent to 9.09% (i.e. 10% mark-up/(100% actual property management cost + 10% mark-up)) gross profit margin of Nanjing Jianye Properties, and such gross profit margin falls below the range of the Property Management Comparables; and (ii) after review of the Group's internal control procedures which requires the Group to monitor and carry out a monthly review on the property management costs incurred by Nanjing Jianye Properties, we consider that the mark-up of 10% on the actual property management costs incurred is fair and reasonable and more favourable with the market practice.

Details of our research results of the aforesaid Property Management Comparables are set out as below:-

Stock code	**Company name**	**Principal business of the companies**	**Revenue derived from the provision of property management services**	**Gross profit derived from the provision of property management services**	**Gross profit ratios**
					(C) = (B) / (A) X 100%
			(A)	**(B)**	
			'000	*'000*	*%*
1538	Zhong Ao Home Group Limited	Property management services and property management consulting services	RMB475,255	RMB87,685	18.5
3686	Clifford Modern Living Holdings Limited	Property management services; (ii) retail services; (iii) catering services and (iv) ancillary living services	RMB31,561	RMB19,492	61.8
1778	Colour Life Services Group Co., Limited	Property management services; (ii) engineering services; and (iii) community leasing, sales and other services	RMB576,729	RMB130,607	22.7
2669	China Overseas Property Holdings Limited	Property management services and value-added services	HK$1,207,410	HK$178,755	14.8
1417	Riverine China Holdings Limited	Provision of property management service	RMB175,519	RMB33,397	19.0
2869	Green Town Service Group Co., Limited	Property management service	RMB2,203,220	RMB410,092	18.6
				Maximum	**61.8**
				Minimum	**14.8**
				Average	**25.9**

Nanjing Jianye Properties further guaranteed to Nanjing Jianye Shopping in writing that Nanjing Jianye Properties would not provide property management services to independent third parties at a better rate as compared to that offered to Nanjing Jianye Shopping. We have obtained from the Management, and reviewed, such written confirmation. In light of the aforementioned written confirmation, we are of the opinion that the terms under the Lease Agreement (Golden Eagle World) in relation to the property management services offered by Nanjing Jianye Properties to the Group is no less favorable to the Group than that to be offered by Nanjing Jianye Properties to other independent third parties.

In view of the fact that the terms under the Lease Agreement (Golden Eagle World) in relation to the property management services offered by Nanjing Jianye Properties to Nanjing Jianye Shopping is no less favorable than that to be offered by Nanjing Jianye Properties to other independent third parties, we are of the view that the terms in respect of property management services under the Lease Agreement (Golden Eagle World) are fair and reasonable.

(d) *Review on the terms of the rental deposits and right of first refusal under the Lease Agreement (Golden Eagle World)*

We noted from the Lease Agreement (Golden Eagle World) that as security for the rental payable, the Group shall pay a refundable rental deposit in the amount of RMB50 million (equivalent to approximately HK$59.44 million) to Nanjing Jianye Properties within 5 Business Days after the date of the Lease Agreement (Golden Eagle World). We have obtained from the Management, and reviewed, the Relevant Lease Agreements which the Group entered into with other lessors in the past and noted that such refundable rental deposit clauses were also included in those agreements. Accordingly, we consider that the inclusion of such rental deposit clause in the Lease Agreement (Golden Eagle World) is in line with normal practice of the Group.

In respect of the terms of the right of first refusal, pursuant to the Lease Agreement (Golden Eagle World), in the event that Nanjing Jianye Properties intends to transfer the ownership of Golden Eagle World Lease Area to any third party during the term of the Lease Agreement (Golden Eagle World), it shall serve a notice in writing to the Group and the Group will have the right of first refusal to purchase the Golden Eagle World Lease Area on the same terms and conditions as those offered by such third party. We consider that such right of first refusal could ensure the continuity of the operation of the Golden Eagle World Lease Area and thus further safeguard the Group's interest.

(e) *Review on the tenor of the Lease Agreement (Golden Eagle World)*

Pursuant to the Lease Agreement (Golden Eagle World), the tenure of the lease of the Golden Eagle World Lease Area is commencing from the date on which Golden Eagle World commenced soft opening (i.e. 18 November 2017) to 17 November 2037, which is 20 years. In assessing the fairness and reasonableness of the long-term tenure of the Lease Agreement (Golden Eagle World), we have obtained from the Management, and reviewed, 2 tenancy agreements entered into by the Group with independent third parties for the lease of properties for department 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 sub-section headed "(ii) In respect of the annual rental payable relating to the sub-letting units" on page 71 of this letter, we have discussed with the Management and we are given to understand that out of the 12 fully leased stores, the mentioned 2 lease agreements represents all the leased agreements entered into between the Group and independent third parties, hence, we considered that it is an appropriate reference for assessing the reasonableness of such long term tenures of the Lease Agreement (Golden Eagle World). However, we considered that the 2 lease agreements are not sufficient for us in opining and confirm that it is a normal business practice for agreements of such duration. Therefore, in considering whether it is normal business practice for agreements of a similar nature to the Lease Agreement (Golden Eagle World) to have a term of such duration, we have identified and reviewed 4 comparable transactions involving the leasing of properties by retail chain stores or department stores or hypermarket operators (the "**Comparable Transactions**"). The Comparable Transactions selected are based on the following criteria: (i) one of the parties to each of such transactions involves a company listed on the Stock Exchange; (ii) such transactions are publicly announced by way of announcement, circular, prospectus or annual report pursuant to the Listing Rules; and (iii) such transactions relate to the leasing of properties as hypermarkets or department stores by retail chain stores or department stores or hypermarket operators which remain effective as at the date of this announcement. Based on the results of the above findings, we note that the terms of the Comparable Transactions range from 13 to 20 years, and 4 Comparable Transactions have a lease term for a minimum of 10 years, of which 2 of these Comparable Transactions have a lease term of 20 years. Accordingly, the duration of the Lease Agreement (Golden Eagle World) falls within the range of the tenure of the Comparable Transactions.

Set out below is the details of the Comparable Transactions

	Company name	Stock Code	Date of the announcement	Date of the tenancy agreement	Leased period	Nature of the leased properties
1.	Shirble Department Store Holdings (China) Limited	312	14 March 2017	1 August 2008	20	Department store
2.	Jiahua Stores Holdings Limited	602	25 August 2016	25 August 2016	15	Department store
3.	Aeon Stores (Hong Kong) Co., Limited	984	23 November 2015	23 November 2015	20	Department store
4.	Yi Hua Department Store	2213	13 April 2015	13 April 2015	13	Department store

In addition to the above, we have also considered the business nature of the Group that requires:

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

(ii) the long-term nature of the Lease Agreement (Golden Eagle World) will prevent the recurrence of initial investment costs such as initial set up cost and interior decoration in the short run;

(iii) it is necessary for the Group to secure long-term lease in order to attract retail concessionaires which may also wish to maintain a long-term and stable business relationship with the Group;

(iv) the long-term nature of the Lease Agreement (Golden Eagle World) may enhance customers' loyalty and maintain stable sales revenues for the Group; and

(v) except the Amended Hanzhong Agreement and the Amended Yancheng Agreement, where the size of the leased properties are relatively small when compare to other properties leased by the Group, the tenure of the Lease Agreement (Golden Eagle World) of 20 years is the same as that of the terms of the Relevant Lease Agreements entered into by the Group,

Based on the foregoing, we are of the view that the terms of the Lease Agreement (Golden Eagle World) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusions

In view of the fact that:

(i) the annual rentals payable by Nanjing Jianye Shopping to Nanjing Jianye Properties under the Lease Agreement (Golden Eagle World), being capped at 4.5% of the annual gross sales proceeds to be derived from the operation of those concessionaires and supermarket in Golden Eagle World, falls within the range of the specified percentage of the Listed Comparables;

(ii) with reference to the Listed Comparables, it is common for department store or retail business to lease properties from lessors either at fixed rental or at rental charged based on a specified percentage of their turnover or a combination of both;

(iii) the terms under the Lease Agreement (Golden Eagle World) in relation to the property management services offered by Nanjing Jianye Properties is no less favorable to the Group than that to be offered by the Nanjing Jianye Properties to other independent third parties; and

(iv) the car parking fees charged by Nanjing Jianye Properties to the Group is more favourable than those charged to the general public;

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

D. ***Basis of the proposed annual caps in respect of the Lease Agreement (Golden Eagle World)***

The Company proposed that the respective annual caps for the Lease Agreement (Golden Eagle World) ("**Golden Eagle World Annual Caps**") for each of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 ("**FY2018**", "**FY2019**" and "**FY2020**", respectively) are listed as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB70.40 million	RMB65.12 million	RMB86.61 million
Annual growth rate	—	-7.5%	33.0%

As mentioned in the Letter, the Golden Eagle World Annual Caps were determined based on (i) the reasonable estimation of the gross sales proceeds, including concessionaire sales, sub-letting of units and supermarket operations, to be derived from the operation of Golden Eagle World based on its past experiences of opening new stores, the initial sales performance since its soft opening (i.e. operation on a trial basis and a portion of the store was not yet in full operation) on 18 November 2017, the floor plan of the Golden Eagle World Lease Area, including the gross floor area which had been allocated for department store, sub-letted units and supermarket, the specific nature of the local market and the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate for the respective periods (the "**Golden Eagle World GSP Estimation**"); (ii) the first rental payment to be payable, which is expected to be in 2018, includes the rental payable from 18 November 2017 until the Lease Agreement (Golden Eagle World) becomes effective. The first rental payment has not been paid as at the Latest Practicable Date; (iii) the assumption that the car parking spaces offered by Nanjing Jianye Properties to the general public and Golden Eagle World will be free of charge during the relevant periods. In the event that Nanjing Jianye Properties ceases to offer car parking space free of charge in the future, the above annuals caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Nanjing Jianye Properties in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Golden Eagle World Lease Area during the relevant periods with reference to the size of the surrounding area. The proposed annual cap for the year ending 31 December 2019 is lower than that for the year ending 31 December 2018 because the latter figure has taken into account the rentals payable by the Group during the period between 18 November 2017 and 31 December 2017. The annual cap for the year ending 31 December 2020 is higher than that for the year ending 31 December 2019 because in the Group's experience, a new store will experience a relatively rapid increase in sales in its first few years of operation because of the low base effect. The Company had conducted detailed budgeting and forecasting prior to the soft opening of the Golden Eagle World by considering the floor plan of the Golden Eagle World Lease Area, including the gross floor area which had been allocatedfor department store, sub-letted units and supermarket, the specific nature of the local market, the prevailing market conditions, the past performance of the concessionaires/tenants at other stores operated by the Group or in nearby cities or for the Group's new concessionaires/tenants, the past performance in the same city or nearby cities. Prior to the announcement of the entering of the Lease Agreement (Golden Eagle World), the Company compared the actual performance during the soft opening period with its budget and forecast to ascertain such budget and forecast are reasonably determined to arrive at the proposed annual caps. Even if it transpires that the budget and forecast are not accurate, it can also show the deviation and enable the Group to make appropriate adjustments.

In assessing the fairness and reasonableness of the determination of the Golden Eagle World Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Golden Eagle World Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Golden Eagle World Annual Caps were calculated based on the Golden Eagle World GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Golden Eagle World GSP Estimation and were given to understand that the Golden Eagle World GSP Estimation was duly prepared by the Management with reference to (i) the assumption that the car parking spaces offered by Nanjing Jianye Properties to the general public and Golden Eagle World will be free of charge during the relevant periods; and (ii) the estimated property management costs expected to be incurred by Nanjing Jianye Properties in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Golden Eagle World Lease Area during the relevant periods; (iii) the expected growth rate for each of the three years ending 31 December 2020; and (iv) the current economic environment and the prevailing market conditions.

(a) *Review on the expected growth rate of gross sales proceeds and rental proceeds to be generated from the operation of Golden Eagle World Lease Area*

In addition to the aforementioned, we are given to understand that when determining the Golden Eagle 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 Lease Area during the three years ending 31 December 2020.

It is noted that the proposed Golden Eagle World Annual Caps for FY2018 amounts to RMB70.40 million**.** For FY2019 and FY2020, the proposed annual caps of the Lease Agreement (Golden Eagle World) are RMB65.12 million and RMB86.61 million respectively, represent an annual shortfall of approximately 7.5% and an annual growth of approximately 33.0% respectively as compared to the respective previous year. As advised by the Management, such growth rates are determined after taking into account of: (i) the first rental payment will take place where the Lease Agreement (Golden Eagle World) becomes effective, which is expected to be in 2018, therefore, the annual cap for FY2018 includes rental payable for the period from 18 November 2017 (i.e. the date on which Golden Eagle World commenced soft opening) until 31 December 2017, and it is advised by the Management that such expenses will be charged into the income statement of Nanjing Jianye Shopping in the year ending 31 December 2018 upon the Lease Agreement (Golden Eagle World) becoming effective and the first rental payment has been paid. We also note that the Lease Agreement (Golden Eagle World) entered into between Nanjing Jianye Shopping and Nanjing Jianye Properties is still conditional upon the obtaining of the approval of the Independent Shareholders and not yet effective for the period from 18 November 2017 to the approval date by the Independent Shareholders (the "Non-binding Period"). It is possible for the Independent Shareholders not approving the lease agreement. Should the lease agreement is not approved by the Independent Shareholders, Nanjing Jianye Shopping shall vacate the premise and is not liable for any rental payments for the Non-binding Period. In light of the above, the management of the Company considered that no provision for the year ended 31 December 2017 is required under the accounting principles generally accepted in Hong Kong and Hong Kong Accounting Standard 37 *Provisions, Contingent Liabilities and Contingent Assets*. The relevant rental expenses for the Non-binding Period and the corresponding liabilities shall only be recognised when the lease agreement becomes effective, which is expected to be in 2018. Hence, the amount determined for the annual cap for FY2018 is higher than that of FY2019; (ii) it is expected that the operation of Golden Eagle World would not be in full scale at its initial stage and will grow gradually via organic growth and increase in operating efficiency after the first few years of full operation; (iii) the combination effect of (1) the growth rate of rental rates under the Lease Agreement (Golden Eagle World), on which commencing from 18 November 2019, rental rates for concessionaires sales will increase from 2% to 4% (growth rate of 100%); rental rates for sub-letting units will increase from 25% to 30% (growth rate of approximately 16.7%); and rental rates for supermarket operations will increase from 2% to 3% (growth rate of 50%); and (2) the expected annual growth rate ranging from approximately 15% to 25% for each of the two years ending 31 December 2020 of the estimated annual gross sales proceeds to be derived from operation, on the same operating area basis, after the soft opening of the Golden Eagle World.

Besides, we have inquired the Management and further understand that the Group has considered the operating environment of the PRC's retail industry including the slowdown of the PRC's economic growth in the Historical Periods and the impact from emerging new retail formats which is the key factor in driving the market growth in Nanjing consumer goods market in the upcoming years. To be proactive and leverage on the trends of retail industry transformation, the Group has strategically transformed itself from fashion department store to "comprehensive lifestyle center". To satisfy customers' demand for high quality lifestyle services and experiences, the Group has integrated its long-accumulated merchandise resources and launched fully its G•Life series at Golden Eagle World on 18 November 2017 which includes supermarket, bookstore, beauty, infants and children, pets and healthcare, and further systematically organised customers by different categories so as to provide personalised experience to these customers. Together with the Group's continuous development and enhancement of its merchandise and lifestyle service offerings on fashion shopping, functions and amenities, customer traffic is expected to increase further during the three years ending 31 December 2020 thus to drive rapid growth of the Group's operating results. In view of that, we concur with the Management's view that the expected growth rates of the gross sales proceeds to be generated from the operation of the store for the three years ending 31 December 2020 are fairly and reasonably determined.

In assessing the above expected growth rate, we have obtained and reviewed the calculations of the Golden Eagle World GSP Estimation. After considering the reasonableness of the assumptions as set out by the Management on the said estimation, we concluded that the determination of the expected growth rate is reasonably determined. 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 Golden Eagle World Lease Area is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(b) *Review on the determination of maximum rental rate for the respective periods*

Pursuant to the Lease Agreement (Golden Eagle World), we noted that the annual rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Golden Eagle World Lease Area. We further noted that the Golden Eagle World Annual Caps were determined based on the assumption that the Company will be charged at the maximum rental rates for the respective periods, i.e. 2% for the two years commencing from 18 November 2017 and 4% for the third year commencing from 18 November 2017 under the Lease Agreement (Golden Eagle World).

On the other hand, for the annual rental payable by Nanjing Jianye Shopping to Nanjing Jianye Properties in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Golden Eagle World Lease Area. We noted that the Golden Eagle World Annual Caps were determined based on the assumption that the Company will be charged at the rental rates for the respective periods, i.e. 25% for the two years commencing from 18 November 2017 and 30% for the third year commencing from 18 November 2017 under the Lease Agreement (Golden Eagle World).

In evaluating the fairness and reasonableness 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 at arm's length basis 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 concessionaires is capped at 2% (for the two years commencing from 18 November 2017) and 4% (for the third year commencing from 18 November 2017) of the gross sales proceeds to be derived from the operation of those concessionaires in Golden Eagle World Lease Area pursuant to the Lease Agreement (Golden Eagle World);

(iii) the rental rate in respect of the sub-letting of units are capped at 25% (for the two years commencing from 18 November 2017) and 30% (for the third year commencing from 18 November 2017) of the rental proceeds to be derived from sub-letting of units in Golden Eagle World Lease Area pursuant to the Lease Agreement (Golden Eagle World);

(iv) as advised by the Management, Golden Eagle World's average commission rate from concessionaire sales during the year ended 31 December 2017 was over 10% and 88 out of 91 concessionaires are subject to the maximum rental rates during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the upcoming years;

(vi) the detailed budget and forecast prepared by the Management in determining the Golden Eagle World Annual Caps; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms including but not limited to the scope, cooperation period and the commission rental rate,

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

Conclusion

Based on our independent work done as stated in the sub-sections above, we have taken into account the facts that:

(i) the Golden Eagle World is the sixth retail store and also the Group's third comprehensive lifestyle center in Nanjing City and the Management possesses extensive experience in operating and developing retail chain store;

(ii) the consumer goods market in Nanjing City continued to grow at a steady rate;

(iii) it is expected that the operation of Golden Eagle World would not be in full scale at its initial stage and will grow gradually via organic growth and increase in operating efficiency after the first few years of full operation which leads to an increase in annual cap for FY2020;

(iv) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(v) the assumptions of the determination of maximum rental rate for the respective periods which is reasonably adopted based on the factors considered as stated in pages 80 and 81;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Golden Eagle World for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Golden Eagle World Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2. **The Cooperation Agreement on Property Lease (Offices)**

A. ***Background of the Cooperation Agreement on Property Lease (Offices)***

On 29 December 2017, Golden Eagle Trading and Golden Eagle International Group entered into the Cooperation Agreement on Property Lease (Offices), pursuant to which Golden Eagle International Group agrees to lease to Golden Eagle Trading or its invested entities, including its subsidiaries, various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC which are in the proximity of the Group's retail operations in respective cities, including, inter alia, Nanjing City, commencing from 1 January 2018 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 2020, the rental of which shall be at a discount to the prevailing market rate. The discount on rental under the Cooperation Agreement on Property Lease (Offices) is determined by comparing the rentals charged by Golden Eagle International Group or its subsidiaries to independent third parties for the same building with similar size and lease term and Golden Eagle Trading will also refer to the level of market rentals in the local area with reference to the classes of property and the proximity to the Group's retail operation. Golden Eagle Trading would make enquiries about the market rentals in the local area, and would enquire Golden Eagle International Group on the amount of rental that Golden Eagle International Group or its subsidiaries charges other tenants in the same building with similar size and lease term which are independent third parties. Such rental will be at a reasonable discount (usually not less than 20% off) of the market rate in those cities where the relevant office premises are located which, on terms no less favourable than (i) based on the market research work conducted by the Group, which involves enquiring property agents and business partners and conducting online searches, the terms the Group can obtain from independent third party with reference to the classes of the property and proximity to the Group's retail operation and the Group's general understanding on the market trend; and (ii) based on the documentary evidence provided by Gdden Eagle International Group, the terms offered by Golden Eagle International Group or its subsidiaries to independent third parties for the same building at the time of inception, shall be payable by the lessee to the lessor in accordance with the relevant detailed implementation agreement. The exact amount of discount will be negotiated in good faith between the parties with reference to the market rate at the material time.

B. ***Reasons for entering into the Cooperation Agreement on Property Lease (Offices)***

As stated in the Letter, the Group's stores are located in various parts of the PRC and the Group needs office premises for various administration and back office supports for its stores in the proximity of the Group's retail operation from time to time. In the past, the Group usually allocated a portion of the area in each store to use as administration office. The Company believes that converting the space originally designated for office use to retail purpose can create more spaces for its retail operation and hence new sources of revenue and profitability of the respective store. Accordingly, the Company had relocated certain of its offices to those locations in the proximity of the respective stores. In addition, following the Group's strategic transformation and the expansion of its operating scale, more office space is needed from time to time for its administration office and new business departments. The Cooperation Agreement on Property Lease (Offices) establishes a framework for the Group to lease and use various office premises owned by Golden Eagle International Group or its subsidiaries from time to time and will facilitate the Group to arrange lease arrangements in a flexible manner.

In assessing the entering into of the Cooperation Agreement on Property Lease (Offices) and forming the view that the terms of the Cooperation Agreement on Property Lease (Offices) are in the interests of the Company and its Shareholders as a whole, we have taken into consideration of the following factors:

(a) *Information about the Group*

The Group is principally engaged in the development and operation of lifestyle centers and stylish department store chain in the PRC. In order to facilitate the management and daily operation of the Group's retail stores, the Group has been leasing certain office premises and warehouses in various parts of the PRC from time to time. As at the Latest Practicable Date, the Group was leasing 3 office premises and 4 warehouses from independent lessors in the PRC.

