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SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 06808)

CONTINUING CONNECTED TRANSACTION

Reference is made to the joint announcements of the Company and Taobao China dated 20 November 2017 and 27 November 2017 in relation to the acquisition of 26.02% interest in the Company by Taobao China and the joint announcement dated 8 December 2017 of the Company and Taobao China in relation to the first completion of the above acquisition.

BUSINESS COOPERATION AGREEMENT

The Company is pleased to announce that on 7 December 2017, Alibaba Zetai, an indirect wholly-owned subsidiary of Alibaba, entered into the Business Cooperation Agreement with the Company and its subsidiaries, Auchan China and RT Mart China.

Pursuant to the Business Cooperation Agreement, the Sun Art Group and Alibaba Zetai will themselves and cause their respective Affiliates to cooperate to adopt the “Taobao Daojia” (“淘寶到家”) model across the Stores of the Sun Art Group and its Affiliates including, amongst others: (a) the Stores accessing the business model and the online Platform; (b) data sharing; (c) integration of systems and POS hardware; and (d) last-mile delivery services.

The implementation of a substantial part of the transactions contemplated under the Business Cooperation Agreement is intended to commence in or around the end of 2017, prior to which Implementation Agreement(s) are intended to be entered into by the parties. The Company will make further announcement(s) pursuant to Chapter 14A of the Listing Rules after the parties have entered into the Implementation Agreement(s).

IMPLICATIONS UNDER THE LISTING RULES

Taobao China holds approximately 20.98% of the total issued Shares of the Company as at the date of this announcement and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Both Alibaba Zetai and Taobao China are indirect wholly-owned subsidiaries of Alibaba. Accordingly, Alibaba Zetai is an associate of Taobao China and a connected person of the Company under the Listing Rules. The Business Cooperation Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios under the Listing Rules for the expected maximum annual amount of the consideration under the Business Cooperation Agreement, the Implementation Agreement(s) and transactions contemplated thereunder are expected to exceed 0.1% but not 5%, the Business Cooperation Agreement, the Implementation Agreement(s) and transactions contemplated thereunder are expected to be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The relevant annual caps applicable to the transactions contemplated under the Business Cooperation Agreement and the Implementation Agreement(s) will be detailed in the announcement(s) to be issued after the parties have entered into the Implementation Agreement(s).

Reference is made to the joint announcements of the Company and Taobao China dated 20 November 2017 and 27 November 2017 in relation to the acquisition of 26.02% interest in the Company by Taobao China and the joint announcement dated 8 December 2017 of the Company and Taobao China on the first completion of the above acquisition.

The Company is pleased to announce that on 7 December 2017, Alibaba Zetai, an indirect wholly-owned subsidiary of Alibaba, entered into the Business Cooperation Agreement with the Company, Auchan China and RT Mart China.

THE BUSINESS COOPERATION AGREEMENT

Date : 7 December 2017

Parties : (i) Alibaba Zetai;
(ii) the Company;
(iii) Auchan China; and
(iv) RT Mart China.

Services : The Sun Art Group and Alibaba Zetai will themselves and cause their respective Affiliates to cooperate to adopt the "Taobao Daojia" ("淘寶到家") model across the Stores of the Sun Art Group and its Affiliates including:

- (a) the Stores accessing the business model and the online Platform;
- (b) sharing of certain transactional raw data generated through the business cooperation;
- (c) completing the integration of the corresponding systems and POS hardware and self check-out equipment;
- (d) Alibaba Zetai and its Affiliates offering last-mile delivery services to deliver products sold on the Platform; and
- (e) other areas of cooperation such as assistance in procurement or sourcing, participation in marketing and promotional activities and the usage of Alipay.

