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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: 06808)

CONTINUING CONNECTED TRANSACTIONS – MASTER AGREEMENT FOR TECHNICAL SERVICES

TRANSACTIONS BETWEEN THE GROUP AND ALIBABA GROUP – TECHNICAL SERVICES

In view of the increasing business transactions with the Alibaba Group, and for the purpose of better governing the conduct of the continuing connected transactions between the Group and the Alibaba Group going forward, on 10 June 2020 (after trading hours), the Company has entered into the Master Technical Services Agreement to govern transactions entered into under the category of “Technical Services”, details of which are set out in section I(1) of this announcement. The transactions contemplated under this category are similar in nature and are therefore aggregated pursuant to the requirement under Rule 14A.81 of the Listing Rules.

The category of “Technical Services” will include certain agreements which were previously entered into between (i) members of the Group and (ii) certain members of the Taobao China Group and/or certain members of the Alipay Group (as the case may be) and are still subsisting as at the date of this announcement (the “**Subsisting Technical Services Agreements**”), details of which are set out in section I(1) of this announcement. The Subsisting Technical Services Agreements were at the time they were entered into fully exempted on an individual and aggregate basis from the reporting, announcement, annual review and independent shareholders’ approval under the Rule 14A.76(1) of the Listing Rules.

For avoidance of doubt, with effect from 10 June 2020, the Subsisting Technical Services Agreements shall be governed by and subject to the Master Technical Services Agreement and the annual caps of the Subsisting Technical Services Agreements shall be incorporated into the proposed annual caps under the category of “Technical Services”.

LISTING RULES IMPLICATIONS

Taobao China holds approximately 20.98% of the total Shares as at the date of this announcement and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company under the Listing Rules.

Alipay is a subsidiary of Ant Financial and Alibaba owns 33% of the shares in Ant Financial. Therefore, Alipay is an associate of Taobao China and a connected person of the Company under the Listing Rules. Accordingly, the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the category of “Technical Services” exceed 0.1% but do not exceed 5%, the continuing connected transactions under the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreement) are subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

I. TRANSACTIONS BETWEEN THE GROUP AND ALIBABA GROUP – TECHNICAL SERVICES

(1) Introduction

In view of the increasing business transactions with the Alibaba Group, and for the purpose of better governing the conduct of the continuing connected transactions between the Group and Alibaba Group going forward, on 10 June 2020 (after trading hours), the Company has entered into the Master Technical Services Agreement to govern transactions entered into under the category of “Technical Services”. The transactions contemplated under this category are similar in nature and are therefore aggregated pursuant to the requirement under Rule 14A.81 of the Listing Rules.

The category of “Technical Services” is primarily governed by the Master Technical Services Agreement (details of which are set out in section I(2) of this announcement), which sets out the principal framework upon which the Group may purchase the Relevant Technical Services from the Taobao China Group and the Alipay Group. For the purpose of Rule 14A.81 of the Listing Rules, this category will include the Subsisting Technical Services Agreements, which were at the time they were entered into fully exempted on an individual and aggregate basis from the reporting, announcement, annual review and independent shareholders’ approval under the Rule 14A.76(1) of the Listing Rules.

There are in total 9 Subsisting Technical Services Agreements, which cover purchases of three broad categories of technical services by members of the Group from certain members of the Taobao China Group and/or certain members of the Alipay Group (as the case may be), namely (i) payment services, (ii) services relating to online store operation and (iii) server hosting services. The service charges (if any) are in the form of a pre-determined rate, a monthly fee, an annual fee or a combination of the aforementioned, and are consistent with pricing and payment arrangements for transactions between the Group and independent third parties. The transactions contemplated under the Subsisting Technical Services Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group.

For avoidance of doubt, with effect from 10 June 2020, the Subsisting Technical Services Agreements shall be governed by and subject to the Master Technical Services Agreement and the annual caps of the Subsisting Technical Services Agreements shall be incorporated into the proposed annual caps under the category of “Technical Services”.

(2) Key terms of the Master Technical Services Agreement

- Date** : 10 June 2020 (after trading hours)
- Parties** : (i) the Company (on behalf of and together with its subsidiaries);
- (ii) Taobao China (on behalf of and together with the Alibaba Affiliates); and
- (iii) Alipay
- Term** : The term commences from 10 June 2020 and ends on 31 December 2021, unless at any time prior to the expiry of the Master Technical Services Agreement, any party gives the other parties not less than one month’s prior notice to terminate the Master Technical Services Agreement.
- Nature of transaction** : Taobao China (via members of the Taobao China Group) and Alipay (via members of the Alipay Group), agreed to, and to procure the Alibaba Affiliates and/or the Alipay Affiliates (as the case may be) to, supply to the Group, and the Group agreed to purchase, the Relevant Technical Services, which may be required by the Group in circumstances which are of commercial benefit to the Group.