(b) *Business plan of the Group*

As disclosed in the 2017 interim report of the Company, leveraging on the leading position and strong competitive advantages in Jiangsu Province, the Group will continue to reinforce its market leadership and presence in the regions of Jiangsu, Anhui, Shaanxi, Yunnan and Shanghai through development of comprehensive lifestyle centers which the Group considers to have great potential for the Group's long-term competitive strengths and business growth. In the meantime, we understand that the Group will gradually build up a nationwide chain network by actively exploring opportunities in the first and second-tier cities as well as tapping into the third-tier cities where there is potential for growth. For the implementation of the Group's development strategy and in the ordinary and usual course of business, we concur with the Management's view that the Group will have continuous need for office premises and warehouses which are located near to the Group's retail chain stores, in various parts of the PRC, including but not limited to Nanjing City.

Conclusion

Having considered the above, we concur with the Management's view that the entering into of the Cooperation Agreement on Property Lease (Offices) provides flexibility to the Group for leasing office premises owned by Golden Eagle International Group or its subsidiaries from time to time and therefore, we are of the view that the entering into of the Cooperation Agreement on Property Lease (Offices) is in the interest of the Company and the Shareholders as a whole.

C. ***Principal terms of the Cooperation Agreement on Property Lease (Offices)***

According to the Letter, the principal terms of the Cooperation Agreement on Property Lease (Offices) are listed as below:

Landlord:	Golden Eagle International Group
Tenant:	Golden Eagle Trading
Leased premises:	Various office premises owned by Golden Eagle International Group or its subsidiaries located in various parts of the PRC, including, inter alia, Nanjing City
Lease term:	Commencing from 1 January 2018 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 2020.
Rent and related charges:	Golden Eagle International Group agreed to lease, and procure its subsidiaries to lease, the office premises owned by Golden Eagle International Group or its subsidiaries to Golden Eagle Trading or its invested entities at a reasonable discount of the market rate in those cities where the relevant office premises are located, which shall be payable by the lessee to the lessor in accordance with the relevant detailed implementation agreement which shall be payable by Golden Eagle Trading or its invested entities to Golden Eagle International Group or its subsidiaries quarterly within last 25 days of the end of each quarter.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Cooperation Agreement on Property Lease (Offices) is fair and reasonable. Having considered the quarterly payment of the rental payables under the Cooperation Agreement on Property Lease (Offices) gives the Group more flexibility in cash flow management than payable in monthly basis, we consider that such payment term is reasonable and favorable to the Group.

(a) *Review on the terms of the rental payable*

Pursuant to the Cooperation Agreement on Property Lease (Offices), Golden Eagle International Group agreed to lease the office premises to Golden Eagle Trading or its invested entities at a reasonable discount of the market rate in those cities where the relevant office premises are located. The exact amount of discount will be negotiated in good faith between the parties with reference to the market rate at the material time. We have discussed with the Management in this regard and were given to understand that the market rate refers to the rental rate of the relevant offices (or those offices located nearby) offered by Golden Eagle International Group or its subsidiaries to third party tenants. Since those office premises will be located in the commercial complex owned by Golden Eagle International Group or its subsidiaries, upon the inception of the relevant lease agreement, the Group will compare not less than 3 rental packages offered by Golden Eagle International Group or its subsidiaries to other tenants in the same commercial complex and also check the market information available in order to ascertain the market rate at the material time.

Furthermore, we noted that the Group has implemented, and will continue to implement, a series of internal control procedures before entering into any lease arrangements in respect of the office premises. The operation department of the relevant store which requires the office premise (as the case may be) will first compile a formal request, setting out details of the requirements of the premises, including the size, expected usage, preferred location and other specific requirements. Such formal request will be sent to the administrative department of the same store. The administrative department will then, based on the requirements as set out in the request, try to identify suitable premises and obtain at least 3 quotations for comparison and consideration. Once the administrative department has selected a suitable premise, the head of administrative department will review the selection and other potential choices. If the head of administrative department concurs with the selection, the proposal will then be sent to the store manager for second approval. Once the approvals of the head of administrative department and the store manager are obtained, the proposal will be sent to the headquarter of the Group for final review and endorsement. In general, for new leases, the Group will identify at least 3 potential premises and obtain quotations in order to make comparisons. For renewal of existing leases, the Group will also check the market information to determine as to whether the Group should bargain for adjustment of rentals and lease terms or relocate to other premise. Further, if the lease constitutes continuing connected transactions, 3 additional quotations/lease agreements entered into between the connected persons and independent third parties for the same building/premises with similiar size will be obtained, for comparison of the rental rates offered by connected persons.

In order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the continuing connected transactions as stated in the sub-section headed "Internal control measures taken by the Company" in this letter.

We have obtained from the Management, and reviewed, 3 samples of the lease of office premises previously carried out by the Group. We noted that the aforementioned internal control procedures were duly adopted in the previous lease of office premises.

If the rental rate offered by the independent third parties is more favourable than those offered by Golden Eagle International Group or its subsidiaries with the same class of property and proximity to the Group's retail operation, the Management will consider to lease the office premises from the independent third parties or given the proximity of the desired location to the respective store, the Management will negotiate and agree on a competitive rental with Golden Eagle International Group or its subsidiaries, on terms no less favourable than (i) the terms the Group can obtain from independent third parties with reference to the classes of the property and proximity to the Group's retail operation; and (ii) the terms offered by Golden Eagle International Group or its subsidiaries to independent third parties for the same building at the time of inception, before entering into detailed implementation agreement so that the said rental rate is in line with the market practice and potentially favourable to the Group.

Given that rentals of office premises are susceptible to a number of factors, including but not limited to the location, the then economic condition, the then overall property market condition, as well as rules and regulations promulgated or to be promulgated by the PRC government in relation to the property market, it is difficult for the Management to predict with certainty the trend of rentals of offices in the PRC, which may go upwards or downwards, for the three years ending 31 December 2020. Furthermore, the Cooperation Agreement on Property Lease (Offices) is a framework agreement without details of office premises leased by the Group. As such, we are of the view that it is not feasible for the Group to pre-determine the rental rate of office premises at the time of the entering into of the Cooperation Agreement on Property Lease (Offices).

D. ***Basis of the proposed annual caps in respect of the Cooperation Agreement on Property Lease (Offices)***

The Company proposed that the respective annual caps for the Cooperation Agreement on Property Lease (Offices) (the "**Offices Annual Caps**") for the FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB12.00 million	RMB12.00 million	RMB12.00 million
Annual growth rate	—	0%	0%

As mentioned in the Letter, the Offices Annual Caps were determined based on the reasonable estimation of the gross floor area of office premises to be leased by the Group taking into account the operation requirements and business expansion plan of the Group during the relevant periods and assuming that the Group will be charged at the rental rates to be agreed between Golden Eagle International Group and Golden Eagle Trading. The exact rental rates will be negotiated in good faith between the parties with reference to the market rate at the material time. While the leases of those office premises under the Cooperation Agreement on Property Lease (Offices) may commence on different dates, all leases will end on or before 31 December 2020. The Group anticipates that other than the potential seven office leases with aggregate gross floor area of approximately 6,150 square meters will be entered into under the Cooperation Agreement on Property Lease (Offices) upon the same becomes effective, the Group might lease additional office premises with aggregate gross floor area of approximately 4,180 square meters during the three years ending 31 December 2020 for its new business departments and offices use following the Group's strategic transformation from fashion department store to "Comprehensive Lifestyle Center".

In assessing the estimation basis of the gross floor area of office premises to be leased by the Group (including the other leases and planned buffer rental of approximately RMB4.7 million per month), we have enquired the Management and obtained the business expansion plan of the Group during the relevant periods, we understand that while determining the Offices Annual Caps, the Management has considered the following factors:

i) Given the Group's continuous merchandise upgrades and adjustments, more office spaces are expected to be converted into retail space during the three years ending 31 December 2020. In addition, in accordance with the Group's expansion plan, another 5 new stores/additional area will be launched in the coming three years where more office spaces will be required for administration purpose;

ii) In the coming years, as part of and a parcel to its continuous strategic transformation and incremental development, the Group will focus on investment and resources integration in areas of consumer upgrade, children and education, health and medical care. New departments and offices will be set up for new investments such as education, health and medical care in the year of 2018;

iii) To continuously improve operation results and quality of the Group's retail stores, the Group makes effective utilization of various omni-marketing channels in the past few years, including the Group's own mobile phone application "goodee mobile App" (掌上金鷹)" and online sales platform "Jinying.com (金鷹購)" to achieve online and offline two-way marketing, driving a rapid growth of customer traffic and sales. More resources, including head count, will be allocated to this department in the year of 2018 to further enhance customers shopping experience and convenience;

iv) The continuous development and expansion of the Group's G•LIFE series which was first fully launched at Golden Eagle World on 18 November 2017, and continuous expansion of the Group's controllable merchandise resources; and

v) The acquisition of 7-Eleven franchise rights in Jiangsu Province by the Group in November 2017 represents the Group's first foothold in the convenience store sector following its successful operations in the retail and supermarket sectors and this development, required additional office spaces for this new business.

Despite that out of the Offices Annual Caps for FY2018, FY2019 and FY2020 of RMB12 million, approximately RMB7.5 million is determined based on the lease of 7 office premises in three planned locations (as mentioned below) and the remaining portion of the Offices Annual Caps of approximately RMB4.5 million is a buffer rental planned by the Management, having reviewed the above Group's expansion and development plan and considered the demand for additional lease area of at least 2,500 square meters for its administration, expansion, sales and marketing and development of e-commerce in those locations in the proximity of the Group's department store, we are of the view that the aforesaid planned buffer will be utilized by the Group in the coming three years starting from 1 January 2018, hence we concluded that such planned buffer is fair and reasonable.

In assessing the fairness and reasonableness of the determination of the Offices Annual Caps, we have reviewed and discussed with the Management about the estimation of the gross floor area of office premises to be leased by the Group (the "**Estimated Offices GFA**") during the relevant periods and were advised that the Estimated Offices GFA was prepared by the Management after taking into account, among others, the operation requirements and business plan of the Group.

(a) *Review on the determination of the Offices Annual Caps*

As advised by the Management, the determination of Estimated Offices GFA for FY2018, FY 2019 and FY2020 is substantially based on the lease of 7 offices in three different locations with an aggregate area of approximately 6,150 square meters and a buffer rental charges estimated by the Management in relation to the potential lease of offices which are not yet identified as at the Latest Practicable Date. Set out below is a summary of the basis of determination of the Offices Annual Caps:

Planned location	**31/F, Zhujiang No. 1 Plaza, No. 1 Zhujiang Road, Nanjing City* (南京市珠江路1號珠江一號31層)**	**8/F, Block A, Golden Eagle International Plaza, 89 Hanzhong Road, Nanjing* (南京市漢中路89號金鷹國際商城A座8層)**	**22/F, Block A, Golden Eagle International Plaza, 89 Hanzhong Road, Nanjing* (南京市漢中路89號金鷹國際商城A座22層)**	**4/F, Peng Xin Lindo, No. 22 Dong Jin Road, Hailing District, Taizhou City* (泰州市海陵區東進路22號鵬欣麗都4號)**	**2/F, Block G2, Peng Xin Lindo, No. 22 Dong Jin Road, Hailing District, Taizhou City* (泰州市海陵區東進路22號鵬欣麗都G2幢2層)**	**Total**
Grade	A	A	A	B	B	
Planned lease area (sqm)	190	4,965	129	748	121	**6,153**
Lease term	3 years	3 years	3 years	3 years	3 years	
Expected daily rental per sqm (RMB/year)	3.00	3.80	3.4	0.66	0.65	
Estimated monthly rental (RMB/month)	17,338	573,900	13,343	15,007	2,402	
Estimated annual rental per sqm (RMB/year) (Note)	208,050	6,886,802	160,114	180,085	28,819	**7,463,870**
Planned Buffer rental (RMB/year)						**4,536,139**
Proposed Offices Annual Cap						**12,000,000**

*Note: The estimated annual rental is calculated by: (the expected daily rental * 365 days)*

In assessing the fairness and reasonableness of the basis of the terms of the rental payable by the Group under the Cooperation Agreement on Property Lease (Offices), we attempt to identify, based on our best knowledge 4 sites from each planned locations ("**Rental Comparables**") from China Real Estate Index System, being one of the largest independent property research organizations providing comprehensive and accurate property/land data and an official website of Diandianzu* (點點租) (http://nj.diandianzu.com/), being one of the property agencies in Nanjing City. We consider that the Rental Comparables are fair and representative comparables to the Company and represent an exhaustive list of relevant comparable sites based on the said criteria below. In identifying the Rental Comparables, we have considered (i) the rental level of similar properties at the vicinity of the potential offices leased by the Group; and (ii) the rental quotation of the nearby office as offered on the aforesaid aforesaid system/website during September 2017 to December 2017. In addition, while reviewing the comparable transactions we identified, we noted that (i) the valuated unit rent of the offices under the Cooperation Agreement on Property Lease (Offices) are either below the minimum unit rent of the respective comparables or within the range of the unit rent of those comparables; and (ii) the comparables are in the same district where the respective office are located in and are in the same usage.

Set out below are the details of our research result of the aforesaid Rental Comparables based on the 3 planned locations:

(i) Comparables to planned location 1 - 31/F, Zhujiang No. 1 Plaza, No. 1 Zhujiang Road, Nanjing City* (南京市珠江路1號珠江一號31層) ("**Office Location 1**")

Comparable location	**Huali International Building, No.5 Zhujiang Road, Nanjing City* (南京市珠江路5號華利國際大廈*)**	**Yi Fat Information Building, No. 179 Zhongshan Road, Nanjing City* (南京市中山路179號易發資訊大廈*)**	**Guyang Century Building, No. 600 Zhujiang Road, Nanjing City* (南京市珠江路珠江路600號谷陽世紀大廈*)**	**Grand Palace Building, No.147 Zhongshan Road, Zhujiang Road, Nanjing City* (南京市珠江路中山東路147號大行宮大廈*)**
Grade	**A**	**A**	**B**	**A**
Lettable area (sqm)	175	338	168	340
Normal lease term	3 years	3 years	3 years	3 years
Monthly rental (RMB/month)	17,885	30,431	13,797	30,611
Daily rental per sqm (RMB/day)	3.36	2.96	2.70	2.96

(ii) Comparables to location 2 - 8/F, Block A, Golden Eagle International Plaza, 89 Hanzhong Road, Nanjing* (南京市漢中路89號金鷹國際商城A座8層) ("**Office Location 2**") and location 3 - 22/F, Block A, Golden Eagle International Plaza, 89 Hanzhong Road, Nanjing* (南京市漢中路89號金鷹國際商城A座22層) ("**Office Location 3**")

Comparable location	**Deji Plaza Phase 2, No. 18 Zhongshan Road, Xuanwu District, Nanjing City (南京市玄武區中山路18號德基廣場二期*)**	**Dongfang Financial Building, No. 29 Hongwu Road, Nanjing City (南京市洪武路29號東方金融大廈*)**	**Vantage Yuedong Xin Men Xi, No. 50 Feng You Si Road, Nanjing City (南京市鳳游寺路50號萬科悦動新門西*)**	**Nanjing Friendship Square, No. 27 Hanzhong Road, Nanjing City (南京市漢中路27號南京友誼廣場*)**
Grade	**A**	**A**	**A**	**A**
Lettable area (sqm)	2,034	1,000	1,300	2,300
Normal lease term	3 years	3 years	3 years	3 years
Monthly rental (RMB/month)	378,324	91,250	138,395	314,812
Daily rental per sqm (RMB/day)	6.00	3.00	3.50	4.50

(iii) Comparables to location 3 — 4/F, Peng Xin Lindo, No. 22 Dong Jin Road, Hailing District, Taizhou City* (泰州市海陵區東進路22號鵬欣麗都4號) ("**Office Location 4**") and location 5 — 2/F, Block G2, Peng Xin Lindo, No. 22 Dong Jin Road, Hailing District, Taizhou City* (泰州市海陵區東進路22號鵬欣麗都G2幢2層) ("**Office Location 5**")

Comparable location	**No. 5 Peng Xin Li Du, No.22 Dong Jin Road, Hailing District, Taizhou City* (泰州市海陵區東進路22號鵬欣麗都5號*)**	**Hengjing International No. 269 Yongxing Road, Hailing District, Taizhou City* (泰州市海陵區永興路269號恒景國際*)**	**Shangpin International Building, No. 632 — 17 Hailing South Road, Hailing District, Taizhou City* (泰州市海陵區海陵南路632-17號尚品國際大廈*)**	**South China Resources International Office Building, Taizhou City* (泰州城南華潤國際寫字樓)**
Grade	**B**	**B**	**A**	**B**
Lettable area (sqm)	80	150	140	102
Normal lease term	2 years	1 year	1 year	3 years
Monthly rental (RMB/month)	1,800	5,500	2,900	3,333
Daily rental per sqm (RMB/day)	0.75	1.22	0.69	1.09

We note from the above tables that the daily office rental of the Rental Comparables are charged based on the following range:

— Comparables to Office Location 1: ranged from RMB2.70 per sqm to RMB3.36 per sqm

— Comparables to Office Location 2 and Office Location 3: ranged from RMB3.00 per sqm to RMB6.00 per sqm

— Comparables to Office Location 4 and Office Location 5: ranged from RMB0.69 per sqm to RMB1.09 per sqm

Since the daily office rentals expected to be payable by the Management to Golden Eagle International Group or its subsidiaries under the Cooperation Agreement on Property Lease (Offices) for each of the Office Location 1, Office Location 2, Office Location 3, Office Location 4 and Office Location 5 are RMB3.00, RMB3.80, RMB3.40, RMB0.66 and RMB0.65 respectively, which falls below or within the range of the Rental Comparables, we consider that the determination of the Offices Annual Caps under the Cooperation Agreement on Property Lease (Offices) is fair and reasonable and is comparable to the prevailing market rate.

Although the Rental Comparables are of different size and are not the same as that of the Group, given that (i) each of the locations of the Rental Comparables are close to the 3 planned locations; and (ii) the level of the Rental Comparables are similar to that of the properties where the planned offices will be located at, which ranged from grade B to grade A, we consider that the Rental Comparables are fair and representative samples to our analysis.

Conclusions

Having considered that:

(i) the office premises owned by Golden Eagle International Group or its subsidiaries are situated at prime locations across the PRC, including, inter alia, Nanjing City;

(ii) the rental rate of office premises is susceptible to the office's location;

(iii) the Offices Annual Caps fall below or within the range of the Rental Comparables; and

(iv) in determining the estimated buffer rental of office premises, the Management has assumed that Nanjing City, where the headquarter of the Group is located, would be used as the location for the offices to be leased by the Group for the three years ending 31 December 2020;

we are of the view that the Offices Annual Caps were determined by the Management under reasonable ground and due care, and that the Offices Annual Caps are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

II. RENEWAL OF THE RELEVANT ANNUAL CAPS

Reference are made to the announcement and circular of the Company dated 18 March 2015 and 4 June 2015 respectively in relation to the continuing connected transactions of the Group contemplated under the Relevant Lease Agreements (as defined below). Set out below is the list of the Relevant Lease Agreements:

(i) the Amended Zhujiang Agreement;

(ii) the Amended Hanzhong Agreement;

(iii) the Amended Xianlin Agreement;

(iv) the Amended Yancheng Agreement;

(v) the Amended Xinjiekou Agreement;

(vi) the Lease Agreement (Yancheng Tiandi Plaza);

(vii) the Lease Agreement (Danyang Tiandi Plaza);

(viii) the Lease Agreement (Nanjing Jiangning Tiandi Plaza);

(ix) the Lease Agreement (Ma'anshan Tiandi Plaza); and

(x) the Amended Golden Eagle Plaza Agreement.

As the Relevant Annual Caps were approved by the Independent Shareholders for each of the three years ended 31 December 2017, the Company proposes to renew the Relevant Annual Caps for each of the three years ending 31 December 2020 in respect of each of the above lease agreements.

PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendation with regard to each of the Relevant Lease Agreements and the respective proposed annual caps, we have taken into account the principal factors and reasons set out below:

1. The Amended Zhujiang Agreement

A. *Background of the Amended Zhujiang Agreement*

On 28 August 2007, Nanjing Golden Eagle and Nanjing Zhujiang No. 1 entered into the Zhujiang Tenancy Agreement 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). Details of the Zhujiang Tenancy Agreement have been disclosed in the announcement of the Company dated 19 December 2007.

The aforesaid parties subsequently entered into (i) the first supplemental agreement to the Zhujiang Tenancy Agreement on 4 June 2008 (the "**1st Supplemental Zhujiang Agreement**"), amending the area of the property to be leased from approximately 22,780 square metres to approximately 24,545 square metres; and (ii) the second supplemental agreement to the Zhujiang Tenancy Agreement on 29 December 2008 (the "**2nd Supplemental Zhujiang Agreement**"), leasing the Additional Nanjing Zhujiang Properties. Details of the 1st Supplemental Zhujiang Agreement and the 2nd Supplemental Zhujiang Agreement have been disclosed in the announcements of the Company dated 5 January 2009.

