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# **SUN ART**

**Retail Group Limited**

## **SUN ART RETAIL GROUP LIMITED**

**高鑫零售有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 6808)**

### **CONTINUING CONNECTED TRANSACTION**

#### **THE SUPPLY AGREEMENT**

The Company is pleased to announce that, on 29th December 2017, RT Mart China (an indirect non-wholly owned subsidiary of the Company) and Tmall Supply (an indirect wholly-owned subsidiary of Taobao China) entered into the Supply Agreement, pursuant to which RT Mart China agreed to purchase and Tmall Supply agreed to supply the Relevant Products to RT Mart China. The Supply Agreement has a term commencing from 31 December 2017 and ending on 31 December 2018.

#### **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. Accordingly, Tmall Supply, as an indirectly wholly owned subsidiary of Taobao China, is a connected person of the Company under the Listing Rules. The Supply 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 Proposed Annual Cap exceed 0.1% but not 5%, the Supply Agreement and the 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.

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## THE SUPPLY AGREEMENT

- Date** : 29th December 2017
- Parties** : (i) RT Mart China; and  
(ii) Tmall Supply.
- Term** : commencing from 31 December 2017 and ending on 31 December 2018 and is extendable by further agreement between the parties subject to the Company's compliance with the Listing Rules.
- Nature of transaction** : Pursuant to the Supply Agreement, RT Mart China agreed to purchase and Tmall Supply agreed to supply, on a non-exclusive basis, the Relevant Products for selling in retail outlets under the RT-Mart banner operated by the Group.
- Pricing** : The purchase price for the Relevant Products (value-added tax, customs duties, other relevant taxes payable by Tmall Supply and package costs included) will be determined at the time of the particular purchase with reference to (i) the price of products of the same category offered by independent suppliers at the time of a particular transaction; (ii) the gross profit margin expected by RT Mart China of products of the same categories; and (iii) the prices of the same Relevant Products generally offered on Tmall online platform.
- The purchasing department of RT Mart China will monitor the purchase prices of products that are of the same or similar categories offered by independent supplier during the same period, and also conduct monthly review of the gross profit margin of the Relevant Products, in order to ensure that the transactions under the Supply Agreement are conducted on normal commercial terms.
- Payment arrangements** : RT Mart China will place orders to Tmall Supply for the Relevant Products through its own system from time to time during the period commencing from 31 December 2017 and ending on 31 December 2018.
- Purchase price of the Relevant Products ordered by RT Mart China will become payable on the date falling 15 days following Tmall Supply issuing the value-added tax invoice in respect of such Relevant Products, and shall be settled by RT Mart China, after deducting (a) the value of any Relevant Products returned, (b) applicable discounts on the Relevant Products and (c) other fees payable by Tmall Supply to RT Mart China (e.g. advertisement fees, etc.), to Tmall Supply in cash by (i) electronic transfer in immediately available funds to the bank account designated by the parties, or (ii) issuing a cheque payable to Tmall Supply, on the 20th day of the next calendar month.
- Before settlement of the Purchase Price on the 20th day of each calendar month, RT Mart China agreed to provide to Tmall Supply a consolidated bill setting out the net amount payable by RT Mart China to Tmall Supply for confirmation.

## **THE PROPOSED ANNUAL CAP**

The Proposed Annual Cap for the Supply Agreement as well as the transactions contemplated thereunder, being the total amount payable by RT Mart China to Tmall Supply under the Supply Agreement, for the period commencing from 31 December 2017 and ending 31 December 2018 is RMB200,000,000 on an aggregate basis.

The Proposed Annual Cap disclosed herein is not intended, and does not purport, to be an indication of the Group's future performance or profitability, therefore investors should not rely on the Proposed Annual Cap in deciding whether to invest in the shares of the Company.

## **BASIS FOR THE PROPOSED ANNUAL CAP**

In determining the Proposed Annual Cap, the Board took into account the following factors:

- (i) wide range of the Relevant Products offered by Tmall Supply as well as the quality of the Relevant Products;
- (ii) the anticipated number of the Relevant Products that the Company will purchase from Tmall Supply based on customers' demand; and
- (iii) the increasing scale of the Group's operation.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY AGREEMENT**

The Company believes that the cooperation with Tmall Supply pursuant to the Supply Agreement will enable the Group to source a wide range of the Relevant Products previously only available on Tmall online platform and will improve the product system in the Group's retail outlets under the RT-Mart banner. In light of the above as well as the categories and quality of products offered by Tmall Supply, the Directors believe that it is for the benefit of the Group to enter into the Supply Agreement and consider that the transactions contemplated under the Supply Agreement are in the usual and ordinary course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Supply Agreement and the Proposed Annual Cap are based on normal commercial terms and are 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 Supply Agreement and therefore none of the Directors were required to abstain from voting on the resolution in relation to entry into the Supply Agreement.

## **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. Accordingly, Tmall Supply, as an indirectly wholly owned subsidiary of Taobao China, is a connected person of the Company under the Listing Rules. The Supply 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 Proposed Annual Cap exceed 0.1% but not 5%, the Supply Agreement 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.

## GENERAL

The principal activity of the Group is the operation of hypermarkets in the PRC.

Tmall Supply is a company incorporated under the laws of the PRC and is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited. Tmall Supply is principally engaged in the procurement and sales business of Tmall supermarket, a supermarket category operated by Alibaba Group's Tmall, featuring high quality fresh produce, food products and fast moving consumer goods.

## DEFINITIONS

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

<b>“Board”</b>	the board of Directors
<b>“Company”</b>	Sun Art Retail Group Limited (高鑫零售有限公司), a company incorporated under the laws of Hong Kong on 13 December 2000 with limited liability, the shares of which are listed on the main board of the Stock Exchange
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Director(s)”</b>	director(s) of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Relevant Products”</b>	packaged food, poultry products, processed meat, edible oil, grains, vegetables, fresh and preserved fruits, groceries and any other merchandise customarily sold in hypermarkets which may be required by RT Mart China and which Tmall Supply may be able to supply in circumstances which are of commercial benefit to RT Mart China
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“RT Mart China”</b>	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
<b>“PRC”</b>	the People's Republic of China and for the purpose of this announcement, it excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC
<b>“Proposed Annual Cap”</b>	the proposed maximum annual amount of the consideration under the Supply Agreement payable by RT Mart China to Tmall Supply under the Supply Agreement for the period commencing from 31 December 2017 and ending 31 December 2018

“Share(s)”	ordinary share(s) of the Company in issue
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supply Agreement”	the supply agreement entered into between RT Mart China and Tmall Supply on 29th December 2017 in relation to the supply of the Relevant Products by Tmall Supply to RT Mart China
“Taobao China”	Taobao China Holding Limited, a company incorporated in Hong Kong
“Tmall Supply”	Zhejiang Tmall Supply Management Co., Ltd* (浙江天貓供應鏈管理有限公司), a company incorporated in the PRC and an indirect wholly owned subsidiary of Taobao China
“%”	per cent.

By order of the Board  
**Sun Art Retail Group Limited**  
Ludovic Frédéric Pierre HOLINIER  
*Chief Executive Officer and  
Executive Director*

Hong Kong, 29th December 2017

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

*Executive Directors:*

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

*Non-executive Directors:*

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

*Independent Non-executive Directors:*

Ms. Karen Yifen CHANG  
Mr. Desmond MURRAY  
Mr. HE Yi

\* For identification purpose only