- Consideration :** Sun Art Group will pay to Alibaba Zetai a Fee of a fixed percentage of the value of online transactions completed through the Platform.
- The Fee payable by Sun Art Group to Alibaba Zetai was determined by the parties after arm's length negotiations. In negotiating and agreeing the Fee with Alibaba Zetai, the Company has taken into account the commission fees for similar types of transactions that are offered by independent third party service providers, the continuing partnership with Alibaba Group and the commercial benefits of such partnership to the Group.
- The consideration for other areas of cooperation or the provision of services and goods between the parties will be determined or confirmed under Implementation Agreement(s) to be entered into by the parties and will be announced after such agreement(s) are entered into.
- Term :** Commencing from the date of the Business Cooperation Agreement for a fixed term of three years.
- Subject to applicable Listing Rules at the time of renewal or, alternatively, any waiver obtained from strict compliance with such requirements, upon expiration of the initial term, or any subsequent renewal term, the Business Cooperation Agreement will be automatically renewable for successive periods of three years.
- The Business Cooperation Agreement may be terminated at any time by mutual agreement between the parties or by written notice issued by either the Sun Art Group or Alibaba Zetai after termination of the shareholders' agreement dated 7 December 2017, by and among Taobao China, Auchan Retail International S.A., Monicole Exploitation Maatschappij BV, Concord Greater China Limited, Kofu International Limited and A-RT Retail Holdings Limited.
- Upon the expiration or termination of the Business Cooperation Agreement, subject to applicable Listing Rules and the provisions of the Business Cooperation Agreement, there will be a transitional period whereby the Business Cooperation Agreement shall automatically be regarded as having a remaining term of two years starting from the date of the expiration or termination.
- Non-competition :** Pursuant to the Business Cooperation Agreement, the Sun Art Group has undertaken, among other things, to (and to cause its Affiliates to) operate, promote and market its channel on the Platform as its sole O2O and B2C e-commerce platform (for the avoidance of doubt, the Sun Art Group and its Affiliates may operate or manage their own B2B e-commerce platforms), excluding the Sun Art Group Platforms (which will continue to be operated or managed by the Sun Art Group during a "test period"), and excluding certain corporate websites and e-commerce 'specialty store' platforms. Alibaba Zetai has also provided non-compete undertakings within the PRC to the Sun Art Group.

FURTHER ANNOUNCEMENT(S) SPECIFYING ANNUAL CAPS

The implementation of a substantial part of the transactions contemplated under the Business Cooperation Agreement is intended to commence in or around the end of 2017, prior to which Implementation Agreement(s) are intended to be entered into by the parties.

The relevant annual caps applicable to the transactions contemplated under the Business Cooperation Agreement and the Implementation Agreement(s) will be detailed in the announcement(s) to be issued after the parties have entered into the Implementation Agreement(s).

REASONS FOR AND BENEFITS OF ENTERING INTO THE BUSINESS COOPERATION AGREEMENT

The Company believes that the new alliance with Alibaba Group will enable the Group's activities to benefit from Alibaba Group's digital ecosystem. In particular, the Business Cooperation Agreement will allow Sun Art Group to digitalize and introduce new retail solutions at the Stores. Under the Business Cooperation Agreement, the Stores will be able to operate as part of the "Taobao Daojia" business model. This will allow Sun Art Group to utilize the internet technologies and Taobao traffic offered through Alibaba Group's Taobao Daojia business to increase the efficiency of the traditional hypermarket and supermarket Stores operated by it.

In light of the above, the Directors (including the independent non-executive Directors) believe that it is for the benefit of the Group to enter into the Business Cooperation Agreement and consider that the transactions contemplated under the Business Cooperation Agreement are in the usual and ordinary course of business of the Group.

The Directors (including the independent non-executive Directors) consider that the Business Cooperation Agreement is based on normal commercial terms and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest, direct or indirect, in the resolution approving the entry into the Business Cooperation Agreement and therefore none of the Directors were required to abstain from voting on the resolution in relation to entry into the Business Cooperation Agreement.

INFORMATION ABOUT THE PARTIES

The principal activity of the Group is the operation of hypermarkets in the PRC. In particular, Sun Art Group and its Affiliates operate physical hypermarket stores, convenience stores and certain e-commerce business platforms focusing on the PRC retail market.

The principal activity of Alibaba Zetai and its Affiliates is the operation of the Taobao app (手機淘寶), an e-commerce platform.