On 18 March 2015, Nanjing Golden Eagle and Nanjing Zhujiang No. 1 entered into the third supplemental agreement to the Zhujiang Tenancy Agreement (the "**3rd Supplemental Zhujiang Agreement**"), leasing the Further Additional Nanjing Zhujiang Properties up to 27 December 2027 with the aggregate gross floor area of 2,755 square metres and adjusting the calculation of the annual rental payable by Nanjing Golden Eagle to Nanjing Zhujiang No. 1 for the lease of the Total Nanjing Zhujiang Properties. Details of the 3rd Supplemental Zhujiang Agreement have been disclosed in the announcement of the Company dated 18 March 2015.

B. ***Principal terms of the Amended Zhujiang Agreement***

According to the Letter, the principal terms of the Amended Zhujiang Agreement are listed as below:

Landlord: Nanjing Zhujiang No.1

Tenant: Nanjing Golden Eagle

Leased premises:

(a) Nanjing Zhujiang Properties;

(b) the Additional Nanjing Zhujiang Properties; and

(c) the Further Additional Nanjing Zhujiang Properties.

Lease term:

(a) Nanjing Zhujiang Properties: 20 years commencing from the date on which Nanjing Zhujiang Store commenced operation (i.e. 28 December 2007);

(b) Additional Nanjing Zhujiang Properties: commencing from the date of operation of the Additional Nanjing Zhujiang Properties to 27 December 2027; and

(c) Further Additional Nanjing Zhujiang Properties: commencing from the date on which the Third Supplemental Agreement (Amended Zhujiang Agreement) becomes effective to 27 December 2027

Rent and related charges: The annual rental payable by Nanjing Golden Eagle to Nanjing Zhujiang No. 1 for the lease of Total Nanjing Zhujiang Properties shall be equivalent to the aggregate of:

(a) with respect to those concessionaries:

(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:

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%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in Total Nanjing Zhujiang Properties (less business 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, which shall be payable by Nanjing Golden Eagle to Nanjing Zhujiang No. 1 quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Nanjing Golden Eagle shall at the same time submit the management accounts in respect of that quarter to Nanjing Zhujiang No. 1. After the end of each financial year, Nanjing Golden Eagle and Nanjing Zhujiang No.1 shall finalize the exact amount of rentals payable by Nanjing Golden Eagle in respect of that financial year. If the exact amount of rental payables by Nanjing Golden Eagle in respect of that financial year is less than the actual amount of rental paid by Nanjing Golden Eagle, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Amended Zhujiang Agreement is fair and reasonable. Having considered the quarterly payment of the rental payables under the Amended Zhujiang Agreement gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

C. ***Basis of the proposed annual caps in respect of the Amended Zhujiang Agreement***

The Company proposes that the respective annual caps for the Amended Zhujiang Agreement (the "**Zhujiang Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB22.63 million	RMB23.04 million	RMB23.28 million
Annual growth rate	-38.2%	1.8%	1.0%

As mentioned in the Letter, the Zhujiang Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Nanjing Zhujiang Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Nanjing Zhujiang Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% on supermarket operations. (the "**Nanjing Zhujiang Store GSP Estimation**").

In assessing the fairness and reasonableness of the determination of the Zhujiang Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Zhujiang Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Zhujiang Annual Caps were calculated based on the Nanjing Zhujiang Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Nanjing Zhujiang Store GSP Estimation and were given to understand that the Nanjing Zhujiang Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Nanjing Zhujiang Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions.

(a) *Review of historical sales performance of Nanjing Zhujiang Store*

In this regard, we have discussed with the Management the sales performance of Nanjing Zhujiang Store for the three financial years ended 31 December 2015 ("**FY2015**"), 31 December 2016 ("**FY2016**") and 31 December 2017 ("**FY2017**") (collectively, the "**Historical Periods**"). Set forth below are (i) the gross sales proceeds of Nanjing Zhujiang Store for the Historical Periods; (ii) the actual rental payable by the Group under the Amended Zhujiang Agreement for the Historical Periods; and (iii) the annual caps of the Amended Zhujiang Agreement for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB450.33 million	RMB386.81 million	RMB372.06 million
Actual rental payable by the Group	RMB20.40 million	RMB19.31 million	RMB20.95 million
Historical annual caps	RMB30.50 million	RMB33.40 million	RMB36.60 million
Utilization rate	66.9%	57.8%	57.2%

As stated in the table above, the actual rental payable by the Group under the Amended Zhujiang Agreement for the Historical Periods amounted to approximately RMB20.40 million, RMB19.31 million and RMB20.95 million, respectively.

The utilization rate decreased from approximately 66.9% in FY2015 to approximately 57.8% and 57.2% for FY2016 and FY2017 respectively. As advised by the Management, the relatively low utilization rate in FY2015 was mainly due to the challenging and competitive operating environment of PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce. In FY2016, Nanjing Zhujiang Store underwent a large extent of merchandise adjustments, where more lifestyle functions and amenities under sub-letting model had been introduced into the floor area to cater for the changing consumer demands and operating results started to show signs of stabilization approaching the end of FY2016. (the "**Merchandise Adjustments**").

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Amended Zhujiang Agreement in the Historical Periods ranged from a level of approximately RMB19.31 million to approximately RMB20.95 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Nanjing Zhujiang Store GSP Estimation so as to reflect the current sales performance of Nanjing Zhujiang Store. Further, we noticed that Zhujiang Annual Caps for FY2018

(RMB22.63 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB20.95 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Nanjing Zhujiang Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Nanjing Zhujiang Store and annual rentals payable by the Group under the Amended Zhujiang Agreement, we consider the determination of the Zhujiang Annual Caps is fair and reasonable.

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

In addition to the aforementioned, we are given to understand that when determining the Zhujiang Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Nanjing Zhujiang Store during the three years ending 31 December 2020.

It is noted that the proposed Zhujiang Annual Caps for FY2018 amounts to RMB22.63 million, representing a decrease of RMB13.97 million or a decrease of approximately 38.2% as compared to FY2017. As advised by the Management, after taking into consideration Nanjing Zhujiang Store's historical sales performance, namely the sales performance in the Historical Periods after the Merchandise Adjustments, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Amended Zhujiang Agreement for the relevant periods are RMB23.04 million and RMB23.28 million respectively, represent an annual growth of approximately 1.8% and 1.0% respectively as compared to the respective previous year. Based on this, we have conducted research from public domains in relation to the consumer goods market in Nanjing City. According to the statistics as announced by the Nanjing Government as stated in the sub-section headed "*(d) Review on the consumer goods market in Nanjing City*" below, the retail sales of consumer goods market in Nanjing City continued to grow at a rate of approximately 10.5% as compared to the corresponding period in 2016. As a large proportion of retail sales of consumer goods occur in department stores and supermarkets, we concur with the Management's view that Nanjing Zhujiang Store's sales performance for the respective periods is expected to be stabilized with a moderate growth.

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 Nanjing Zhujiang Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Amended Zhujiang Agreement, we noted that the annual rental payable by Nanjing Golden Eagle to Nanjing Zhujiang No. 1 in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Nanjing Zhujiang Store. On the other hand, we noted that the Zhujiang Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Amended Zhujiang Agreement.

On the other hand, for the annual rental payable by Nanjing Golden Eagle to Nanjing Zhujiang No. 1 in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in the Total Nanjing Zhujiang Properties. We noted that the Zhujiang Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Nanjing Zhujiang Store pursuant to the Amended Zhujiang Agreement;

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Total Nanjing Zhujiang Properties pursuant to the Amended Zhujiang Agreement;

(iv) as advised by the Management, Nanjing Zhujiang Store's average commission rate from concessionaire sales for FY2017 was approximately 20.4% and 251 out of 254 concessionaires are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Nanjing Zhujiang Store (decrease of approximately RMB63.5 million or 14.1% from RMB450.3 million in FY2015 to RMB386.8 million in FY2016 and decrease of approximately RMB14.7 million or 3.8% to RMB372.1 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Zhujiang Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumer goods market in Nanjing 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 Nanjing Zhujiang Store during the three years ending 31 December 2020 and the determination of the Zhujiang Annual Caps, we have conducted research from public domains in relation to the consumer goods market in Nanjing City. As announced by the official website of the Nanjing Government (www.nanjing.gov.cn) on 9 February 2017, the total retail sales of consumer goods in Nanjing City in 2016 reached approximately RMB508.82 billion, representing a year-on-year growth of approximately 10.9%, ranked first in Jiangsu Province. For the nine months ended 30 September 2017, the consumer goods market in Nanjing City continued to grow at a rate of approximately 10.5% as compared to the corresponding period in 2016 and reached approximately RMB409.09 billion. In view of the above growth trend, we concluded that the consumer goods market in Nanjing City, being the city where the Nanjing Zhujiang Store is located, has maintained a steady growth. Besides, the PRC's economic growth has led to an urbanization of the country in recent years. According to the National Bureau of Statistics of China (中華人民共和國國家統計局), the urbanization rate of the PRC, defined as the urban population as a percentage of the total population, increased from approximately 13.67 billion in 2014 to approximately 13.74 billion in 2015, representing an annual growth rate of approximately 0.5%. We believe that this trend of urbanization will lead to increased consumer spending as per capita disposable income is higher in cities than rural areas in the PRC. Together with the above growth trend in the consumer market, we consider that this trend will have a positive impact on the business of the Group.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) Nanjing Zhujiang Store is located in Nanjing City, Jiangsu Province with a long operating history of approximately 10 years and the Management possesses extensive experience in operating and developing retail chain stores in the PRC;

(ii) the consumer goods market in Nanjing City continued to grow at a steady rate;

(iii) the average annual growth rate of the Zhujiang Annual Caps of approximately 1.4% for FY2019 and FY2020 is below the annual growth rate of the consumer goods market in Nanjing City for the year ended 31 December 2016 of approximately 10.9% and the period to period growth rate for the nine months ended 30 September 2017 of approximately 10.5%;

(iv) the historical sales performance and ultilization rate of the annual caps of Nanjing Zhujiang Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4% which is reasonably adopted based on the factors considered as stated in pages 98 and 99;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Nanjing Zhujiang Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Zhujiang Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2. The Amended Hanzhong Agreement

A. *Background of the Amended Hanzhong Agreement*

On 3 June 2009, Golden Eagle (China) and Nanjing Jinjiye entered into (i) the Lease Agreement (Hanzhong Plaza) for the lease of Hanzhong Plaza and (ii) the Facilities Leasing Agreement for the lease of the Ancillary Facilities for a term of 10 years commencing from the date on which Hanzhong Plaza commenced operation in the name of Golden Eagle (China) (i.e. 18 June 2009).

On 13 July 2009, Nanjing Jinjiye, Golden Eagle (China) and Nanjing Golden Eagle Retail entered into the first supplemental agreement to the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement (the "**1st Hanzhong Supplemental Agreement**"), pursuant to which (i) Golden Eagle (China) transferred all its rights and obligations to Nanjing Golden Eagle Retail; and (ii) Nanjing Jinjiye was merged into Golden Eagle International Group after a series of group reorganization; and (iii) Golden Eagle International Group has assumed all the rights and obligations of Nanjing Jinjiye under the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement.

On 19 December 2013, Nanjing Golden Eagle and Golden Eagle International Group entered into the second supplemental agreement to the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement (the "**2nd Hanzhong Supplemental Agreement**"), removing the minimum guaranteed rental and adjusting calculation of the annual rental payable by Nanjing Golden Eagle Retail to Golden Eagle International Group for the lease of Hanzhong Plaza and Ancillary Facilities under the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement and the 1st Hanzhong Supplemental Agreement. Details of the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement, the 1st Hanzhong Supplemental Agreement and the 2nd Hanzhong Supplemental Agreement have been disclosed in the announcements of the Company dated 5 June 2009 and 20 December 2013 respectively.

On 18 March 2015, Nanjing Golden Eagle and Golden Eagle International Group entered into the third supplemental agreement to the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement (the "**3rd Hanzhong Supplemental Agreement**"), pursuant to which the parties agree that with retrospective effect, adjusting the calculation of the annual rental payable by Nanjing Golden Eagle Retail to Golden Eagle International Group under the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement, the 1st Hanzhong Supplemental Agreement and the 2nd Hanzhong Supplemental Agreement from 1 January 2015 onwards. Details of the 3rd Hanzhong Supplemental Agreement have been disclosed in the announcement of the Company dated 18 March 2015.

B. ***Principal terms of the Amended Hanzhong Agreement***

According to the Letter, the principal terms of the Amended Hanzhong Agreement are as below:

Landlord: Golden Eagle International Group

Tenant: Nanjing Golden Eagle Retail

Leased premises: Hanzhong Plaza and the Ancillary Facilities

Lease term: 10 years commencing from the date on which Hanzhong Plaza commenced operation under the name of Golden Eagle (China) (i.e. 18 June 2009)

Rent and related charges: The annual rentals payable by Nanjing Golden Eagle Retail to Golden Eagle International Group for the lease of Hanzhong Plaza and the Ancillary Facilities shall be equivalent to the aggregate of:

(a) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaires 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 concessionaire (less the value-added tax);

(b) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaires 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%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

The rental above will cover the rental for the lease of Ancillary Facilities under the Facilities Leasing Agreement. Golden Eagle International Group will not separately charge Nanjing Golden Eagle Retail under the Facilities Leasing Agreement.

The rental shall be payable by Nanjing Golden Eagle Retail to Golden Eagle International Group quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Nanjing Golden Eagle Retail shall at the same time submit the management accounts in respect of that quarter to Golden Eagle International Group. After the end of each financial year, Nanjing Golden Eagle Retail and Golden Eagle International Group shall finalize the exact amount of rentals payable by Nanjing Golden Eagle Retail in respect of that financial year. If the exact amount of rental payables by Nanjing Golden Eagle Retail in respect of that financial year is less than the actual amount of rental paid by Nanjing Golden Eagle Retail, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Amended Hanzhong Agreement is fair and reasonable. Having considered the quarterly payment of the rental payables under the Amended Hanzhong Agreement gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

C. ***Basis of the proposed annual caps in respect of the Amended Hanzhong Agreement***

The Company proposes that the respective annual caps for the Amended Hanzhong Agreement (the "**Hanzhong Annual Caps**") for FY2018 and FY2019 are as follows:

	FY2018	**FY2019**
Proposed annual caps	RMB9.14 million	RMB4.66 million
Annual growth rate	-23.2%	-49.0%

As mentioned in the Letter, the Hanzhong Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Nanjing Hanzhong Store, including concessionaire sales and sub-letting of units, with reference to the sales performance of Nanjing Hanzhong Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales and 50% for sub-letting income and the lease will expire on 17 June 2019 (the "**Nanjing Hanzhong Store GSP Estimation**").

In assessing the fairness and reasonableness of the determination of the Hanzhong Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Hanzhong Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Hanzhong Annual Caps were calculated based on the Nanjing Hanzhong Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Nanjing Hanzhong Store GSP Estimation and were given to understand that the Nanjing Hanzhong Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Nanjing Hanzhong Store in the past; (ii) the expected growth rate for the year ending 31 December 2018 and for the period from 1 January 2019 to 17 June 2019; and (iii) the current economic environment and the prevailing market conditions.

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

In this regard, we have discussed with the Management about the historical sales performance of Nanjing Hanzhong Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Nanjing Hanzhong Store for the Historical Periods; (ii) the actual rental payable by the Group under the Amended Hanzhong Agreement for the Historical Periods; and (iii) the annual caps of the Amended Hanzhong Agreement for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB279.52 million	RMB270.10 million	RMB270.12 million
Actual rental payable by the Group	RMB9.72 million	RMB8.46 million	RMB8.86 million
Historical annual caps	RMB10.50 million	RMB11.20 million	RMB11.90 million
Utilization rate	92.6%	75.5%	74.5%

As stated in the table above, the actual rental payable by the Group under the Amended Hanzhong Agreement for the Historical Periods amounted to approximately RMB9.72 million, RMB8.46 million and RMB8.86 million, respectively.

The utilization rate decreased from approximately 92.6% in FY2015 to approximately 75.5% in FY2016, and further decreased to approximately 74.5% in FY2017. As advised by the Management, the relatively low utilization rate in FY2016 was mainly due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Amended Hanzhong Agreement in the Historical Periods ranged from a level of approximately RMB8.46 million to approximately RMB9.72 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Nanjing Hanzhong Store GSP Estimation so as to reflect the current sales performance of Nanjing Hanzhong Store. Further, we noticed that Hanzhong Annual Caps for FY2018 (RMB9.14 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB8.86 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Nanjing Hanzhong Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Nanjing Hanzong Store and annual rentals payable by the Group under the Amended Hanzhong Agreement, we consider the determination of the Hanzhong Annual Caps is fair and reasonable.

(b) *Review on the expected growth rate of gross sales 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 Hanzhong Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Nanjing Hanzhong Store during the year ending 31 December 2018 and the period from 1 January 2019 to 17 June 2019.

It is noted that the proposed Hanzhong Annual Caps for FY2018 amounts to RMB9.14 million, representing a decrease of RMB2.76 million or a decrease of approximately 23.2% as compared to FY2017. As advised by the Management, after taking into consideration of Nanjing Hanzhong Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019, the proposed annual caps of the Amended Hanzhong Agreement for the relevant period is RMB4.66 million, represent an annual shortfall of approximately 49.0% as compared to the respective previous year. As advised by the Management and reviewed on the terms of the Amended Hanzhong Agreement, the lease term of the Amended Hanzhong Agreement will expire on 17 June 2019 and therefore such decrease is mainly due to the FY2019 annual cap is determined based on Nanjing Hanzhong Store sales performance for the period from 1 January 2019 to 17 June 2019.

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 Nanjing Hanzhong Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Amended Hanzhong Agreement, we noted that the annual rental payable by Nanjing Golden Eagle Retail to Golden Eagle International Group in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Nanjing Hanzhong Store. On the other hand, we noted that the Hanzhong Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Amended Hanzhong Agreement.

On the other hand, for the annual rental payable by Nanjing Golden Eagle Retail to Golden Eagle International Group in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in the Hanzhong Plaza. We noted that the Hanzhong Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires 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 Amended Hanzhong Agreement;

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Hanzhong Plaza pursuant to the Amended Hanzhong Agreement;

(iv) as advised by the Management, Nanjing Hanzhong Store's average commission rate from concessionaire sales for FY2017 was approximately 18.3% and all concessionaires at Nanjing Hanzhong Store are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Nanjing Hanzhong Store (decrease of approximately RMB9.4 million or 3.4% from RMB279.5 million in FY2015 to RMB270.1 million in FY2016 and remain stable of approximately RMB270.1 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Hanzhong Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumer goods market in Nanjing City*

As stated in the sub-section headed "(d) Review on the consumer goods market in Nanjing City" under the section headed "1. The Amended Zhujiang Agreement", we have conducted research from public domains in relation to the consumer goods market in Nanjing City. Having considered the results from the relevant research, we are of the view that the expected growth rate adopted by the Management in determining the Hanzhong Annual Caps are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) the Nanjing Hanzhong Store is located in Nanjing City, Jiangsu Province with a long operating history of approximately 8.5 years and the Management possesses extensive experience in operating and developing retail chain stores in the PRC;

(ii) the consumer goods market in Nanjing City continued to grow at a steady rate;

(iii) the historical sales performance and ultilization rate of the annual caps of Nanjing Hanzhong Store for the Historical Periods;

(iv) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(v) the assumptions of the determination of maximum rental rate of 4% which is reasonably adopted based on the factors considered as stated in pages 105 and 106;

we consider that the expected gross sales proceeds to be generated from the operation of Nanjing Hanzhong Store for the two years ending 31 December 2019 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Hanzhong Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. **The Amended Xianlin Agreement**

A. ***Background of the Amended Xianlin Agreement***

On 9 November 2009, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Properties 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 the date of soft opening of Xianlin Golden Eagle Shopping Plaza (i.e. 18 December 2009).

On 10 November 2010, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Properties entered into the Lease Agreement (Additional Xianlin Retail Area) for the lease of Additional Xianlin Retail Area for a term commencing from the date of soft opening of Additional Xianlin Retail Area to 17 December 2029.

On 20 January 2012, the aforesaid parties entered into the first supplemental agreement to the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) (the "**1st Xianlin Supplemental Agreement**"), adjusting the calculation of the annual rental payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Properties for the lease of Xian Golden Eagle Shopping Plaza under the Lease Agreement (Xianlin Golden Eagle Shopping Plaza). On the same date, the aforesaid parties entered into first supplemental agreement to the Lease Agreement (Additional Xianlin Retail Area) (the "**1st Additional Xianlin Supplemental Agreement**") for leasing of the Further Additional Xianlin Retail Area for a term commencing from the date of delivery of the said area to 17 December 2029 under the Lease Agreement (Additional Xianlin Retail Area).

On 19 December 2013, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Shopping entered into the second supplemental agreement to Lease Agreement (Xianlin Golden Eagle Shopping Plaza) and Lease Agreement (Additional Xianlin Retail Area) (the "**2nd Xianlin Supplemental Agreement**") for removing the minimum guaranteed rental as stated under the Lease Agreement (Xianlin Golden Eagle Shopping Plaza), the 1st Xianlin Supplemental Agreement, the Lease Agreement (Additional Xianlin Retail Area) and the 1st Additional Xianlin Supplemental Agreement. Details of (i) the Lease Agreement (Xianlin Golden Eagle Shopping Plaza), (ii) the Lease Agreement (Additional Xianlin Retail Area), (iii) the 1st Xianlin Supplemental Agreement, (iv) the 1st Additional Xianlin Supplemental Agreement and (v) the 2nd Xianlin Supplemental Agreement have been disclosed in the announcements of the Company dated 11 November 2009, 10 November 2010, 20 January 2012 and 20 December 2013.