Each of the Group, Taobao China Group and/or Alipay Group shall, and shall procure the relevant entities within the Group, the Taobao China Group and/or the Alipay Group (as appropriate) to, enter into relevant agreements (as applicable) setting out the terms and conditions of the supply of the Relevant Technical Services.

Prices and fees : The purchase price for the Relevant Technical Services (inclusive of any value-added tax, customs duties, other relevant taxes payable by the relevant member of the Taobao China Group and/or the Alipay Group (as the case may be), and packaging and delivery costs) purchased from the relevant member of the Taobao China Group and/or the Alipay Group (as the case may be) will be determined at the time of the particular purchase based on arm's-length negotiation with due regard to (i) the purchase price charged for the same category of services as the Relevant Technical Services offered by independent suppliers at the time of a particular transaction; and (ii) the price of the same Relevant Technical Services generally offered on the market by independent third parties. The purchase price for the Relevant Technical Services may be in the form of software service charges, information service fees, delivery charges, rent, deposits, transaction processing charges and any other forms as agreed between (i) the Group and (ii) the Taobao China Group and/or the Alipay Group (as the case may be) in writing from time to time.

Payment arrangements : Payment of the purchase price for the Relevant Technical Services shall be made as and when due in accordance with the terms of each relevant agreement setting out the terms and conditions of the supply of the Relevant Technical Services.

(3) General transaction principles

The transactions contemplated under the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) shall be conducted on a non-exclusive basis.

The Group will solicit at least two other quotations from unrelated third parties for the purchase of the Relevant Technical Services to determine if the purchase price quoted by the Taobao China Group and/or the Alipay Group (as the case may be) is fair and reasonable and comparable to those offered by unrelated third parties. Where it is impracticable for the Group to solicit at least two other quotations from unrelated third parties for the purchase of the Relevant Technical Services, the Group will determine the purchase price of the Relevant Technical Services based on arm's-length negotiation between the parties taking into consideration the comparable price of the services of the similar category of services as the Relevant Technical Services (such as the purchase price charged by the Taobao China Group entities and/or the Alipay Group entities (as the case may be) to unrelated third parties for services of the similar category of the Relevant Technical Services), the service specifications, cost structure, profit margin, transaction volume, transaction amount, freight terms, market condition and development strategy.

A dedicated team of the Group will monitor and review the purchase price for the Relevant Technical Services regularly in order to ensure that the transactions under the Master Technical Services Agreement are conducted on normal commercial terms.

(4) Historical transaction amounts and proposed annual caps

For the year ended 31 December 2019, the actual transaction amount (audited) under the category of “Technical Services” paid by the Group to the Taobao China Group and the Alipay Group amounted to RMB13.9 million. During the period from 1 January 2020 to 30 April 2020, the transaction amount (unaudited) under the category of “Technical Services” paid by the Group to the Taobao China Group and the Alipay Group amounted to approximately RMB10 million.

The proposed annual caps under the category of “Technical Services”, being the total amounts to be paid by the Group to the Taobao China Group and the Alipay Group, under the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreement) and the relevant agreements (if any) made under the Master Technical Services Agreement for the following periods, are set out as follows:

<i>In RMB</i>	For the financial year ended 31 December 2020	For the financial year ended 31 December 2021
Proposed annual caps	150,000,000	200,000,000

The above proposed annual caps are not intended, and do not purport, to be an indication of the Group’s future performance or profitability and investors should not rely on the proposed annual caps in deciding whether to invest in the Shares.

(5) Basis for the proposed annual caps

In determining the proposed annual caps for transactions under the category of “Technical Services”, the Board has taken into account the following factors:

- (a) the historical amount of fees paid by the Group under the category of “Technical Services”;
- (b) the Company’s ongoing strategy to utilise the internet technologies to increase the efficiency of the Group’s operation; and
- (c) the anticipated increase in the scale of the Group’s operation.

(6) Reasons for and benefits of entering into the Master Technical Services Agreement

The Directors consider that the entering into of the Master Technical Services Agreement will allow the Group to leverage on the technical expertise of the Taobao China Group and the Alipay Group, facilitate the Group to utilise the capability of the technical knowhow and technical team(s) of the Taobao China Group and the Alipay Group, enhance operational efficiency of the Group, support the Group’s business needs and enhance customer experience.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) and the proposed annual caps are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

(7) Listing Rules implications

Taobao China holds approximately 20.98% of the total Shares as at the date of this announcement and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Taobao China is an indirect wholly-owned subsidiary of Alibaba. Alibaba is therefore also a connected person of the Company under the Listing Rules.