LISTING RULES IMPLICATIONS

Taobao China holds approximately 20.98% of the total issued Shares of the Company as at the date of this announcement and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Both Alibaba Zetai and Taobao China are indirect wholly-owned subsidiaries of Alibaba. Accordingly, Alibaba Zetai is an associate of Taobao China and a connected person of the Company under the Listing Rules. The Business Cooperation Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios under the Listing Rules for the expected maximum annual amount of the consideration under the Business Cooperation Agreement, the Implementation Agreement(s) and transactions contemplated thereunder are expected to exceed 0.1% but not 5%, the Business Cooperation Agreement, the Implementation Agreement(s) and transactions contemplated thereunder are expected to be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The relevant annual caps applicable to the transactions contemplated under the Business Cooperation Agreement and the Implementation Agreement(s) will be detailed in the announcement(s) to be issued after the parties have entered into the Implementation Agreement(s).

DEFINITIONS

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

“Affiliates”	with respect to any specified person, any person who directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such specified persons and shall include the subsidiaries of such specified persons
“Alibaba”	Alibaba Group Holding Limited
“Alibaba Group”	Alibaba Group Holding Limited and its subsidiaries
“Alibaba Zetai”	杭州阿里巴巴澤泰信息技術有限公司(Hangzhou Alibaba Zetai Information Technology Company Limited*)
“Alipay”	the online and mobile third party payment solutions offered by Zhejiang Ant Small and Micro Financial Services Group Co., Ltd
“associate”	has the meaning given to it in the Listing Rules
“Auchan China”	歐尚(中國)投資有限公司 (Auchan (China) Investment Co., Ltd.*) a company incorporated in the PRC and is a subsidiary of the Company
“Board”	the board of Directors

“Business Cooperation Agreement”	the business cooperation agreement dated 7 December 2017 entered into between Alibaba Zetai, the Company, Auchan China and RT Mart China relating to the cooperation between the parties thereof
“Company”	Sun Art Retail Group Limited (高鑫零售有限公司), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 06808)
“Director(s)”	director(s) of the Company
“Fee”	the commission fee payable by Sun Art Group to Alibaba Zetai or its associates under the Business Cooperation Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation Agreement(s)”	the implementation agreement(s) to be entered into between Sun Art Group and Alibaba Zetai in accordance with the Business Cooperation Agreement, detailing the further terms of cooperation of certain of the matters under the Business Cooperation Agreement and implementation of the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Platform”	the online platform operated by Alibaba Group through its Taobao Daojia business
“PRC”	the People’s Republic of China, which expression, solely for the purpose of construing this announcement, does not include Hong Kong, Macau Special Administrative Region or Taiwan
“RT Mart China”	康成投資(中國)有限公司 (Concord Investment (China) Co., Ltd.*), a limited liability joint venture company incorporated in the PRC and is a subsidiary of the Company
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of the Company in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stores”	the existing and new stores operated or managed by the Sun Art Group or its Affiliates (to the exclusion of Sun Art Group proximity stores), offering a wide range of products, and notably food products and fresh food products, in accordance with the priority of designated regions

“Sun Art Group”	the Company, Auchan China and RT Mart China
“Sun Art Group Platforms”	Sun Art Group’s existing O2O e-commerce platforms named “darunfa you xian” (大潤發優鮮) and “Auchan Fresh” (歐尚優鮮)
“Taobao China”	Taobao China Holding Limited, a company incorporated in Hong Kong
“Taobao Daojia”	Alibaba Group’s business model which aims to enable traditional hypermarket and supermarket businesses to increase business efficiency through utilising internet technologies and Taobao traffic
“‰”	per cent.

By order of the Board of
Sun Art Retail Group Limited
CHENG Chuan-Tai
Chairman

Hong Kong, 8 December 2017

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Ludovic, Frédéric, Pierre HOLINIER (*Chief Executive Officer*)
HUANG Ming-Tuan

Non-executive Directors:

CHENG Chuan-Tai (*Chairman*)
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Xavier, Marie, Alain DELOM de MEZERAC
Wilhelm, Louis HUBNER

Independent Non-executive Directors:

Karen Yifen CHANG
Desmond MURRAY
HE Yi

* *For identification purpose only*