On 18 March 2015, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Properties entered into the third supplemental agreement to the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) (the "**3rd Xianlin Supplemental Agreement**"), pursuant to which the parties agree that, with retrospective effect, adjusting the calculation of the annual rental payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Properties for the lease of the Total Xianlin Retail Area from 1 January 2015 onwards. Details of the 3rd Xianlin Supplemental Agreement have been disclosed in the announcement of the Company dated 18 March 2015.

B. ***Principal terms of the Amended Xianlin Agreement***

According to the Letter, the principal terms of the Amended Xianlin Agreement are as below:

Landlord: Xianlin Golden Eagle Properties

Tenant: Xianlin Golden Eagle Shopping

Leased premises:

(a) Xianlin Golden Eagle Shopping Plaza;

(b) Additional Xianlin Retail Area; and

(c) Further Additional Xianlin Retail Area

Lease term:

(a) Xianlin Golden Eagle Shopping Plaza: 20 years commencing from the date of soft opening of Xianlin Golden Eagle Shopping Plaza (i.e. 18 December 2009);

(b) Additional Xianlin Retail Area: commencing from the date of soft opening of the Additional Xianlin Retail Area to 17 December 2029; and

(c) Further Additional Xianlin Retail Area: commencing from the date of delivery of the Further Additional Xianlin Retail Area to 17 December 2029

Rent and related charges: The annual rentals payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Properties for the lease of the Total Xianlin Retail Area 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 concessionaires 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 concessionaire (less value-added tax);

(ii) for those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaires 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:

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

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

(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 business 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,

which shall be payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Properties quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Xianlin Golden Eagle Shopping shall at the same time submit the management accounts in respect of that quarter to Xianlin Golden Eagle Properties. After the end of each financial year, Xianlin Golden Eagle Shopping and Xianlin Golden Eagle Properties shall finalize the exact amount of rentals payable by Xianlin Golden Eagle Shopping in respect of that financial year. If the exact amount of rental payables by Xianlin Golden Eagle Shopping in respect of that financial year is less than the actual amount of rental paid by Xianlin Golden Eagle Shopping, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Amended Xianlin Agreement is fair and reasonable. Having considered the quarterly payment of the rental payables under the Amended Xianlin Agreement gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

C. ***Basis of the proposed annual caps in respect of the Amended Xianlin Agreement***

The Company proposes that the respective annual caps for the Amended Xianlin Agreement (the "**Xianlin Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	FY2019	FY2020
Proposed annual caps	RMB30.99 million	RMB33.47 million	RMB36.14 million
Annual growth rate	-37.4%	8.0%	8.0%

As mentioned in the Letter, the Xianlin Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds, including concessionaire sales, sub-letting of units and supermarket operations, to be derived from the operation of the Total Xianlin Retail Area with reference to the sales performance of Total Xianlin Retail Area in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations (the "**Nanjing Xianlin Store GSP Estimation**").

In assessing the fairness and reasonableness of the determination of the Xianlin Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Xianlin Annual Caps prepared by the Group. We noted from the said calculation worksheet that the Xianlin Annual Caps were calculated based on the Nanjing Xianlin Store GSP Estimation. We have reviewed and discussed with the Management about the Nanjing Xianlin Store GSP Estimation and were given to understand that the Nanjing Xianlin Store GSP Estimation was duly prepared by the Management with reference to the sales performance of Nanjing Xianlin Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions.

(a) *Review of historical sales performance of Nanjing Xianlin Store*

In this regard, we have discussed with the Management about the historical sales performance of Nanjing Xianlin Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Nanjing Xianlin Store for the Historical Periods; and (ii) the actual rental payable by the Group under the Amended Xianlin Agreement for the Historical Periods; and (iii) the annual caps of the Amended Xianlin Agreement for the Historical Periods.

	FY2015	FY2016	FY2017
Gross sales proceeds	RMB725.71 million	RMB756.52 million	RMB798.29 million
Actual rental payable by the Group	RMB27.11 million	RMB26.79 million	RMB27.28 million
Historical annual caps	RMB35.10 million	RMB42.00 million	RMB49.50 million
Utilization rate	77.2%	63.8%	55.1%

As stated in the table above, the actual rental payable by the Group under the Amended Xianlin Agreement for the Historical Periods amounted to approximately RMB27.11 million, RMB26.79 million and RMB27.28 million, respectively.

The utilization rate decreased from approximately 77.2% in FY2015 to approximately 63.8% in FY2016, and further decreased to approximately 55.1% in FY2017. As advised by the Management, despite the increase in Nanjing Xianlin Store's overall sales performance during the Historical Periods, but the actual growth rate is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Amended Xianlin Agreement in the Historical Periods ranged from a level of approximately RMB26.79 million to approximately RMB27.28 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Nanjing Xianlin Store GSP Estimation so as to reflect the current sales performance of Nanjing Xianlin Store. Further, we noticed that Xianlin Annual Caps for FY2018 (RMB30.99 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB27.28 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Nanjing Xianlin Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Nanjing Xianlin Store and annual rentals payable by the Group under the Amended Xianlin Agreement, we consider the determination of the Xianlin Annual Caps is fair and reasonable.

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

In addition to the aforementioned, we are given to understand that when determining the Xianlin Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Nanjing Xianlin Store during the three years ending 31 December 2020.

It is noted that the proposed Xianlin Annual Caps for FY2018 amounts to RMB30.99 million, representing a decrease of RMB18.51 million or a decrease of approximately 37.4% as compared to FY2017. As advised by the Management, after taking into consideration of Nanjing Xianlin Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Amended Xianlin Agreement for the relevant periods are RMB33.47 million and RMB36.14 million, respectively, represent an annual growth for FY2019 and FY2020 of approximately 8.0% and 8.0%, respectively, as compared to the respective previous year. As advised by the Management, such growth rates are determined based on (i) the gross sales proceeds generated from the operation of Nanjing Xianlin Store in FY2016 and FY2017 increased by approximately 4.3% and 5.5%, respectively; (ii) the continuous optimization of Nanjing Xianlin Store's merchandise mix and lifestyle functions and amenities offer; and (iii) the opening of Nanjing Xianlin Store Phase II (Nanjing Xianlin Store additional area) on 11 November 2017 which is expected to attract more foot traffic and further enhance Nanjing Xianlin Store's sales performance.

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 Nanjing Xianlin Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Amended Xianlin Agreement, we noted that the annual rental payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Properties in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Nanjing Xianlin Store. On the other hand, we noted that the Xianlin Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Amended Xianlin Agreement.

On the other hand, for the annual rental payable by Xianlin Golden Eagle Shopping to Xianlin Golden Eagle Properties in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Total Xianlin Retail Area. We noted that the Xianlin Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Nanjing Xianlin Store pursuant to the Amended Xianlin Agreement;

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Total Xianlin Retail Area pursuant to the Amended Xianlin Agreement;

(iv) as advised by the Management, Nanjing Xianlin Store's average commission rate from concessionaire sales for FY2017 was approximately 15.4% and 308 out of 316 concessionaires are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Nanjing Xianlin Store (increase of approximately RMB30.8 million or 4.3% from RMB725.7 million in FY2015 to RMB756.5 million in FY2016 and increase of approximately RMB41.8 million or 5.5% to RMB798.3 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Xianlin Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumer goods market in Nanjing City*

As stated in the sub-section headed "(d) Review on the consumer goods market in Nanjing City" under the section headed "1. The Amended Zhujiang Agreement", we have conducted research from public domains in relation to the consumer goods market in Nanjing City. Having considered the results from the relevant research, we are of the view that the expected growth rate adopted by the Management in determining the Xianlin Annual Caps are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) Nanjing Xianlin Store is located in Nanjing City, Jiangsu Province with a long operating history of approximately 8 years and the Management possesses extensive experience in operating and developing retail chain stores in the PRC;

(ii) the consumer goods market in Nanjing City continued to grow at a steady rate;

(iii) the average annual growth rate of the Xianlin Annual Caps of approximately 8.0% for FY2019 and FY2020 is below the annual growth rate of the consumer goods market in Nanjing City for the year ended 31 December 2016 of approximately 10.9% and the period to period growth rate for the nine months ended 30 September 2017 of approximately 10.5%;

(iv) the historical sales performance and ultilization rate of the annual caps of Nanjing Xianlin Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rate of 4% which is reasonably adopted based on the factors considered as stated in pages 112 and 113;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Nanjing Xianlin Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Xianlin Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

4. **The Amended Yancheng Agreement**

A. ***Background of the Amended Yancheng Agreement***

On 20 January 2012, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology entered into the Lease Agreement (Yancheng Golden Eagle Outlet) for the lease of the Yancheng Golden Eagle Outlet for a term of 10 years from the date on which Yancheng Golden Eagle Outlet commenced soft opening (i.e. 18 May 2012).

On 19 December 2013, the aforesaid parties entered into the first supplemental agreement to the Lease Agreement (Yancheng Golden Eagle Outlet) (the "**1st Yancheng Supplemental Agreement**"), removing the minimum guaranteed rental as stated under the Lease Agreement (Yancheng Golden Eagle Outlet). Details of the Lease Agreement (Yancheng Golden Eagle Outlet) and the 1st Yancheng Supplemental Agreement have been disclosed in the announcements of the Company dated 20 January 2012 and 20 December 2013 respectively.

On 18 March 2015, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology entered into the second supplemental agreement (the "**2nd Yancheng Supplemental Agreement**"), adjusting the calculation of the annual rental payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology under the Lease Agreement (Yancheng Golden Eagle Outlet) and the 1st Yancheng Supplemental Agreement. Details of the 2nd Yancheng Supplemental Agreement have been disclosed in the announcement of the Company dated 18 March 2015.

B. ***Principal terms of the Amended Yancheng Agreement***

According to the Letter, the principal terms of the Amended Yancheng Agreement are as below:

Landlord:	Yancheng Golden Eagle Technology
Tenant:	Yancheng Golden Eagle Shopping
Leased premises:	Yancheng Golden Eagle Outlet
Lease term:	10 years commencing from the date on which Yancheng Golden Eagle Outlet commenced soft opening (i.e. 18 May 2012)
Rent and related charges:	The annual rentals payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology for the lease of Yancheng Golden Eagle Outlet shall be equivalent to the aggregate of:

(a) for those concessionaires which (I) the Group charges more than 8% commission rate on their concessionaires 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 concessionaire (less value-added tax);

(b) or those concessionaires which (I) the Group charges 8% or less commission rate on their concessionaires 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:

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

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

(c) 50% of the rental proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet (less business tax and other relevant taxes), which shall be payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology 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, Yancheng Golden Eagle Shopping and Yancheng Golden Eagle Technology shall finalize the exact amount of rentals payable by Yancheng Golden Eagle Shopping in respect of that financial year. If the exact amount of rental payables by Yancheng Golden Eagle Shopping in respect of that financial year is less than the actual amount of rental paid by Yancheng Golden Eagle Shopping, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Amended Yancheng Agreement is fair and reasonable. Having considered the quarterly payment of the rental payables under the Amended Yancheng Agreement gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

C. ***Basis of the proposed annual caps in respect of the Amended Yancheng Agreement***

The Company proposes that the respective annual caps for the Amended Yancheng Agreement (the "**Yancheng Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	FY2019	FY2020
Proposed annual caps	RMB6.34 million	RMB6.53 million	RMB6.72 million
Annual growth rate	-60.4%	3.0%	2.9%

As mentioned in the Letter, the Yancheng Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting of units, to be derived from the operation of Yancheng Outlet Store with reference to the sales performance of Yancheng Outlet Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4.5% for its concessionaire sales and 50% for sub-letting income (the "**Yancheng Outlet Store GSP Estimation**").

In assessing the fairness and reasonableness of the determination of the Yancheng Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Yancheng Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Yancheng Annual Caps were calculated based on the Yancheng Outlet Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Yancheng Outlet Store GSP Estimation and were given to understand that the Yancheng Outlet Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Yancheng Outlet Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions.

(a) *Review of historical sales performance of Yancheng Outlet Store*

In this regard, we have discussed with the Management the sales performance of Yancheng Outlet Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Yancheng Outlet Store for the Historical Periods; (ii) the actual rental payable by the Group under the Amended Yancheng Agreement for the Historical Periods; and (iii) the annual caps of the Amended Yancheng Agreement for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB131.51 million	RMB143.24 million	RMB150.49 million
Actual rental payable by the Group	RMB4.77 million	RMB5.39 million	RMB5.73 million
Historical annual caps	RMB8.00 million	RMB12.30 million	RMB16.00 million
Utilization rate	59.6%	43.8%	35.8%

As stated in the table above, the actual rental payable by the Group under the Amended Yancheng Agreement for the Historical Periods amounted to approximately RMB4.77 million, RMB5.39 million and RMB5.73 million, respectively.

The utilization rate decreased from approximately 59.6% in FY2015 to approximately 43.8% in FY2016, and further decreased to approximately 35.8% in FY2017. As advised by the Management, despite the increase in Yancheng Outlet Store's overall sales performance during the Historical Periods, but the actual growth rate is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Amended Yancheng Agreement in the Historical Periods ranged from a level of approximately RMB4.77 million to approximately RMB5.73 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Yancheng Outlet Store GSP Estimation so as to reflect the current sales performance of Yancheng Outlet Store. Further, we noticed that Yancheng Annual Caps for FY2018 (RMB6.34 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB5.73 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Yancheng Outlet Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Yancheng Outlet Store and annual rentals payable by the Group under the Amended Yancheng Agreement, we consider the determination of the Yancheng Annual Caps is fair and reasonable.

(b) *Review on the expected growth rate of gross sales 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 Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Yancheng Outlet Store during the three years ending 31 December 2020.

It is noted that the proposed Yancheng Annual Caps for FY2018 amounts to RMB6.34 million, representing a decrease of RMB9.66 million or a decrease of approximately 60.4% as compared to FY2017. As advised by the Management, after taking into consideration of Yancheng Outlet Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Amended Yancheng Agreement for the relevant periods are RMB6.53 million and RMB6.72 million, respectively, represent an annual growth of approximately 3.0% and 2.9%, respectively, as compared to the respective previous year. As advised by the Management, such growth rates are determined based on (i) the gross sales proceeds generated from the operation of Yancheng Outlet Store in FY2016 and FY2017 increased by 8.9% and 5.1%, respectively; and (ii) the continuous optimization of Yancheng Outlet Store's merchandise mix and continuous introduction of more specialty and value for money brands and products so as to further enhance its competitiveness.

Having considered that 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 Yancheng Outlet Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4.5%*

Pursuant to the Amended Yancheng Agreement, we noted that the annual rental payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Yancheng Outlet Store. On the other hand, we noted that the Yancheng Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4.5% under the Amended Yancheng Agreement.

On the other hand, for the annual rental payable by Yancheng Golden Eagle Shopping to Yancheng Golden Eagle Technology in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Yancheng Golden Eagle Outlet. We noted that the Yancheng Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires 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 Amended Yancheng Agreement;

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Yancheng Golden Eagle Outlet pursuant to the Amended Yancheng Agreement;

(iv) as advised by the Management, Yancheng Outlet Store's average commission rate from concessionaire sales for FY2017 was approximately 12.6% and 98 out of 105 concessionaires are subject to the maximum rental rate of 4.5% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Yancheng Outlet Store (increase of approximately RMB11.7 million or 8.9% from RMB131.5 million in FY2015 to RMB143.2 million in FY2016 and increase of approximately RMB7.3 million or 5.1% to RMB150.5 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumers goods market in Yancheng 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 Yancheng Outlet Store during the three years ending 31 December 2020 and the determination of the Yancheng Annual Caps, we have conducted research from public domains in relation to the consumer goods market in Yancheng City. As announced by the official website of the Yancheng Government (www.tjj.yancheng.gov.cn) on 13 March 2017, the total retail sales of consumer goods in Yancheng City in 2016 reached approximately RMB163.09 billion, representing a year-on-year growth of approximately 11.1%. For the nine months ended 30 September 2017, the consumer goods market in Yancheng City continued to grow at a rate of approximately 11.5% as compared to the corresponding period in 2016 and reached approximately RMB132.82 billion. In view of the above growth trend, we concluded that the consumer goods market in Yancheng City, being the city where the Yancheng Outlet Store is located, has maintained a steady growth. According to a news published on the official website of the Yancheng Government on 13 March 2017, the average urban disposable income and consumption expenditures per capita for the year 2016 were approximately RMB15,503 and approximately RMB17,546, respectively, representing year-on-year growth of approximately 8.0% and approximately 6.1%, respectively. In view of the above trends, we are of the view that the long-term economic development as well as the retail industry growths in Yancheng City will remain positive.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) Yancheng Outlet Store is located in Yancheng City, Jiangsu Province with an operating history of approximately 5.5 years and the Management possesses extensive experience in operating and developing retail chain stores in the PRC;

(ii) the consumer goods market in Yancheng City continued to grow at a steady rate;

(iii) the average annual growth rate of the Yancheng Annual Caps of approximately 3.0% is below the annual growth rate of the consumer goods market in Yancheng City for the year ended 31 December 2016 of approximately 11.1% and the period to period growth rate for the nine months ended 30 September 2017 of approximately 11.5%;

(iv) the historical sales performance and ultilization rate of the annual caps of Yancheng Outlet Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4.5% which is reasonably adopted based on the factors considered as stated in pages 118 and 119;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Yancheng Outlet Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Yancheng Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. **The Amended Xinjiekou Agreement**

A. ***Background of the Amended Xinjiekou Agreement***

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). Details of the Lease Agreement (Xinjiekou Block B) have been disclosed in the announcement of the Company dated 16 April 2014.

On 18 March 2015, the aforesaid parties entered into the supplemental agreement (the "**Xinjiekou Supplemental Agreement**"), pursuant to which the parties agree that, with retrospective effect adjusting the calculation of the annual rental payable by Golden Eagle (China) to Golden Eagle International Group under the Lease Agreement (Xinjiekou Block B) from 1 January 2015 onwards. Details of the Xinjiekou Supplemental Agreement have been disclosed in the announcement of the Company dated 18 March 2015.

B. ***Principal terms of the Amended Xinjiekou Agreement***

According to the Letter, the principal terms of the Amended Xinjiekou Agreement are as below:

Landlord:	Golden Eagle International Group
Tenant:	Golden Eagle (China)
Leased premises:	Xinjiekou Block B
Lease term:	20 years commencing from the date on which the Group commenced its retail operation at Xinjiekou Block B (i.e. 26 April 2014)

Rent and related charges: The annual rentals payable by Golden Eagle (China) to Golden Eagle International Group for the lease of Xinjiekou Block B 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:

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%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in Xinjiekou Block B (less business 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, which shall be payable by Golden Eagle (China) to Golden Eagle International Group quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Golden Eagle (China) shall at the same time submit the management accounts in respect of that quarter to Golden Eagle International Group. After the end of each financial year, Golden Eagle (China) and Golden Eagle International Group shall finalize the exact amount of rentals payable by Golden Eagle (China) in respect of that financial year. If the exact amount of rental payables by Golden Eagle (China) in respect of that financial year is less than the actual amount of rental paid by Golden Eagle (China), the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Amended Xinjiekou Agreement is fair and reasonable. Having considered the quarterly payment of the rental payables under the Amended Xinjiekou Agreement gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

C. ***Basis of the proposed annual caps in respect of the Amended Xinjiekou Agreement***

The Company proposes that the respective annual caps for the Amended Xinjiekou Agreement (the "**Xinjiekou Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB32.13 million	RMB34.09 million	RMB36.07 million
Annual growth rate	-21.8%	6.1%	5.8%

As mentioned in the Letter, the Xinjiekou Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds, including concessionaire sales, sub-letting of units and supermarket operations, to be derived from the operation of Xinjiekou Block B, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Xinjiekou Block B in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations (the "**Xinjiekou Block B GSP Estimation**").

In assessing the fairness and reasonableness of the determination of the Xinjiekou Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Xinjiekou Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Xinjiekou Annual Caps were calculated based on the Xinjiekou Block B GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Xinjiekou Block B GSP Estimation and were given to understand that the Xinjiekou Block B GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Xinjiekou Block B in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions.

(a) *Review of historical sales performance of Xinjiekou Block B*

In this regard, we have discussed with the Management about the historical sales performance of Xinjiekou Block B for the Historical Periods. Set forth below are (i) the gross sales proceeds of Xinjiekou Block B for the Historical Periods; (ii) the actual rental payable by the Group under the Amended Xinjiekou Agreement for the Historical Periods; and (iii) the annual caps of the Amended Xinjiekou Agreement for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds generated by Xinjiekou Block B	RMB434.25 million	RMB443.34 million	RMB474.16 million
Actual rental payable by the Group	RMB22.23 million	RMB24.29 million	RMB26.71 million
Historical annual caps	RMB33.6 0million	RMB37.40 million	RMB41.10 million
Utilization rate	66.2%	64.9%	65.0%

As stated in the table above, the actual rental payable by the Group under the Amended Xinjiekou Agreement for the Historical Periods amounted to approximately RMB22.23 million, RMB24.29 million and RMB26.71 million, respectively.

The utilization rate decreased from approximately 66.2% in FY2015 to approximately 64.9% and 65.0% for FY2016 and FY2017 respectively. As advised by the Management, despite the increase in Xinjiekou Block B's overall sales performance during the Historical Periods, but the actual growth rate is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Amended Xinjiekou Agreement in the Historical Periods ranged from a level of approximately RMB22.23 million to approximately RMB26.71 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Xinjiekou Block B GSP Estimation so as to reflect the current sales performance of Xinjiekou Block B. Further, we noticed that Xinjiekou Annual Caps for FY2018 (RMB32.13 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB26.71 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Xinjiekou Block B in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Xinjiekou Block B and annual rentals payable by the Group under the Amended Xinjiekou Agreement, we consider the determination of the Xinjiekou Annual Caps is fair and reasonable.

(b) *Review on the expected growth rate of gross sales proceeds to be generated from the operation of Xinjiekou Block B*

In addition to the aforementioned, we are given to understand that when determining the Xinjiekou Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Xinjiekou Block B during the three years ending 31 December 2020.

It is noted that the proposed Xinjiekou Annual Caps for FY2018 amounts to RMB32.13 million, representing a decrease of RMB8.97 million or a decrease of approximately 21.8% as compared to FY2017. As advised by the Management, after taking into consideration of Xinjiekou Block B's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Amended Xinjiekou Agreement for the relevant periods are RMB34.09 million and RMB36.07 million, respectively, represent an annual growth of approximately 6.1% and 5.8% respectively as compared to the respective previous year. As advised by the Management, such growth rates are determined based on (i) the gross sales proceeds generated from the operation of Xinjiekou Block B in FY2016 and FY2017 increased by 2.1% and 7.0%, respectively; and (ii) the continuous optimization of Xinjiekou Block B's merchandise mix and lifestyle functions and amenities offer.

Having considered that 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 Xinjiekou Block B is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Amended Xinjiekou Agreement, we noted that the annual rental payable by Golden Eagle (China) to Golden Eagle International Group in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Xinjiekou Block B. On the other hand, we noted that the Xinjiekou Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Amended Xinjiekou Agreement.

On the other hand, for the annual rental payable by Golden Eagle (China) to Golden Eagle International Group in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Xinjiekou Block B. We noted that the Xinjiekou Annual Caps were determined based on the assumption that the Group will be charged at the rental rates of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Xinjiekou Block B pursuant to the Amended Xinjiekou Agreement;

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Xinjiekou Block B pursuant to the Amended Xinjiekou Agreement;

(iv) as advised by the Management, Xinjiekou Block B's average commission rate from concessionaire sales for FY2017 was approximately 18.4% and 88 out of 91 concessionaires are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Xinjiekou Block B (increase of approximately RMB9.0 million or 2.1% from RMB434.3 million in FY2015 to RMB443.3 million in FY2016 and increase of approximately RMB30.9 million or 7.0% to RMB474.2 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Xinjiekou Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumer goods market in Nanjing City*

As stated in the sub-section headed "(d) Review on the consumer goods market in Nanjing City" under the section headed "1. The Amended Zhujiang Agreement", we have conducted research from public domains in relation to the consumer goods market in Nanjing City. Having considered the results from the relevant research, we are of the view that the expected growth rate adopted by the Management in determining the Xinjiekou Annual Caps are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) the Xinjiekou Block B is the additional operating area of the Group's flagship Nanjing Xinjiekou Store, which is located in Nanjing City, Jiangsu Province with a long operating history of approximately 21.5 years and the Management possesses extensive experience in operating and developing retail chain stores in the PRC;

(ii) the consumer goods market in Nanjing City continued to grow at a steady rate;

(iii) the average annual growth rate of the Xinjiekou Annual Caps of approximately 6.0% for FY2019 and FY2020 is below the annual growth rate of the consumer goods market in Nanjing City for the year ended 31 December 2016 of approximately 10.9% and the period to period growth rate for the nine months ended 30 September 2017 of approximately 10.5%;

(iv) the historical sales performance and ultilization rate of the annual caps of Xinjiekou Block B for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4% which is reasonably adopted based on the factors considered as stated in pages 126 and 127;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Xinjiekou Block B for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Xinjiekou Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6. **The Lease Agreement (Yancheng Tiandi Plaza)**

A. ***Background of the 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.

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

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

Landlord: Yancheng Golden Eagle Technology

Tenant: Yancheng Golden Eagle Julonghu

Leased premises: Yancheng Tiandi Lease Area

Lease term: 20 years commencing from the date on which Yancheng Julonghu Store commenced soft opening (i.e. 6 September 2014)

Rent and related charges: The annual rentals payable by Yancheng Golden Eagle Julonghu to Yancheng Golden Eagle Technology for the lease of Yancheng Tiandi Lease Area 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:

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%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

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

50% of the rental proceeds derived from sub-letting the units in Yancheng Tiandi Lease Area (less business 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,

which shall be payable by Yancheng Golden Eagle Julonghu to Yancheng Golden Eagle Technology quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Yancheng Golden Eagle Julonghu 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, Yancheng Golden Eagle Julonghu and Yancheng Golden Eagle Technology shall finalize the exact amount of rentals payable by Yancheng Golden Eagle Julonghu in respect of that financial year. If the exact amount of rental payables by Yancheng Golden Eagle Julonghu in respect of that financial year is less than the actual amount of rental paid by Yancheng Golden Eagle Julonghu, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Lease Agreement (Yancheng Tiandi Plaza) is fair and reasonable. Having considered the quarterly payment of the rental payables under the Lease Agreement (Yancheng Tiandi Plaza) gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

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

The Company proposes that the respective annual caps for the Lease Agreement (Yancheng Tiandi Plaza) (the "**Yancheng Tiandi Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	FY2019	FY2020
Proposed annual caps	RMB33.07 million	RMB36.29 million	RMB39.31 million
Annual growth rate	-8.1%	9.7%	8.3%

As mentioned in the Letter, the Yancheng Tiandi Annual Caps were determined based on (i) the historical amounts incurred in the past; (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Yancheng Julonghu Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Yancheng Julonghu Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations (the "**Yancheng Julonghu Store GSP Estimation**"); (iii) the assumption that the car parking spaces offered by Yancheng Golden Eagle Technology to the general public and Yancheng Julonghu Store will be free of charge during the relevant periods. In the event that Yancheng Golden Eagle Technology ceases to offer car parking space free of charge in the future, the above annuals caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps accordingly, if necessary; and (iv) the estimated costs expected to be incurred by Yancheng Golden Eagle Technology in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Yancheng Tiandi Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs.

In assessing the fairness and reasonableness of the determination of the Yancheng Tiandi Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Yancheng Tiandi Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Yancheng Tiandi Annual Caps were calculated based on the Yancheng Julonghu Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Yancheng Julonghu Store GSP Estimation and were given to understand that the Yancheng Julonghu Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Yancheng Julonghu Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions; (iv) the rental relating to the car parking spaces which will be free of charge in the future; and (v) the calculation basis of the actual property management costs incurred in the Historical Periods.

(a) *Review of historical sales performance of Yancheng Julonghu Store*

In this regard, we have discussed with the Management the sales performance of Yancheng Julonghu Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Yancheng Julonghu Store for the Historical Periods; (ii) the actual rental payable by the Group under the Lease Agreement (Yancheng Tiandi Plaza) for the Historical Periods; and (iii) the annual caps of the Lease Agreement (Yancheng Tiandi Plaza) for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB356.86 million	RMB424.30 million	RMB516.71 million
Actual rental payable by the Group	RMB11.89 million	RMB19.62 million	RMB25.90 million
Historical annual caps	RMB19.70 million	RMB31.60 million	RMB36.00 million
Utilization rate	60.4%	62.1%	71.9%

As stated in the table above, the actual rental payable by the Group under the Lease Agreement (Yancheng Tiandi Plaza) for the Historical Periods amounted to approximately RMB11.89 million, RMB19.62 million and RMB25.90 million, respectively.

The utilization rate increased from approximately 60.4% in FY2015 to approximately 62.1% in FY2016, and further to approximately 71.9% in FY2017. As advised by the Management, despite the increase in Yancheng Julonghu Store's overall sales performance during the Historical Periods, but the actual growth rate is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods after Yancheng Julonghu Store's soft opening in 2014 due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Lease Agreement (Yancheng Tiandi Plaza) in the Historical Periods ranged from a level of approximately RMB11.89 million to approximately RMB25.90 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Yancheng Julonghu Store GSP Estimation so as to reflect the current sales performance of Yancheng Julonghu Store. Further, we noticed that Yancheng Tiandi Annual Caps for FY2018 (RMB33.07 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB25.90 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Yancheng Julonghu Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Yancheng Julonghu Store and annual rentals payable by the Group under the Lease Agreement (Yancheng Tiandi Plaza), we consider the determination of the Yancheng Tiandi Annual Caps is fair and reasonable.

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

In addition to the aforementioned, we are given to understand that when determining the Yancheng Tiandi Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Yancheng Julonghu Store during the three years ending 31 December 2020.

It is noted that the proposed Yancheng Tiandi Annual Caps for FY2018 amounts to RMB33.07 million, representing a decrease of RMB2.93 million or a decrease of approximately 8.1% as compared to FY2017. As advised by the Management, after taking into consideration of Yancheng Julonghu Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Lease Agreement (Yancheng Tiandi Plaza) for the relevant periods are RMB36.29 million and RMB39.31 million, respectively, represent an annual growth of approximately 9.7% and 8.3% respectively as compared to the respective previous year. As advised by the Management, such growth rates are determined based on (i) the gross sales proceeds generated from the operation of Yancheng Julonghu Store in FY2016 and FY2017 increased by 18.9% and 21.8% respectively; and (ii) the continuous optimization of Yancheng Julonghu Store's merchandise mix and lifestyle functions and amenities offer.

Having considered that 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 Yancheng Jinguolian Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Lease Agreement (Yancheng Tiandi Plaza), we noted that the annual rental payable by Yancheng Golden Eagle Julonghu to Yancheng Golden Eagle Technology in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Yancheng Julonghu Store. On the other hand, we noted that the Yancheng Tiandi Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Lease Agreement (Yancheng Tiandi Plaza).

On the other hand, for the annual rental payable by Yancheng Golden Eagle Julonghu to Yancheng Golden Eagle Technology in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in the Yancheng Tiandi Lease Area. We noted that the Yancheng Tiandi Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Yancheng Julonghu Store pursuant to the Lease Agreement (Yancheng Tiandi Plaza);

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Yancheng Tiandi Lease Area pursuant to the Lease Agreement (Yancheng Tiandi Plaza);

(iv) as advised by the Management, Yancheng Jinguolian Store's average commission rate from concessionaire sales for FY2017 was approximately 13.3% and 329 out of 346 concessionaires are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Yancheng Julonghu Store (increase of approximately RMB67.4 million or 18.9% from RMB356.9 million in FY2015 to RMB424.3 million in FY2016 and increase of approximately RMB92.4 million or 21.8% to RMB516.7 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Tiandi Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumers goods market in Yancheng Cit*y

As stated in the sub-section headed "(d) Review on the consumer goods market in Yancheng City" under the section headed "4. The Amended Yancheng Agreement", we have conducted research from public domains in relation to the consumer goods market in Yancheng City. Having considered the results from the relevant research, we are of the view that the expected growth rate adopted by the Management in determining the Yancheng Tiandi Annual Caps are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

Based on our independent work done as stated in sub sections above, we have taken into account the facts that:

(i) Yancheng Jinguolian Store commenced its soft opening on 6 September 2014 with short operating history and the historical gross sales proceeds of Yancheng Jinguolian Store is relatively small as compared to other mature retail stores operated by the Group;

(ii) the consumer goods market in Yancheng City continued to grow at a steady rate;

(iii) the average annual growth rate of the Yancheng Tiandi Annual Caps of approximately 9.0% for FY2019 to FY2020 is below the annual growth rate of the consumer goods market in Yancheng City for the year ended 31 December 2016 of approximately 11.1% and the period to period growth rate of for the nine months ended 30 September 2017 of approximately 11.5%;

(iv) the historical sales performance and ultilization rate of the annual caps of Yancheng Julonghu Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4% which is reasonably adopted based on the factors considered as stated in pages 132 and 133;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Yancheng Jinguolian Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Yancheng Tiandi Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

7. **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 the date on which Danyang Store commenced soft opening (i.e. 1 January 2015). Details of the Lease Agreement (Danyang Tiandi Plaza) have been disclosed in the announcement of the Company dated 18 March 2015.

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 as below:

Landlord: Danyang Golden Eagle Tiandi

Tenant: Danyang Golden Eagle Shopping

Leased premises: Danyang Tiandi Lease Area

Lease term: 20 years commencing from the date on which Danyang Store commenced soft opening (i.e. 1 January 2015)

Rent and related charges: The annual rentals payable by Danyang Golden Eagle Shopping to Danyang Golden Eagle Tiandi for the lease of Danyang Tiandi Lease Area 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 the relevant 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:

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

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

(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;

(ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket from 1 January 2018 onwards,

which shall be payable by Danyang Golden Eagle Shopping to Danyang Golden Eagle Tiandi quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Danyang Golden Eagle Shopping shall at the same time submit the management accounts in respect of that quarter to Danyang Golden Eagle Tiandi. After the end of each financial year, Danyang Golden Eagle Shopping and Danyang Golden Eagle Tiandi shall finalize the exact amount of rentals payable by Danyang Golden Eagle Shopping in respect of that financial year. If the exact amount of rental payables by Danyang Golden Eagle Shopping in respect of that financial year is less than the actual amount of rental paid by Danyang Golden Eagle Shopping, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Lease Agreement (Danyang Tiandi Plaza) is fair and reasonable. Having considered the quarterly payment of the rental payables under the Lease Agreement (Danyang Tiandi Plaza) gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

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

The Company proposes that the respective annual caps for the Lease Agreement (Danyang Tiandi Plaza) (the "**Danyang Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB5.59 million	RMB6.06 million	RMB6.58 million
Annual growth rate	-74.7%	8.4%	8.6%

As mentioned in the Letter, the Danyang Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Danyang Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Danyang Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4% for its concessionaire sales, 50% for sub-letting income and 4% for supermarket operations (the "**Danyang Store GSP Estimation**"); (iii) the assumption that the car parking spaces offered by Danyang Golden Eagle Tiandi to the general public and Danyang Store will be free of charge during the relevant periods. In the event that Danyang Golden Eagle Tiandi ceases to offer car parking space free of charge in the future, the above annuals caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps according, if necessary; and (iv) the estimated costs expected to be incurred by Danyang Golden Eagle Tiandi in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Danyang Tiandi Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs.

In assessing the fairness and reasonableness of the determination of the Danyang Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Danyang Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Danyang Annual Caps were calculated based on the Danyang Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Danyang Store GSP Estimation and were given to understand that the Danyang Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Danyang Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; (iii) the current economic environment and the prevailing market conditions; (iv) the rental relating to the car parking spaces which will be free of charge in the future; and (v) the calculation basis of the actual property management costs incurred in the Historical Periods.

(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 for the Historical Periods. Set forth below are (i) the gross sales proceeds of Danyang Store for the Historical Periods; (ii) the actual rental payable by the Group under the Lease Agreement (Danyang Tiandi Plaza) for the Historical Periods; and (iii) the annual caps of the Lease Agreement (Danyang Tiandi Plaza) for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB150.44 million	RMB104.54 million	RMB58.09 million
Actual rental payable by the Group	RMB4.90 million	RMB5.02 million	RMB4.56 million
Historical annual caps	RMB12.30 million	RMB19.40 million	RMB22.10 million
Utilization rate	39.8%	25.9%	20.6%

As stated in the table above, the actual rental payable by the Group under the Lease Agreement (Danyang Tiandi Plaza) for the Historical Periods amounted to approximately RMB4.90 million, RMB5.02 million and RMB4.56 million, respectively.

The utilization rate decreased from approximately 39.8% in FY2015 to approximately 25.9% in FY2016, and further decreased to approximately 20.6% in FY2017. As advised by the Management, the low utilization rates were mainly due to (i) the challenging and competitive operating environment at Danyang City and (ii) Danyang Store is the Group's first retail store opened in Danyang City on January 2015 and the actual growth rate of the said store is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Lease Agreement (Danyang Tiandi Plaza) in the Historical Periods ranged from a level of approximately RMB4.56 million to approximately RMB5.02 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Danyang Store GSP Estimation so as to reflect the current sales performance of Danyang Store. Further, we noticed that Danyang Annual Caps for FY2018 (RMB5.59 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB4.56 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Danyang Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Danyang Store and annual rentals payable by the Group under the Lease Agreement (Danyang Tiandi Plaza), we consider the determination of the Danyang Annual Caps is fair and reasonable.

(b) *Review on the expected growth rate of gross sales 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 Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Danyang Store during the three years ending 31 December 2020.

It is noted that the proposed Danyang Annual Caps for FY2018 amounts to RMB5.59 million, representing a decrease of RMB16.51 million or a decrease of approximately 74.7% as compared to FY2017. As advised by the Management, after taking into consideration of Danyang Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward after factor in the increase in rental rate for Danyang Store's supermarket operations from 3% to 4% from 1 January 2018 onwards according to the Lease Agreement (Danyang Tiandi Plaza). Regarding FY2019 and FY2020, the proposed annual caps of the Lease Agreement (Danyang Tiandi Plaza) for the relevant periods are RMB6.06 million and RMB6.58 million respectively, represent an annual growth of approximately 8.4% and 8.6% respectively as compared to the respective previous year. As advised by the Management, despite the weak sales performance during the Historical Periods, the Management strive to improve the sales performance and profitability of Danyang Store. It is planned by the Management that Danyang Store will undergo a larger extent of Merchandise Adjustments in FY2018 to (i) further enrich its merchandising offering and (ii) to introduce more specialty and value for money brands and products so as to further enhance its competitiveness; and (iii) to introduce more lifestyle functions and amenities to the customers. After considering the above action plan, we concur with the Management's view that the merchandise adjustments could further enhance the brand equity of Danyang Store and market share in Danyang retail store market and the competitiveness against those retail stores in Danyang City. Given the relatively low base during the Historical Periods, a high growth rate was noted.

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 Danyang Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Lease Agreement (Danyang Tiandi Plaza), we noted that the annual rental payable by Danyang Golden Eagle Shopping to Danyang Golden Eagle Tiandi in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Danyang Store. On the other hand, we noted that the Danyang Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Lease Agreement (Danyang Tiandi Plaza).

On the other hand, for the annual rental payable by Danyang Golden Eagle Shopping to Danyang Golden Eagle Tiandi in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Danyang Tiandi Lease Area. We noted that the Danyang Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires 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) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Danyang Tiandi Lease Area pursuant to the Lease Agreement (Danyang Tiandi Plaza);

(iv) as advised by the Management, Danyang Store's average commission rate from concessionaire sales for FY2017 was approximately 9.2% and 59 out of 74 concessionaires are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Danyang Store (decrease of approximately RMB45.9 million or 30.5% from RMB150.4 million in FY2015 to RMB104.5 million in FY2016 and decrease of approximately RMB46.4 million or 44.4% to RMB58.1 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the 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 2020, we have conducted research from public domains in relation to the consumer goods market in Danyang City.

According to the statistics published on the official website of the Zengjiang government, the total retail sales of consumer goods in Danyang City in 2016 reached approximately RMB31.56 billion, representing a year-on-year growth of approximately 11.2%. For the six months ended 30 June 2017, the consumer goods market in Danyang City continued to grow at a rate of approximately 10.9% as compared to the corresponding period in the 2016 and reached approximately RMB16.65 billion. In view of the above growth trend, we concluded that the consumer goods market in Danyang City, being the city where the Danyang Store is located, has maintained a steady growth. According to statistics published on the official website of the Danyang City Statistical Yearbook 2016, the average urban disposable income and consumption expenditures per capita for the year 2016 were approximately RMB33,088 and approximately RMB20,843, respectively, representing year-on-year growth of approximately 9.0% and approximately 9.4%, respectively. In view of the above trends, we are of the view that the long-term economic development as well as the retail industry growths in Danyang City will remain positive.

Conclusion

Based on our indepdent work done as stated in sub-sections above, we have taken into account the facts that:

(i) Danyang Store commenced its soft opening on 1 January 2015 with short operating history and the historical gross sales proceeds of Danyang Store is relatively small as compared to other mature retail stores operated by the Group;

(ii) the consumer goods market in Danyang City continued to grow at a steady rate;

(iii) the average annual growth rate of the Danyang Annual Caps of approximately 8.5% for FY2019 to FY2020 is below the annual growth rate of the consumer goods market in Danyang City for the year ended 31 December 2016 of approximately 11.2% and the period to period growth rate for the six months ended 30 June 2017 of approximately 10.9%;

(iv) the historical sales performance and ultilization rate of the annual caps of Danyang Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4% which is reasonably adopted based on the factors considered as stated in pages 139 and 140;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Danyang Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Danyang Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

8. The Lease Agreement (Nanjing Jiangning Tiandi Plaza)

A. ***Background of the 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 soft opening (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.

B. ***Principal terms of the Lease Agreement (Nanjing Jiangning Tiandi Plaza)***

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

Landlord:	Nanjing Jiangning Technology
Tenant:	Nanjing Jiangning Shopping
Leased premises:	Nanjing Jiangning Tiandi Lease Area
Lease term:	20 years commencing from the date on which Nanjing Jiangning Store commenced soft opening (i.e. 3 July 2015)
Rent and related charges:	The annual rentals payable by Nanjing Jiangning Shopping to Nanjing Jiangning Technology for the lease of Nanjing Jiangning Tiandi Lease Area shall be equivalent to the aggregate of:

(a) with respect to those concessionaires:

(i) 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%

the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

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

50% of the rental proceeds derived from sub-letting the units in Nanjing Jiangning 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 during the first three years commencing from 3 July 2015;

(ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 3 July 2018 onwards,

which shall be payable by Nanjing Jiangning Shopping to Nanjing Jiangning Technology quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Nanjing Jiangning Shopping shall at the same time submit the management accounts in respect of that quarter to Nanjing Jiangning Technology. After the end of each financial year, Nanjing Jiangning Shopping and Nanjing Jiangning Technology shall finalize the exact amount of rentals payable by Nanjing Jiangning Shopping in respect of that financial year. If the exact amount of rental payables by Nanjing Jiangning Shopping in respect of that financial year is less than the actual amount of rental paid by Nanjing Jiangning Shopping, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Lease Agreement (Nanjing Jiangning Tiandi Plaza) is fair and reasonable. Having considered the quarterly payment of the rental payables under the Lease Agreement (Nanjing Jiangning Tiandi Plaza) gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

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

The Company proposes that the respective annual caps for the Lease Agreement (Nanjing Jiangning Tiandi Plaza) (the "**Jiangning Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB44.16 million	RMB57.05million	RMB72.39 million
Annual growth rate	-27.7%	29.2%	26.9%

As mentioned in the Letter, the Jiangning Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Nanjing Jiangning Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Nanjing Jiangning Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4.5% for its concessionaire sales, 50% for sub-letting income and 3%/4% (as the case may be) for supermarket operations (the "**Jiangning Store GSP Estimation**"); (iii) the assumption that the car parking spaces offered by Nanjing Jiangning Technology to the general public and Nanjing Jiangning Store will be free of charge during the relevant periods. In the event that Nanjing Jiangning Technology ceases to offer car parking space free of charge in the future, the above annuals caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps according, if necessary; and (iv) the estimated costs expected to be incurred by Nanjing Jiangning Technology in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Nanjing Jiangning Tiandi Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs.

In assessing the fairness and reasonableness of the determination of the Jiangning Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Jiangning Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Jiangning Annual Caps were calculated based on the Jiangning Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Nanjing Jiangning Store GSP Estimation and were given to understand that the Nanjing Jiangning Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Nanjing Jiangning Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions; (iv) the rental relating to the car parking spaces which will be free of charge in the future; and (v) the calculation basis of the actual property management costs incurred in the Historical Periods.

(a) *Review of historical sales performance of Nanjing Jiangning Store*

In this regard, we have discussed with the Management about the historical sales performance of Nanjing Jiangning Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Nanjing Jiangning Store for the Historical Periods; (ii) the actual rental payable by the Group under the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for the Historical Periods; and (iii) the annual caps of the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB182.23 million	RMB404.04 million	RMB482.79 million
Actual rental payable by the Group	RMB10.49 million	RMB24.06 million	RMB32.37 million
Historical annual caps	RMB33.10 million	RMB53.60 million	RMB61.10 million
Utilization rate	31.7%	44.9%	53.0%

As stated in the table above, the actual rental payable by the Group under the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for the Historical Periods amounted to approximately RMB10.49 million, RMB24.06 million and RMB32.37 million, respectively.

The utilization rate increased from approximately 31.7% in FY2015 to approximately 44.9% in FY2016, and further increased to approximately 53.0% in FY2017. As advised by the Management, despite the increase in Nanjing Jiangning Store's overall sales performance during the Historical Periods, but the actual growth rate is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods prior to Nanjing Jiangning Store's soft opening in July 2015 due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Lease Agreement (Nanjing Jiangning Tiandi Plaza) in the Historical Periods ranged from a level of approximately RMB10.49 million to approximately RMB32.37 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Jiangning Store GSP Estimation so as to reflect the current sales performance of Nanjing Jiangning Store. Further, we noticed that Jiangning Annual Caps for FY2018 (RMB44.16 million) is higher than the respective historical transaction amount in FY2017 (approximately RMB32.37 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Nanjing Jiangning Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Nanjing Jiangning Store and annual rentals payable by the Group under the Lease Agreement (Nanjing Jiangning Tiandi Plaza), we consider the determination of the Jiangning Annual Caps is fair and reasonable.

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

In addition to the aforementioned, we are given to understand that when determining the Jiangning Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Nanjing Jiangning Store during the three years ending 31 December 2020.

It is noted that the proposed Jiangning Annual Caps for FY2018 amounts to RMB44.16 million, representing a decrease of RMB16.94 million or a decrease of approximately 27.7% as compared to FY2017. As advised by the Management, after taking into consideration of Nanjing Jiangning Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Lease Agreement (Nanjing Jiangning Tiandi Plaza) for the relevant periods are RMB57.05 million and RMB72.39 million respectively, represent an annual growth of approximately 29.2% and

26.9% respectively as compared to the respective previous year. As advised by the Management, such growth rates are determined based on (i) the gross sales proceeds generated from the operation of Nanjing Jiangning Store in FY2016 and FY2017 increased by 121.7% (operating results from 3 July 2015 to 31 December 2015 as against 2016 full year operating results) and 19.5% respectively; and (ii) Nanjing Jiangning Store is a relatively young store, the continuous optimization of Nanjing Jiangning Store's merchandise mix and lifestyle functions and amenities offer will further enhance its operating performances. It is also in the Group's experience that a new store will experience a relatively rapid increase in sales in its first few years of operation because of the low base effect.

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 Nanjing Jiangning Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4.5%*

Pursuant to the Lease Agreement (Nanjing Jiangning Tiandi Plaza), we noted that the annual rental payable by Nanjing Jiangning Shopping to Nanjing Jiangning Technology in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Nanjing Jiangning Store. On the other hand, we noted that the Jiangning Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4.5% under the Lease Agreement (Nanjing Jiangning Tiandi Plaza).

On the other hand, for the annual rental payable by Nanjing Jiangning Shopping to Nanjing Jiangning Technology in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Nanjing Jiangning Tiandi Lease Area. We noted that the Jiangning Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires is capped at 4.5% of the gross sales proceeds to be derived from the operation of those concessionaires in Nanjing Jiangning Store pursuant to the Lease Agreement (Nanjing Jiangning Tiandi Plaza);

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Nanjing Jiangning Tiandi Lease Area pursuant to the Lease Agreement (Nanjing Jiangning Tiandi Plaza);

(iv) as advised by the Management, Nanjing Jiangning Store's average commission rate from concessionaire sales for FY2017 was approximately 14.7% and 254 out of 265 concessionaires are subject to the maximum rental rate of 4.5% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Nanjing Jiangning Store (increase of approximately RMB221.8 million or 121.7% from RMB182.2 million in FY2015 to RMB404.0 million in FY2016 and increase of approximately RMB78.8 million or 19.5% to RMB482.8 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Jiangning Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumer goods market in Nanjing City*

As stated in the sub-section headed "(d) Review on the consumer goods market in Nanjing City" under the section headed "1. The Amended Zhujiang Agreement", we have conducted research from public domains in relation to the consumer goods market in Nanjing City. Having considered the results from the relevant research, we are of the view that the expected growth rate adopted by the Management in determining the Jiangning Annual Caps are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) Nanjing Jiangning Store commenced its soft opening on 3 July 2015 with short operating history and the historical gross sales proceeds of Nanjing Jiangning Store is relatively small as compared to other mature retail stores operated by the Group; and

(ii) the consumer goods market in Nanjing City continued to grow at a steady rate;

(iii) the historical sales performance and ultilization rate of the annual caps of Nanjing Jiangning Store for the Historical Periods;

(iv) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(v) the assumptions of the determination of maximum rental rate of 4.5% which is reasonably adopted based on the factors considered as stated in pages 146 and 147;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Nanjing Jiangning Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Jiangning Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

9. **The Lease Agreement (Ma'anshan Tiandi Plaza)**

A. ***Background of the 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 soft opening (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.

B. ***Principal terms of the Lease Agreement (Ma'anshan Tiandi Plaza)***

According to the Letter, the principal terms of the Lease Agreement (Ma'anshan Tiandi Plaza) are as below:

Landlord:	Ma'anshan Golden Eagle Tiandi
Tenant:	Ma'anshan Golden Eagle Shopping
Leased premises:	Ma'anshan Tiandi Lease Area
Lease term:	20 years commencing from the date on which Ma'anshan Store commenced soft opening (i.e. 29 August 2015)
Rent and related charges:	The annual rentals payable by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi for the lease of Ma'anshan Tiandi Lease Area 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 the relevant 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%

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4.5%

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

50% of the rental proceeds derived from sub-letting the units in Ma'anshan 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 during the first three years commencing from 29 August 2015;

(ii) 4% of the gross sales proceeds (less value-added tax) derived from the operation of supermarket commencing from 29 August 2018 onwards, which shall be payable by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Ma'anshan Golden Eagle Shopping shall at the same time submit the management accounts in respect of that quarter to Ma'anshan Golden Eagle Tiandi. After the end of each financial year, Ma'anshan Golden Eagle Shopping and Ma'anshan Golden Eagle Tiandi shall finalize the exact amount of rentals payable by Ma'anshan Golden Eagle Shopping in respect of that financial year. If the exact amount of rental payables by Ma'anshan Golden Eagle Shopping in respect of that financial year is less than the actual amount of rental paid by Ma'anshan Golden Eagle Shopping, the difference will be reconciled in the next rental payment.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Lease Agreement (Ma'anshan Tiandi Plaza) is fair and reasonable. Having considered the quarterly payment of the rental payables under the Lease Agreement (Ma'anshan Tiandi Plaza) gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

C. ***Basis of the proposed annual caps in respect of the Lease Agreement (Ma'anshan Tiandi Plaza)***

The Company proposes that the respective annual caps for the Lease Agreement (Ma'anshan Tiandi Plaza) (the "**Ma'anshan Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB21.15 million	RMB23.27 million	RMB25.59 million
Annual growth rate	-30.9%	10.0%	10.0%

As mentioned in the Letter, the Ma'anshan Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds to be derived from the operation of Ma'anshan Store, including concessionaire sales, sub-letting of units and supermarket operations, with reference to the sales performance of Ma'anshan Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming the Group will be charged at the maximum rental rate of 4.5% for its concessionaire sales, 50% for sub-letting income and 3%/4% (as the case may be) for supermarket operations (the "**Ma'anshan Store GSP Estimation**"); (iii) the assumption that the car parking spaces offered by Ma'anshan Golden Eagle Tiandi to the general public and Ma'anshan Store will be free of charge during the relevant periods. In the event that Ma'anshan Golden Eagle Tiandi ceases to offer car parking space free of charge in the future, the above annuals caps may not be sufficient and the Company will hold another extraordinary general meeting to obtain the approvals of the Shareholders to increase the relevant annual caps according, if necessary; and (iv) the estimated costs expected to be incurred by Ma'anshan Golden Eagle Tiandi in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Ma'anshan Tiandi Lease Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs.

In assessing the fairness and reasonableness of the determination of the Ma'anshan Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Ma'anshan Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Ma'anshan Annual Caps were calculated based on the Ma'anshan Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Ma'anshan Store GSP Estimation and were given to understand that the Ma'anshan Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Ma'anshan Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions; (iv) the rental relating to the car parking spaces which will be free of charge in the future; and (v) the calculation basis of the actual property management costs incurred in the Historical Periods.

(a) *Review of historical sales performance of Ma'anshan Store*

In this regard, we have discussed with the Management about the historical sales performance of Ma'anshan Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Ma'anshan Store for the Historical Periods; (ii) the actual rental payable by the Group under the Lease Agreement (Ma'anshan Tiandi Plaza) for the Historical Periods; and (iii) the annual caps of the Lease Agreement (Ma'anshan Tiandi Plaza) for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds	RMB114.97 million	RMB278.39 million	RMB316.76 million
Actual rental payable by the Group	RMB6.65 million	RMB15.62 million	RMB18.34 million
Historical annual caps	RMB11.00 million	RMB26.40 million	RMB30.60 million
Utilization rate	60.5%	59.2%	59.9%

As stated in the table above, the actual rental payable by the Group under the Lease Agreement (Ma'anshan Tiandi Plaza) for the Historical Periods amounted to approximately RMB6.65 million, RMB15.62 million and RMB18.34 million, respectively.

The utilization rate maintained at approximately 60.0% during the Historical Periods. As advised by the Management, despite the increase in Ma'anshan Store's overall sales performance during the Historical Periods, but the actual growth rate is lower than the growth rate anticipated by the Management upon determining the annual caps for the Historical Periods prior to Ma'anshan Store's soft opening in August 2015 due to the challenging and competitive operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats, such as e-commerce.

As illustrated in the table above, the actual transaction amounts (being the actual rental payable by the Group) under the Lease Agreement (Ma'anshan Tiandi Plaza) in the Historical Periods ranged from a level of approximately RMB6.65 million to approximately RMB18.34 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Ma'anshan Store GSP Estimation so as to reflect the current sales performance of Ma'anshan Store. Further, we noticed that Ma'anshan Annual Caps for FY2018 (RMB21.15 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB18.34 million), given that the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Ma'anshan Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Ma'anshan Store and annual rentals payable by the Group under the Lease Agreement (Ma'anshan Tiandi Plaza), we consider the determination of the Ma'anshan Annual Caps is fair and reasonable.

(b) *Review on the expected growth rate of gross sales 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 Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Ma'anshan Store during the three years ending 31 December 2020.

It is noted that the proposed Ma'anshan Annual Caps for FY2018 amounts to RMB21.15 million, representing a decrease of RMB9.45 million or a decrease of approximately 30.9% as compared to FY2017. As advised by the Management, after taking into consideration of Ma'anshan Store's historical sales performance, namely the sales performance in the Historical Periods, the annual cap for FY2018 had been adjusted downward. Regarding FY2019 and FY2020, the proposed annual caps of the Lease Agreement (Ma'anshan Tiandi Plaza) for the relevant periods are RMB23.27 million and RMB25.59 million respectively, represent an annual growth of approximately 10.0% and 10.0% respectively as compared to the respective previous year. As advised by the Management, such growth rates are determinedbased on (i) the gross sales proceeds generated from the operation of Ma'anshan Store in FY2016 and FY2017 increased by 142.2% (operating results from 29 August 2015 to 31 December 2015 as against 2016 full year operating results) and 13.8% respectively; (ii) the rental rate for Ma'anshan Store's supermarket operations will be increased from 3% to 4% from 29 August 2018 onwards according to the Lease Agreement (Ma'anshan Tiandi Plaza); and (iii) Ma'anshan Store is a store with short operating history, the continuous optimization of Ma'anshan Store's merchandise mix and lifestyle functions and amenities offer will further enhance its operating performances.

Having considered that 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 so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4.5%*

Pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza), we noted that the annual rental payable by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in Ma'anshan Store. On the other hand, we noted that the Ma'anshan Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4.5% under the Lease Agreement (Ma'anshan Tiandi Plaza).

On the other hand, for the annual rental payable by Ma'anshan Golden Eagle Shopping to Ma'anshan Golden Eagle Tiandi in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Ma'anshan Tiandi Lease Area. We noted that the Ma'anshan Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires 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);

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Ma'anshan Tiandi Lease Area pursuant to the Lease Agreement (Ma'anshan Tiandi Plaza);

(iv) as advised by the Management, Ma'anshan Store's average commission rate from concessionaire sales for FY2017 was approximately 11.4% and 210 out of 239 concessionaires are subject to the maximum rental rate of 4.5% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the historical sales trend of Ma'anshan Store (increase of approximately RMB163.4 million or 142.2% from RMB115.0 million in FY2015 to RM278.4 million in FY2016 and increase of approximately RMB38.4 million or 13.8% to RMB316.8 million for FY2017) and the utilization rate of the annual caps for the relevant Historical Periods; and

(vii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the consumer goods market of Ma'anshan*

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 Ma'anshan Store during the three years ending 31 December 2020, we have conducted research from public domains in relation to the consumer goods market in Ma'anshan City.

According to the statistics published on the official website of the Ma'anshan City Statistical Yearbook 2016, the total retail sales of consumer goods in Ma'anshan City in 2016 reached approximately RMB47.06 billion, representing a year-on-year growth of approximately 12.4%. For the six months ended 30 June 2017, the consumer goods market in Ma'anshan City continued to grow at a rate of approximately 12.2% as compared to the corresponding period in the 2016 and reached approximately RMB25.2 billion. In view of the above growth trend, we concluded that the consumer goods market in Ma'anshan City, being the city where the Ma'anshan Store is located, has maintained a steady growth. According to the statistics published on the official website of the Ma'anshan City Statistical Yearbook 2016, the average urban disposable income per capita for the year 2016 was approximately RMB30,437, representing year-on-year growth of approximately 8.8%. In view of the above trends, we are of the view that the long-term economic development as well as the retail industry growths in Ma'anshan City will remain positive.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) Ma'anshan Store commenced its soft opening on 29 August 2015 with short operating history and the historical gross sales proceeds of Ma'anshan Store is relatively small as compared to other mature retail stores operated by the Group;

(ii) the consumer goods market in Ma'anshan City continued to grow at a steady rate;

(iii) the average annual growth rate of the Ma'anshan Annual Caps of approximately 10.0% for FY2019 to FY2020 is close to the annual growth rate of the consumer goods market in Ma'anshan City for the year ended 31 December 2016 of approximately 12.4% and the period to period growth rate for the six months ended 30 June 2017 of approximately 12.2%;

(iv) the historical sales performance and ultilization rate of the annual caps of Ma'anshan Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4.5% which is reasonably adopted based on the factors considered as stated in page 153;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Ma'anshan Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Ma'anshan Annual Caps is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

10. **The Amended Golden Eagle Plaza Agreement**

A. ***Background of the Amended Golden Eagle Plaza Agreement***

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 soft opening (i.e. 28 May 2009). Details of the Lease Agreement (Golden Eagle Plaza) have been disclosed in the announcement of the Company dated 21 January 2009.

On 19 December 2013, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the first supplemental agreement to the Lease Agreement (Golden Eagle Plaza) (the "**1st Supplemental Golden Eagle Plaza Agreement**"), adjusting the calculation of the annual rental payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi for the year ended 2013 while the entire lease premise underwent internal renovation and adjusting the calculation of the annual rental subsequently payable under the Lease Agreement (Golden Eagle Plaza). Details of the 1st Supplemental Golden Eagle Plaza Agreement have been disclosed in the announcement of the Company dated 20 December 2013.

On 18 March 2015, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the second supplemental agreement to the Lease Agreement (Golden Eagle Plaza) (the "**2nd Supplemental Golden Eagle Plaza Agreement**"), extending the internal renovation period to 30 September 2015 (subject to adjustment as may be agreed between the parties) and further adjusting the calculation of the annual rental subsequently payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi under the Lease Agreement (Golden Eagle Plaza) and the 1st Supplemental Golden Eagle Plaza Agreement. Details of the terms of the 2nd Supplemental Golden Eagle Plaza Agreement have been disclosed in the announcement of the Company dated 18 March 2015.

On 23 December 2016, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the Lease Agreement (7/F − 9/F, Golden Eagle Plaza) for the lease of Additional Shanghai Properties for a period from 1 April 2016 to 31 December 2017. Details of the Lease Agreement (7/F − 9/F, Golden Eagle Plaza) have been disclosed in the annual report of the Company for the year ended 31 December 2016.

On 29 December 2017, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi entered into the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza) (the "**3rd Supplemental Golden Eagle Plaza Agreement**"), pursuant to which the parties agree that:

(a) Shanghai Golden Eagle Tiandi agrees to lease the Additional Shanghai Properties with aggregate gross floor area of approximately 9,983 square metres to Shanghai Golden Eagle from 1 January 2018 to 28 May 2029; and

(b) with effect from 1 January 2018, the Total Shanghai Properties is subject property management fee payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi equivalent to the actual property management 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.

Under the Lease Agreement (Golden Eagle Plaza), Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi agreed that the latter would not charge the former property management fee for the first three years after the entering into of the Lease Agreement (Golden Eagle Plaza), and they would revisit the arrangement regarding property management fee thereafter (i.e. in 2012). Shanghai Store was not performing well since 2012 because of the challenging and competitive operating environment in Shanghai market and the closure of the store for major revamp since May 2014 together with the internal renovation of the entire leased premises of Golden Eagle Plaza since early 2013. As such, Shanghai Store started to incur operating losses since 2014. Upon negotiations, Shanghai Golden Eagle Tiandi agreed not to charge property management fees during such period. Shanghai Store was relaunched in October 2016 and started to generate operating profit in the year of 2017 and, upon negotiations, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi agreed that the latter would begin charging property management fees.

Subject to the aforesaid, all other major terms of the Amended Golden Eagle Plaza Agreement remain unchanged and in full force and effect.

B. ***Principal terms of the Amended Golden Eagle Plaza Agreement***

According to the Letter, the principal terms of the Amended Golden Eagle Plaza Agreement are as below:

Landlord: Shanghai Golden Eagle Tiandi

Tenant: Shanghai Golden Eagle

Leased premises: Total Shanghai Properties

Lease term:

(a) Shanghai Properties: 20 years commencing from the date of soft opening of Shanghai Store (i.e. 28 May 2009);

(b) Additional Shanghai Properties: from 1 January 2018 to 27 May 2029

Rent and related charges:

(a) with respect to those concessionaires:

(i) for those concessionaries 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 concessionaries (less the relevant value-added tax); and

(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:

$$\text{Gross sales proceeds derived from the operation of those concessionaires (less value-added tax)} \quad \text{X} \quad \text{Commission rate charged by the Group (less sales tax)}^{\#} \quad \text{X} \quad 50\%$$

\# the effective sales tax with surcharges enacted as at the Latest Practicable Date is 5.6% and after deduction of the aforesaid from the commission charged by the Group and multiplied by 50% as stated in the formula above, the rental rate will be less than 4%

(b) 50% of the rental proceeds derived from sub-letting the units in Total Shanghai Properties (less value-added tax and other relevant taxes),

which shall be payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi quarterly in arrears within 10 Business Days after the end of the relevant Quarter. Upon payment of each quarterly rental, Shanghai Golden Eagle shall at the same time submit the management accounts in respect of that quarter to Shanghai Golden Eagle Tiandi. After the end of each financial year, Shanghai Golden Eagle and Shanghai Golden Eagle Tiandi shall finalize the exact amount of rentals payable by Shanghai Golden Eagle in respect of that financial year. If the exact amount of rental payables by Shanghai Golden Eagle in respect of that financial year is less than the actual amount of rental paid by Shanghai Golden Eagle, the difference will be reconciled in the next rental payment.

Property management fee: The property management fee payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi shall be equivalent to the actual property management 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. Shanghai Golden Eagle Tiandi agreed to provide monthly statement on the actual property management costs incurred to the Group within 5 days after the end of each month during the term of the lease. 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 Shanghai Golden Eagle Tiandi and determine whether the amount of usage and costs are justified and reasonable. After the end of each financial year, the Group will review the aggregate amount of the actual property management costs incurred for the year to determine as to whether the overall usage and costs incurred are justified and reasonable and whether any adjustment to the costs is needed in order to arrive at the exact amount of property management fee to be payable for the year. The mark-up of 10% was determined based on negotiation at arm's length between the contractual parties after taking into account (i) the prevailing property management fees charged by property management service providers for nearby buildings and complexes; (ii) average profit margin of the property management service providers listed on the Stock Exchange; and (iii) the related taxes to be payable (i.e. the profit tax to be payable by Shanghai Golden Eagle Tiandi for the corresponding year) and the general administrative expenses (i.e. the general office management and administrative expenses such as staff costs, office expenses) to be incurred by Shanghai Golden Eagle Tiandi for rendering such property management services.

We, however, could not locate other lease agreements entered into by Independent Third Parties with similar lease terms for conclusion of the payment term under the Amended Golden Eagle Plaza Agreement is fair and reasonable. Having considered the quarterly payment of the rental payables under the Amended Golden Eagle Plaza Agreement gives the Group more flexibility in cash flow management than payable on monthly basis, we consider that such payment term is reasonable and favourable to the Group.

(a) *Reasons for entering into the 3rd Supplemental Golden Eagle Plaza Agreement*

In assessing the fairness and reasonableness of the 3rd Supplemental Golden Eagle Plaza Agreement, we have compared the terms of the Lease Agreement (Golden Eagle Plaza) as supplemented by the 1st Supplemental Golden Eagle Plaza Agreement and the 2nd Supplemental Golden Eagle Plaza Agreement to the 3rd Supplemental Golden Eagle Plaza Agreement and noted that the supplemented terms included (i) the lease of the Additional Shanghai Properties with aggregate gross floor area of approximately 9,983 square metres to Shanghai Golden Eagle from 1 January 2018 to 28 May 2029; and (ii) with effect from 1 January 2018, the Total Shanghai Properties is subject to property management fee calculated based on the actual property management costs incurred plus a mark-up of 10%. Save for the aforesaid, all other major terms of the Amended Golden Eagle Plaza Agreement remain unchanged and in full force and effect.

Based on the above, we have inquired with the Management and understand that the Group has been proactively implementing the lifestyle shopping concept to its existing stores by introducing more lifestyle functions and amenities, such as food and beverage, leisure and entertainment, gourmet supermarket, cinema and activities for children, into its operating area. The Management anticipated that the existing retail area in Shanghai Store is not enough to cater for the additional functions and amenities and additional retail area is required. The Management considers that the lease of the

Additional Shanghai Properties allows the Group to introduce more functions and amenities into Shanghai Store which can improve the comprehensiveness and attractiveness of Shanghai Store, and thus increase traffic and lengthen in-store consumption time, and subsequently improve the overall performance of Shanghai Store.

In view of the above, in particular, (i) the Group has accelerated its strategic transformation from fashion department store to "Lifestyle One-stop Center" and since 2014, the Group has opened 12 new comprehensive lifestyle centers, increasing the Group's total number of lifestyle centers to 15; and (ii) upon our discussion with the Management, we understand that additional area is required to cater for the additional functions and amenities in Shanghai Store, and the Management considers that the introduction of new functions and amenities can improve the comprehensiveness and attractiveness of Shanghai Store, and thus increase traffic and lengthen in-store consumption time, and subsequently improve the overall performance of Shanghai Store, we concur with the Management's view that the entering into of the 3rd Supplemental Golden Eagle Plaza Agreement is in the interest of the Company and the Shareholders as a whole.

(b) *Review on the tenure of the 3rd Supplemental Golden Eagle Plaza Agreement*

Pursuant to the 3rd Supplemental Golden Eagle Plaza Agreement, the tenure of the lease of the Additional Shanghai Properties is commencing from 1 January 2018 to 28 May 2029 (the end of lease term of the Lease Agreement (Golden Eagle Plaza)), which is more than 10 years. In assessing the fairness and reasonableness of the long-term tenures of the 3rd Supplemental Golden Eagle Plaza Agreement, we have considered the followings:

(i) the long-term nature of the 3rd Supplemental Golden Eagle Plaza Agreement is in line with the Lease Agreement (Golden Eagle Plaza);

(ii) the long-term nature of the 3rd Supplemental Golden Eagle Plaza Agreement will prevent the recurrence of initial investment costs such as initial set up cost and interior decoration in the short run;

(iii) it is necessary for the Group to secure long-term lease in order to attract retail concessionaires which may also wish to maintain a long-term and stable business relationship with the Group; and

(iv) the long-term nature of the Amended Golden Eagle Plaza Agreement (including the 3rd Supplemental Golden Eagle Plaza Agreement) may enhance customers' loyalty and maintain stable sales revenues for the Group.

In addition, we note that the term of the 3rd Supplemental Golden Eagle Plaza Agreement covers a period of more than 3 years. According to Rule 14A.52 of the Listing Rules, the duration of the 3rd Supplemental Golden Eagle Plaza Agreement must not exceed three years except in special circumstances where the nature of the transaction requires the 3rd Supplemental Golden Eagle Plaza Agreement to be of a duration which is longer than three years.

In considering whether it is normal business practice for agreements of a similar nature to the 3rd Supplemental Golden Eagle Plaza Agreement to have a term of such duration, we have identified and reviewed the Comparable Transactions as mentioned in the sub-section headed "(e) Review on the tenor of the Lease Agreement (Golden Eagle World)" on pages 75 and 76 of this letter. The Comparable Transactions selected are based on the following criteria: (i) one of the parties to each of such transactions involves a company listed on the Stock Exchange; (ii) such transactions are publicly announced by way of announcement, circular, prospectus or annual report pursuant to the Listing Rules; and (iii) such transactions relate to the leasing of properties as hypermarkets or department stores by retail chain stores or department stores or hypermarket operators which remain effective as at the date of this announcement. Based on the results of the above findings, we note that the terms of the Comparable Transactions range from 13 to 20 years, and 4 Comparable Transactions have a lease term for a minimum of 10 years, of which 2 of these Comparable Transactions have a lease term of 20 years. Accordingly, the duration of the 3rd Supplemental Golden Eagle Plaza Agreement falls within the range of the tenure of the Comparable Transactions.

On the basis of the above and having considered the duration of the Amended Golden Eagle Plaza Agreement, we are of the view that it is normal and customary for retail chain stores or department stores or hypermarket operators to enter into a long lease with the landlord to ensure a smooth and stable operation and enable the Group to maximize the potential return on its investments (which includes initial set up costs and interior decoration). We are of the opinion that the 20-year tenure under the 3rd Supplemental Golden Eagle Plaza Agreement is a normal commercial term for a transaction of this nature and it is normal business practice for contracts of this type to be of such duration.

C. ***Basis of the proposed annual caps in respect of the Amended Golden Eagle Plaza Agreement***

The Company proposes that the respective annual caps for the Amended Golden Eagle Plaza Agreement (the "**Shanghai Annual Caps**") for FY2018, FY2019 and FY2020 are as follows:

	FY2018	**FY2019**	**FY2020**
Proposed annual caps	RMB29.6 million	RMB32.96 million	RMB33.05 million
Annual growth rate	-47.2%	11.4%	0.3%

As mentioned in the Letter, the Shanghai Annual Caps were determined based on (i) the historical amounts incurred in the past; and (ii) the reasonable estimation of the gross sales proceeds, including concessionaire sales and sub-letting of units, to be derived from the operation of Shanghai Store with reference to the sales performance of Shanghai Store in the past, the expected growth rate during the relevant periods, the current economic environment, the prevailing market conditions and assuming that the Group will be charged at the maximum rental rate of 4% for its concessionaire sales and 50% for sub-letting income (the "**Shanghai Store GSP Estimation**"); (iii) and the estimated costs expected to be incurred by Shanghai Golden Eagle Tiandi in providing property management services, including but not limited to the provision of cleaning, environmental and greenery services, to area outside the Total Shanghai Properties Area during the relevant periods with reference to the actual property management costs incurred in the past and the anticipated increase in material and labor costs.

In assessing the fairness and reasonableness of the determination of the Shanghai Annual Caps, we have obtained from the Management and reviewed the calculation worksheet of the Shanghai Annual Caps prepared by the Management. We noted from the said calculation worksheet that the Shanghai Annual Caps were calculated based on the Shanghai Store GSP Estimation. We have reviewed and discussed with the Management about the calculation of the Shanghai Store GSP Estimation and were given to understand that the Shanghai Store GSP Estimation was duly prepared by the Management with reference to (i) the sales performance of Shanghai Store in the past; (ii) the expected growth rate for each of the three years ending 31 December 2020; and (iii) the current economic environment and the prevailing market conditions; and (iv) the calculation basis of the actual property management costs incurred in the Historical Periods.

(a) *Review of historical sales performance of Shanghai Store*

In this regard, we have discussed with the Management the sales performance of Shanghai Store for the Historical Periods. Set forth below are (i) the gross sales proceeds of Shanghai Properties for the Historical Periods; (ii) the actual rental payable by the Group under the Amended Golden Eagle Plaza Agreement for the Historical Periods; and (iii) the annual caps of the Amended Golden Eagle Plaza Agreement for the Historical Periods.

	FY2015	**FY2016**	**FY2017**
Gross sales proceeds generated by Shanghai Properties	RMB79.73 million	RMB73.28 million	RMB128.87 million
Actual rental payable by the Group for the lease of Shanghai Properties	RMB1.70 million	RMB2.85 million	RMB11.51 million
Historical annual caps	RMB18.90 million	RMB47.90 million	RMB56.10 million
Utilization rate	9.0%	5.9%	20.5%

As stated in the table above, the actual rental payable by the Group under the Amended Golden Eagle Plaza Agreement (excluding the Lease Agreement (7/F − 9/F, Golden Eagle Plaza)) for the Historical Periods amounted to approximately RMB1.71 million, RMB2.85 million and RMB11.51 million, respectively.

The utilization rate decreased from approximately 9.0% in FY2015 to approximately 5.9% in FY2016, and then increased to approximately 20.5% in FY2017. As advised by the Management, in order to further enhance the attractiveness and competitiveness of Golden Eagle Plaza, where Shanghai Store is located at, since early 2013, Shanghai Golden Eagle Tiandi has carried out an extensive internal revocation of Golden Eagle Plaza (the "**Internal Renovation**"), which has in turn affected the daily operation of the Shanghai Store and rental payable during the period had been adjusted. In determining the annual caps of the Shanghai Store in the Historical Periods, it was expected by the Management that the Internal Renovation will be completed on or about September 2015 and the sales performance of Shanghai Store will be improved significantly upon determining the annual caps for the Historical Periods. However, the Internal Renovation was eventually completed in 2016 and Shanghai Store resumed its full operations in September 2016. Therefore, low utilization rates were recorded in FY2015 and FY2016.

As illustrated in the table above, the actual transaction amounts (excluding the Lease Agreement (7/F - 9/F, Golden Eagle Plaza)) (being the actual rental payable by the Group) under the Amended Golden Eagle Plaza Agreement in the Historical Periods ranged from a level of approximately RMB1.70 million to approximately RMB11.51 million, which were lower than expectation as demonstrated by the utilization rates. The Management advised us that the low utilization rate was mainly due to the reasons as mentioned in the above paragraph. Having considered the aforementioned low utilization rate, we concur with the Management's view that it is a prudent practice to adjust the Shanghai Store GSP Estimation so as to reflect the current sales performance of Shanghai Store. Further, we noticed that Shanghai Store Annual Caps for FY2018 (RMB29.6 million) was higher than the respective historical transaction amount in FY2017 (approximately RMB11.51 million) by approximately 157.2%. Based on the aforesaid, we have considered, in particular, (i) the Additional Shanghai Properties with aggregate gross floor area of approximately 9,983 square metres would be leased by Shanghai Golden Eagle Tiandi which will generate more revenue to the Shanghai Store; (ii) the Shanghai Store resumed its full operations in September 2016 after completion of the Internal Renovation and it is expected that the Shanghai Store will benefit in terms of its sales growth from the completed renovation; (iii) the Group has implemented various measures and strategies to improve the sales performance, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp, therefore, we concur with the Management that the assumptions of the expected growth rate on the sales performance of Shanghai Store in the coming years is reasonably adopted. In view of the high correlation between the annual sales performance of Shanghai Store and annual rentals payable by the Group under the Amended Golden Eagle Plaza Agreement, we consider the determination of the Shanghai Store Annual Caps is fair and reasonable.

(b) *Review on the expected growth rate of gross sales proceeds to be generated from the operation of Shanghai Store*

In addition to the aforementioned, we are given to understand that when determining the Shanghai Annual Caps, the Management has taken into account the expected growth rate of gross sales proceeds to be generated from the operation of Shanghai Store during the three years ending 31 December 2020.

It is noted that the proposed Shanghai Annual Caps for FY2018 amounts to RMB29.69 million, representing a decrease of RMB26.41 million or a decrease of approximately 47.2% as compared to FY2017. As advised by the Management, after taking into consideration of Shanghai Store's historical sales performance, the sales performance in FY2017, the annual cap for FY2018 had been adjusted downward after factor in the planned tenant adjustments in FY2018 which will enhance Shanghai Store's operating performance further.

Having considered that (i) the low historical sales performance of the Shanghai Store in the Historical Periods; (ii) the Additional Shanghai Properties will generate more revenue to Shanghai Store in FY2018 to FY2020; and (iii) the expected growth rate of the gross sales proceeds of the Shanghai Store in FY2018 to FY2020, 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 Shanghai Store is justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) *Review on the determination of maximum rental rate of 4%*

Pursuant to the Amended Golden Eagle Plaza Agreement, we noted that the annual rental payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi in respect of those concessionaires is charged based on a specified percentage of the commission rate on the Group's concessionaire sales in the Shanghai Store. On the other hand, we noted that the Shanghai Annual Caps were determined based on the assumption that the Group will be charged at the maximum rental rate of 4% under the Amended Golden Eagle Plaza Agreement.

On the other hand, for the annual rental payable by Shanghai Golden Eagle to Shanghai Golden Eagle Tiandi in respect of the sub-letting of units is charged based on a specified percentage on the Group's rental proceeds derived from sub-letting the units in Total Shanghai Properties. We noted that the Shanghai Annual Caps were determined based on the assumption that the Group will be charged at the rental rate of 50% for the respective periods.

In evaluating the fairness and reasonableness 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 at arm's length negotiation basis 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 concessionaires is capped at 4% of the gross sales proceeds to be derived from the operation of those concessionaires in Shanghai Store pursuant to the Amended Golden Eagle Plaza Agreement;

(iii) the rental rate in respect of the sub-letting of units are capped at 50% of the rental proceeds to be derived from sub-letting of units in Total Shanghai Properties pursuant to the Amended Golden Eagle Plaza Agreement;

(iv) as advised by the Management, Shanghai Store's average commission rate from concessionaire sales for FY2017 was approximately 9.9% and all concessionaires at Shanghai Store are subject to the maximum rental rate of 4% during the relevant periods;

(v) the Group's strategic transformation to leverage on the market development under the operating environment of the PRC's retail industry including the slowdown of PRC's economic growth and impact from emerging new retail formats in the Historical Periods and the upcoming years;

(vi) the increase in the retail area in Shanghai Store as a result of the lease of the Additional Shanghai Properties;

(vii) the historical sales trend of GSP generated by Shanghai Properties (decrease of approximately RMB6.4 million or 8.1% from RMB79.7 million in FY2015 to RM73.3 million in FY2016 and increase of approximately RMB55.6 million or 75.9% to RMB128.9 million for FY2017 after the re-launch of Shanghai Store since October 2016) and the utilization rate of the annual caps for the relevant Historical Periods; and

(viii) the concessionaire agreements and sub-letting agreements entered into between the Group and its concessionaires/tenants and the relevant terms 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 Shanghai Annual Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) *Review on the retail market in Shanghai 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 Shanghai Store during the three years ending 31 December 2020, we have conducted research from public domains in relation to the consumer goods market in Shanghai. According to a news published by Shanghai Municipal Commission of Commerce on 7 February 2017, the total retail sales of consumer goods in Shanghai City in 2016 reached approximately RMB10,079.28 billion, representing a year-on-year growth of approximately 8.0%. For the six months ended 30 June 2017, the consumer goods market in Shanghai continued to grow at a rate of approximately 12.5% as compared to the corresponding period in the 2016 and reached approximately RMB5,493.64 billion. In view of the above growth trend, we concluded that the consumer goods market in Shanghai City, being the city where the Shanghai Store is located, has maintained a steady growth. According to a news published in the official website of the Shanghai government (www.shanghai.gov.cn) on 28 February 2017, the average urban disposable income and consumption expenditures per capita for the year 2016 were approximately RMB54,305 and approximately RMB37,458, respectively, representing a year-on-year growth of approximately 8.9% and approximately 7.7%, respectively. In view of the above trends, we are of the view that the long-term economic development as well as the retail industry growths in Shanghai City will remain positive.

Conclusion

Based on our independent work done as stated in sub-sections above, we have taken into account the facts that:

(i) the Shanghai Store is located in Shanghai City with an operating history of approximately 8.5 years and the Management possesses extensive experience in operating and developing retail chain stores in the PRC;

(ii) the consumer goods market in Shanghai City continued to grow at a steady rate;

(iii) the average annual growth rate of the Shanghai Annual Caps of approximately 5.9% for FY2019 to FY2020 is close to the annual growth rate of the consumer goods market in Shanghai City for the year 2016 of approximately 8.0% and the period to period growth rate of the consumer goods market in Shanghai City for the six months ended 30 June 2017 of approximately 12.5%;

(iv) the historical sales performance and ultilization rate of the annual caps of Shanghai Store for the Historical Periods;

(v) the Group has implemented various measures and strategies to improve the sales performance of its retail stores, including but not limited to merchandise adjustments, introduction of various lifestyle functions and amenities and specialty merchandise and/or store revamp; and

(vi) the assumptions of the determination of maximum rental rate of 4% which is reasonably adopted based on the factors considered as stated in pages 163 and 164;

we consider that the expected growth rates of the gross sales proceeds to be generated from the operation of Shanghai Store for the three years ending 31 December 2020 are fairly and reasonably determined, hence we concur with the Management's view that the basis adopted by the Management in determining the Shanghai Annual Caps is justifiable, fair and reasonable so 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 the New Agreements and the Relevant Lease Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(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 the New Agreements and the Relevant Lease Agreements governing the continuing connected transactions; and

(iv) have exceeded the Proposed Annual Caps;

(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.

Internal control measure taken by the Group

We have discussed with the Company about the internal control measures implemented by the Group in ensuring that (a) the Relevant Proposed Annual Caps and the proposed annual caps under the New Agreements will not be exceeded, (b) the terms under the Relevant Lease Agreements and the New Agreements are complied with and (c) the Relevant Lease Agreements and New Agreements will be timely renewed.

Based on our discussion, we were advised that the Company adopts the following internal control measures to ensure the matters concerned above:

(a) the accounting department of the Group (the "**Accounting Department**") manages its internal management system through implementation of System Applications and Products("**SAP**")-based Enterprise resource planning ("**ERP**") system. In order to manage and calculate the monthly rental payables by the Group to the connected person under the Relevant Agreements and the New Agreements, the Group will transmit all the information relating to the stores' concessionaire and tenancy agreements into the ERP systems for the purpose of calculating (i) daily rental payable and (ii) monthly rental payable of each store. At the end of each month, the Accounting Department will capture the information required to support its accounting purposes. Internal audit department will audit the reasonableness of the rental expenses and the compliance with the terms of the Relevant Lease Agreements and the New Agreements on a sampling basis;

(b) the Accounting Department will prepare a summary of the aggregate amounts of rental payable by the Group to the connected persons under the Relevant Agreements and the New Agreements (the "**Rental Summary**") on a monthly basis and closely monitor the aforesaid rental payables to ensure the Relevant Proposed Annual Caps and the proposed annual caps under the New Agreements have not been exceeded at all times. The Accounting Department will submit and report the results of the Rental Summary to the audit and risk management committee of the Company and independent non-executive Directors on a semi-annual basis;

(c) the Accounting Department shall supervise the implementation of the Relevant Lease Agreements and the New Agreements to ensure they are entered into: (i) in accordance with the review and evaluation procedure set out on above of this letter and the terms of the Relevant Lease Agreements and the New Agreements; (ii) in the ordinary and usual course of business of the Group; (iii) on normal commercial terms or better; (iv) no less favourable than the terms offered by independent third parties to the Group; and (v) according to the Relevant Lease Agreements and the New Agreements on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole. In order to ensure the aforesaid control objectives, the Group will obtain, for Cooperation Agreement on Property Lease (Offices), based on the lease requirements at least 3 quotations for comparison and consideration. Once the administrative department has selected a suitable locations/premise, the head of administrative department will review the selection and other potential choices. If the head of administrative department concurs with the selection, the proposal will then be sent to the store manager for second approval. Once the approvals of the head of administrative department and the store manager are obtained, the proposal will be sent to the headquarter of the Group for final review and endorsement to ensure that the terms and conditions offered by the connected persons are no less favourable than those offered by Independent Third Parties. In general, for new leases, the Group will identify at least 3 potential premises and obtain quotations in order to make comparisons. For renewal of existing leases, the Group will also check the market information to determine as to whether the Group should bargain for adjustment of rentals and lease terms or relocate to other premise. Further, if the lease constitutes continuing connected transactions, 3 additional quotations/lease agreements entered into between the connected persons and independent third parties will be obtained, for comparison of the rental rates offered by the connected persons to independent third parties;

(d) the independent non-executive Directors shall review and will continue to review the implementation of the Relevant Lease Agreements and the New Agreements through the internal control as stated in point (b) to ensure that they have been entered into on normal commercial terms or better, and in accordance to the Relevant Lease Agreements and the New Agreements on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report; and

(e) for the purpose of Rule 14A.56 of the Listing Rules, the Company's external auditors, will be engaged to issue a letter to report on the Group's continuing connected transactions in accordance with applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

In assessing the adequacy and effectiveness of the Company's internal control measures, we have performed the following works:

i) we have obtained and reviewed 3 samples of the lease of premises previously carried out by the Group and noted that the aforesaid internal control procedures were duly adopted;

ii) we have inquired the management of the accounting department of the Group who is responsible for monitoring the implementation of the Relevant Lease Agreements and the New Agreements as stated above, we (i) confirmed the approval process of the Company in relation to the acceptance of quotation from the connected persons and (ii) noted that the Group normally choose two to three potential premises and obtain the quotation of rental in order to compare their rental rates, fees and conditions with those offered by the connected persons respectively. The Group will select the connected persons on a preferential basis subject to the condition if the terms and conditions offered by the connected personms are favourable than those provided by the Independent Third Parties; and

iii) we have reviewed all the Rental Summary during the year ended 31 December 2017 and noted that the Relevant Proposed Annual Caps had not exceeded at all times by the Group.

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 prices paid by the Group are in accordance with the prevailing market prices and no less favourable to the Group than available from Independent Third Parties.

Taking into account the aforementioned reporting requirements attached to the continuing connected transactions, in particular, (i) the restriction on the transaction amounts of the continuing connected transactions by way of the Proposed Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company of the continuing connected transactions, we are of the view that there exist appropriate measures to monitor the conduct of the continuing connected transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the entering into of the New Agreements are in the ordinary and usual course of business of the Group and the terms of the New Agreements are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. 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 the entering into of the New Agreements and the Proposed Annual Caps.

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

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails*

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/ chief executive	Number of Shares or underlying shares held	% of issued share capital	Nature of interest
Mr. Wang	1,246,591,412*(Note 1)*	74.49	Corporate interest
	4,000,000	0.24	Beneficial owner
Ms. Wang	1,246,591,412*(Note 1)*	74.49	Corporate interest
	1,690,000*(Note 2)*	0.09	Beneficial owner
Mr. Su Kai	1,194,000	0.07	Beneficial owner

Notes:

1. As at the Latest Practicable Date, the corporate interest disclosed under Mr. Wang and Ms. Wang represent their deemed interests in the Shares by virtue of their family trust's interest in GEICO, a company established in the British Virgin Islands, which in turn is interested in the entire issued share capital of Golden Eagle International Retail Group Limited, the beneficial owner of 74.49% of the Shares. The Company has met its public float requirements under the Listing Rules.

2. It comprises 1,590,000 Shares and 100,000 share options of the Company.

b. **Substantial shareholders' interests**

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an 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 would fall to be disclosed under the provisions of Divisions 2 and 3 of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Group.

Long position in the Shares

Name	**Number of Shares held**	**% of issued share capital**	**Nature of interest**
Mr. Wang	1,246,591,412*(Note 1)*	74.49	Corporate interest
	4,000,000	0.24	Beneficial owner
Ms. Wang	1,246,591,412*(Note 1)*	74.49	Corporate interest
	1,690,000*(Note 2)*	0.09	Beneficial owner
GEICO	1,246,591,412*(Note 1)*	74.49	Interest in controlled corporation
Golden Eagle International Retail Group Limited	1,246,591,412*(Note 1)*	74.49	Beneficial owner

Notes:

1. As at the Latest Practicable Date, the corporate interest disclosed under Mr. Wang and Ms. Wang represent their deemed interests in the Shares by virtue of their family trust's interest in GEICO, a company established in the British Virgin Islands, which in turn is interested in the entire issued share capital of Golden Eagle International Retail Group Limited, the beneficial owner of 74.49% of the Shares. Mr. Wang is also a director of GEICO and Golden Eagle International Retail Group Limited. The Company has met its public float requirements under the Listing Rules.

2. It comprises 1,590,000 Shares and 100,000 share options of the Company.

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 Nanjing Xinbai.

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

As at the Latest Practicable Date, save as disclosed on pages 171 to 176 and below, none of the Directors or Euto Capital Partners Limited had any interest in any assets which have been, since 31 December 2017 (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 or 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

2017 Master Property Management Services Agreement

Each of the Property Management Engagement Parties and the corresponding Property Management Services Providers entered into a master property management services agreement on 23 December 2016 respectively (collectively, the "**2017 Master Property Management Services Agreements**"), pursuant to which:

(a) Golden Eagle (China) agreed to engage Nanjing Golden Eagle Properties to provide property management services to Nanjing Xinjiekou Store and those stores under its control, including as at the Latest Practicable Date, Nantong Store, Yangzhou Store, Xuzhou Store, Xi'an Gaoxin Store, Kunming Store, Huai'an Store, Yancheng Store, Yangzhou Jinghua Store, Nanjing Hanzhong Store, Anhui Huaibei Store, Changzhou Jiahong Store, Suqian Store, Liyang Store, Xuzhou People's Square Store, Yancheng Outlet Store, Yancheng Julonghu Store, Nantong Lifestyle Center, Danyang Store, Kunshan Store, Nanjing Jiangning Store, Ma'anshan Store, Nantong Renmin Road Store, Yangzhou Jiangdu Store, Changzhou Aquarium and Yancheng Aquarium;

(b) Nanjing Golden Eagle agreed to engage Nanjing Zhujiang No. 1 to provide property management services to Nanjing Zhujiang Store;

(c) Taizhou Golden Eagle Shopping agreed to engage Taizhou Golden Eagle Tiandi to provide property management services to Taizhou Store;

(d) Xianlin Golden Eagle Shopping agreed to engage Xianlin Golden Eagle Tiandi to provide property management services to Xianlin Store;

(e) Wuhu Golden Eagle Enterprises and Wuhu Golden Eagle Riverside agreed to engage Nanjing Golden Eagle International Properties to provide property management services to Wuhu Shopping Center, Wuhu New City Store and Wuhu Hotel; and

(f) Shanghai Golden Eagle agreed to engage Shanghai Golden Eagle Tiandi to provide property management services to Shanghai Store

for a term of three years commencing from 1 January 2017. The property management services include but not limited to provision of property (interior) maintenance, cleaning, environmental and greenery services.

Details of the 2017 Master Property Management Services Agreement have been disclosed in the announcement of the Company dated 23 December 2016.

2017 Project Management Services

Golden Eagle (China) and Golden Eagle International Group entered into a project management services agreement on 23 December 2016 (the "**2017 Project Management Services Agreement**") for a term of three years commencing from 1 January 2017, 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 2017 Project Management Services Agreement have been disclosed in the announcement of the Company dated 23 December 2016.

2017 Decoration Services Agreement

On 23 December 2016, 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 the third supplemental agreement to the decoration services agreement dated 26 February 2006 to extend the service period for a term of three years commencing from 1 January 2017, pursuant to which Golden Eagle Construction Work shall provide decoration services to the existing and new stores of the Group (the "**2017 Decoration Services Agreement**").

Details of the 2017 Decoration Services Agreement have been disclosed in the announcement of the Company dated 23 December 2016.

2017 Carpark Management Agreement

Each of (i) Nanjing Golden Eagle and Nanjing Zhujiang No. 1; and (ii) Xuzhou Golden Eagle Industry and Xuzhou Golden Eagle Properties entered into a carpark management services agreement for the management of the carparks in Nanjing Zhujiang Store and Xuzhou Store respectively (collectively referred to as the "**2017 Carpark Management Services Agreements**") on 23 December 2016 for a term of three years commencing from 1 January 2017.

Details of the 2017 Carpark Management Services Agreements have been disclosed in the annual report of the Company for the year 2016.

2017 Street Shop Management Agreement

Golden Eagle (China) and Golden Eagle International Group entered into a management agreement on 29 December 2017 (the "**2017 Street Shop Management Agreement**"), pursuant to which Golden Eagle (China) and its subsidiaries are delegated with the tasks of managing the daily operation of those 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 mainly standalone non-specialty street shops in the cities of Nanjing, Taizhou, Yancheng, Suqian, Danyang, Kunshan and Ma'anshan which are in the proximity of the chain stores being operated by the Group in the same city.

Details of the 2017 Street Shop Management Agreement have been disclosed in the announcement of the Company dated 29 December 2017.

Jinqiao Market Management Agreement

南京金鷹貿易有限公司第一分公司 (Nanjing Golden Eagle (1st Branch) Co., Ltd.) ("**Nanjing Golden Eagle (1st Branch)**"), an indirect wholly-owned subsidiary of the Company, on the 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**"), both being indirect wholly-owned subsidiaries of GEICO, on the other hand, entered into a management agreement on 29 December 2017 (the "**Jinqiao Market Management Agreement**"), pursuant to which Nanjing Golden Eagle (1st Branch) is delegated with the task of managing the daily operation of those wholesale and retail markets which are being owned, or will be owned, by Nanjing Jinqiao Market and Nanjing Jinqiao Lighting Market from time to time. As at the Latest Practicable Date, such properties represent three large scale wholesale and retail markets 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 29 December 2017.

Lianyungang Integrated Services Agreement

Lianyungang Golden Eagle Shopping entered into an integrated services agreement with Lianyungang Properties (the "**Lianyungang Integrated Services Agreement**") on 23 December 2016 for a term of three years commencing from 1 January 2016, pursuant to which, integrated services, including customer resources sharing, information technology and market promotion supports, training and service management, would be provided to Lianyungang Properties.

Details of the Lianyungang Integrated Services Agreement have been disclosed in the annual report of the Company for the year 2016.

Motor Group Management Agreement

On 29 December 2017, 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.), an indirect wholly-owned subsidiary of GEICO, entered into the first supplemental agreement to the management agreement dated 3 December 2014 (collectively, the "**Motor Group Management Agreement**") to extend the service period for a term of three years commencing from 3 December 2017, 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 with an annual management fee of RMB500,000.

Details of the management agreement dated 3 December 2014 have been disclosed in the announcement of the Company dated 3 December 2014 and details of the first supplement agreement dated 29 December 2017 will be disclosed in the annual report of the Company for the year 2017.

Xianlin Car Park Lease Agreement

Xianlin Golden Eagle Shopping, as lessor, and Nanjing Golden Eagle Properties, as lessee, entered into a lease agreement (the "**Xianlin Car Park Lease Agreement**") for the lease of the car park situated at basements 1 and 2 of 仙林金鷹天地B區 (Xianlin Golden Eagle Tiandi Zone B) located at 南京市棲霞區學海路1號 (No. 1 Xuehai Road, Qixia District, Nanjing City) with a total gross floor area of approximately 78,653 square metres for a term of three years commencing from 1 January 2018.

Details of the Xianlin Car Park Lease Agreement have been disclosed in the announcement of the Company dated 29 December 2017.

Kunming Car Park Lease Agreement

雲南尚美投資管理有限公司 (Yunnan Shangmei Investment Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company, as lessor, and 昆明金鷹物業服務有限公司 (Kunming Golden Eagle Property Management Co., Ltd.), an indirect wholly-owned subsidiary of GEICO, as lessee, entered into a lease agreement (the "**Kunming Car Park Lease Agreement**") for the lease of the car park located at basements 1 and 2 of 昆明金鷹天地購物廣場 (Kunming Golden Eagle Tiandi Shopping Plaza) located at 昆明市威遠街168號 (168 Wei Yuan Street, Kunming City) with a gross floor area of approximately 13,669.86 square metres for a term of 3 years commencing from 1 January 2018.

Details of the Kunming Car Park Lease Agreement have been disclosed in the announcement of the Company dated 29 December 2017.

Suzhou Car Park Lease Agreement

蘇州高新金鷹商業廣場有限公司 (Suzhou Gaoxin Golden Eagle Commercial Plaza Co., Ltd.), an indirect wholly-owned subsidiary of the Company, as lessor, and 蘇州金鷹國際物業管理有限公司 (Suzhou Golden Eagle International Property Management Co., Ltd.), an indirect wholly-owned subsidiary of GEICO, as lessee, entered into a lease agreement (the "**Suzhou Car Park Lease Agreement**") for the lease of the car park situated at basements 1 and 2 of 蘇州高新金鷹商業廣場 (Suzhou Gaoxin Golden Eagle Commercial Plaza) located at 蘇州市高新區獅山路298號 (298 Shishan Road, Gaoxin District, Suzhou City) with a total gross floor area of approximately 39,270 square metres for a term of 3 years commencing from 1 January 2018.

Details of the Suzhou Car Park Lease Agreement have been disclosed in the announcement of the Company dated 29 December 2017.

Wuhu Car Park Lease Agreement

Wuhu Golden Eagle Enterprises, as lessor, and 南京金鷹國際物業發展有限公司蕪湖分公司 (Nanjing Golden Eagle International Properties Development Co., Ltd. (Wuhu Branch)), an indirect wholly-owned subsidiary of GEICO, as lessee, entered into a lease agreement (the "**Wuhu Car Park Lease Agreement**") for the lease of the car park situated at ground floor and basements 1 and 2 of 蕪湖金鷹國際商城 (Wuhu Golden Eagle International Plaza) located at 蕪湖市鏡湖區中山北路77號 (77 Zhongshanbei Road, Jinghu District, Wuhu City) with a total gross floor area of approximately 13,498 square metres for a term of 3 years commencing from 1 January 2018.

Details of the Wuhu Car Park Lease Agreement have been disclosed in the announcement of the Company dated 29 December 2017.

Jilin Golden Eagle Share Purchase Agreement

On 11 December 2017, Golden Eagle (China) and Golden Eagle International Group entered into a share purchase agreement (the "**Jilin Golden Eagle Share Purchase Agreement**"), pursuant to which Golden Eagle (China) agreed to sell, and Golden Eagle International Group agreed to purchase, 51% shares in 吉林金鷹正業置業股份有限公司 (Jilin Golden Eagle Property Holdings Company Limited) a company established in the PRC on 10 September 2013 and an indirect subsidiary of GEICO.

Details of the Jilin Golden Eagle Share Purchase Agreement have been disclosed in the announcement of the Company dated 11 December 2017.

Xinjiekou Block B Framework Agreement

Golden Eagle (China) and Golden Eagle International Group entered into a framework agreement ("**Xinjiekou Block B Framework Agreement**") on 9 November 2009, 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

昆明金鷹購物中心有限公司 (Kunming Golden Eagle Shopping Centre Co., Ltd.), an indirect wholly-owned subsidiary of the Company, entered into a cooperation framework agreement ("**Kunshan Framework Agreement**") on 28 March 2011 with 昆山金鷹置業有限公司 (Kunshan Golden Eagle Properties Co., Ltd.), an indirect wholly-owned subsidiary of GEICO, for the acquisition of a property which is 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 gross floor area 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 2004 RVJD Family Trust, the family trust of Mr. Wang. Ms. Wang is a beneficiary of The 2004 RVJD Family Trust.

The only Directors who have interest in those contracts and agreements as set out above are Mr. Wang and Ms. 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 2017, being the date of 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	20 April 2018

Euto Capital Partners Limited has given and has not withdrawn its 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 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 8th Floor, Golden Eagle International Plaza, 89 Hanzhong Road, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Unit 1206, 12th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong during normal business hours up to and including the date of 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 53 to 54 of this Circular;

(c) the letters from Euto Capital Partners Limited, the text of which is set out on pages 55 to 168 of this Circular;

(d) the written consent of Euto Capital Partners Limited referred to in Section 8 of this Appendix;

(e) the Zhujiang Tenancy Agreement (comprising the lease agreement, the supplemental agreement, the second supplemental agreement and the third supplemental agreement);

(f) the Lease Agreement (Hanzhong Plaza) and the Facilities Leasing Agreement (comprising the lease agreement, the supplemental agreement, the second supplemental agreement and the third supplemental agreement);

(g) the Lease Agreement (Xianlin Golden Eagle Shopping Plaza) and the Lease Agreement (Additional Xianlin Retail Area) (comprising the lease agreements, the supplemental agreements, the second supplemental agreement and the third supplemental agreement);

(h) the Lease Agreement (Yancheng Golden Eagle Outlet) (comprising the lease agreement, the supplemental agreement and the second supplemental agreement);

(i) the Lease Agreement (Xinjiekou Block B) (comprising the lease agreement and the supplemental agreement);

(j) the Lease Agreement (Yancheng Tiandi Plaza);

(k) the Lease Agreement (Danyang Tiandi Plaza);

(l) the Lease Agreement (Nanjing Jiangning Tiandi Plaza);

(m) the Lease Agreement (Ma'anshan Tiandi Plaza);

(n) the Lease Agreement (Golden Eagle Plaza) and the Lease Agreement (7/F — 9/F, Golden Eagle Plaza) (comprising the lease agreement, the supplemental agreement, the second supplemental agreement and the third supplemental agreement);

(o) the Lease Agreement (Golden Eagle World);

(p) the Cooperation Agreement on Property Lease (Offices);

(q) the 2017 Master Property Management Services Agreement;

(r) the 2017 Project Management Services Agreement;

(s) the Decoration Services Agreement together with its supplemental agreements dated 18 December 2007, 16 November 2010, 19 December 2013 and 29 December 2017;

(t) the 2017 Carpark Management Services Agreements;

(u) the 2017 Street Shop Management Agreement;

(v) the Jinqiao Market Management Agreement;

(w) the Lianyungang Integrated Services Agreement;

(x) the Motor Group Management Agreement (comprising the management agreement and the supplemental agreement);

(y) the Xianlin Car Park Lease Agreement;

(z) the Kunming Car Park Lease Agreement;

(aa) the Suzhou Car Park Lease Agreement;

(bb) the Wuhu Car Park Lease Agreement;

(cc) the Jilin Golden Eagle Share Purchase Agreement;

(dd) the Xinjiekou Block B Framework Agreement;

(ee) the Kunshan Framework Agreement;

(ff) the Deed of Non-Competition;

(gg) the announcements of the Company dated 3 December 2014, 18 March 2015, 23 December 2016, 11 December 2017 and 29 December 2017; and

(hh) this Circular.

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 Tuesday, 8 May 2018 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** the proposed annual caps for the Zhujiang Tenancy Agreement (as amended and supplemented) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

2. **THAT** the proposed annual caps for the Lease Agreement (Hanzhong Plaza) (as amended and supplemented) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

3. **THAT** the proposed annual caps for the Lease Agreements (Total Xianlin Retail Area) (as amended and supplemented) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

4. **THAT** the proposed annual caps for the Lease Agreement (Yancheng Golden Eagle Outlet) (as amended and supplemented) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

5. **THAT** the proposed annual caps for the Lease Agreement (Xinjiekou Block B) (as amended and supplemented) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

6. **THAT** the proposed annual caps for the Lease Agreement (Yancheng Tiandi Plaza) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

7. **THAT** the proposed annual caps for the Lease Agreement (Danyang Tiandi Plaza) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

8. **THAT** the proposed annual caps for the Lease Agreement (Nanjing Jiangning Tiandi Plaza) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

9. **THAT** the proposed annual caps for the Lease Agreement (Ma'anshan Tiandi Plaza) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

10. **THAT** the entering into of the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza) (as defined and described in the circular of the Company dated 20 April 2018) and the transactions contemplated thereunder be and are hereby approved and ratified and the Directors (or a duly authorized committee thereof) be and are hereby authorized to take all such steps to implement the same and to execute all documents or deeds as they may consider necessary or appropriate in relation thereto, including but not limited to make any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions of the Third Supplemental Agreement to Lease Agreement (Golden Eagle Plaza) as they may think fit.

11. **THAT** the proposed annual caps for the Lease Agreement (Golden Eagle Plaza) (as amended and supplemented) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

12. **THAT** the entering into of the Lease Agreement (Golden Eagle World) (as defined and described in the circular of the Company dated 20 April 2018) and the transactions contemplated thereunder be and are hereby approved and ratified and the Directors (or a duly authorized committee thereof) be and are hereby authorized to take all such steps to implement the same and to execute all documents or deeds as they may consider necessary or appropriate in relation thereto, including but not limited to make any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions of the Lease Agreement (Golden Eagle World) as they may think fit.

13. **THAT** the proposed annual caps for the Lease Agreement (Golden Eagle World) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

14. **THAT** the entering into of the Cooperation Agreement on Property Lease (Offices) (as defined and described in the circular of the Company dated 20 April 2018) and the transactions contemplated thereunder be and are hereby approved and ratified and the Directors (or a duly authorized committee thereof) be and are hereby authorized to take all such steps to implement the same and to execute all documents or deeds as they may

consider necessary or appropriate in relation thereto, including but not limited to make any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions of the Cooperation Agreement on Property Lease (Offices) as they may think fit.

15. **THAT** the proposed annual caps for the Cooperation Agreement on Property Lease (Offices) (as defined and described in the circular of the Company dated 20 April 2018) for each of the three years ending 31 December 2020 be and are hereby approved and ratified.

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

Hong Kong, 20 April 2018

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company.

2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited with 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 24 hours before the date appointed for the holding of the EGM or any adjournment thereof.

3. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the share.