Alipay is a subsidiary of Ant Financial and Alibaba owns 33% of the shares in Ant Financial. Therefore, Alipay is an associate of Taobao China and a connected person of the Company under the Listing Rules. Accordingly, the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the category of “Technical Services” exceed 0.1% but do not exceed 5%, the continuing connected transactions under the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) are subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

II. GENERAL

The Group

The principal activity of the Group is the operation of hypermarkets and e-commerce platforms in the PRC.

Alibaba

Alibaba is a company incorporated in the Cayman Islands. Its American depository shares are listed on the New York Stock Exchange and its ordinary shares are listed on the Main Board of the Stock Exchange (Stock Code: 9988).

Taobao China

Taobao China is a company incorporated in Hong Kong. Taobao China is the direct holding company of certain PRC subsidiaries relating to Taobao Marketplace, China's largest mobile commerce destination, and Tmall, China's largest third-party platform for brands and retailers, in each case in terms of gross merchandise volume in 2017.

Alipay

Alipay is a company incorporated in the PRC and is principally engaged in provision of payment services.

III. BOARD CONFIRMATION

Mr. Zhang Yong and Mr. Chen Jun, both are the non-executive Directors appointed by Taobao China and therefore they are considered to have material interests in respect of the relevant board resolutions in connection with the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) and the proposed annual caps under the category of "Technical Services". For good corporate governance, Mr. Zhang Yong and Mr. Chen Jun had voluntarily abstained from voting on the relevant board resolution in connection with the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) and the proposed annual caps.

Save for the aforesaid and to the best knowledge, information and belief of the Company, none of the remaining Directors has any material interest in the Master Technical Services Agreement (including, for the avoidance of doubt, the Subsisting Technical Services Agreements) for which they would be required to abstain from voting on the relevant board resolution approving such documents and proposed annual caps pursuant to the articles of association of the Company.

IV. DEFINITIONS

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

“affiliates”	has the meaning of “associate” ascribed to it under the Listing Rules
“Alibaba”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, the American depositary shares of which are listed on the New York Stock Exchange and the ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“Alibaba Affiliates”	subsidiaries and affiliates of Alibaba
“Alibaba Group”	Alibaba and its associates

“Alipay”	支付寶(中國)網絡技術有限公司 (Alipay (China) Network Technology Co., Ltd*), a company incorporated in the PRC
“Alipay Affiliates”	subsidiaries and affiliates of Alipay
“Alipay Group”	Alipay and Alipay Affiliates
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Financial Small and Micro Financial Services Group Co., Ltd.*), a company established in the PRC with limited liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Technical Services Agreement”	the master technical services agreement entered into between the Company (on behalf of and together with its subsidiaries), Taobao China (on behalf of and together with the Alibaba Affiliates) and Alipay on 10 June 2020 in relation to the purchase of the Relevant Technical Services from the Taobao China Group and Alipay Group
“PRC”	the People’s Republic of China and for the purpose of this announcement, it excludes Taiwan, the Hong Kong and Macau Special Administrative Regions of the PRC

“Relevant Technical Services”	the provision of a wide range of services related to technology, internet, telecommunication and media, including: (i) cooperating online purchase and e-commerce services; (ii) providing payment solution services to facilitate payment between third party and the Group; (iii) opening account on online platform (active flow of news and promotional content); (iv) renting general network facilities and services; (v) renting IT facilities and technology such as data centres and server facilities for the computer processing and cloud storage of the Group, 4G network and automated cashier; and (vi) any other technical services as may be confirmed and agreed by (i) the Group and (ii) the Taobao China Group and/or Alipay Group (as the case may be) in writing from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company in issue
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Subsisting Technical Services Agreements”	certain agreements which (i) were previously entered into between (a) members of the Group and (b) certain members of the Taobao China Group and/or certain members of the Alipay Group (as the case may be), (ii) are still subsisting as at the date of this announcement and (iii) will be included in the category of “Technical Services”, details of which are set out in section I(1) of this announcement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Taobao China”	Taobao China Holding Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of Alibaba
“Taobao China Group”	Taobao China and the Alibaba Affiliates
“%”	per cent

By Order of the Board
Sun Art Retail Group Limited
HUANG Ming-Tuan
Executive Director and Chief Executive Officer

Hong Kong, 10 June 2020

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

Executive Director:

Mr. HUANG Ming-Tuan (*Chief Executive Officer*)

Non-executive Directors:

Mr. ZHANG Yong (*Chairman*)

Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ

Mr. Xavier, Marie, Alain DELOM de MEZERAC

Mr. Edgard, Michel, Marie BONTE

Mr. CHEN Jun

Ms. Isabelle Claudine, Françoise BLONDÉ ép. BOUVIER

Independent Non-executive Directors:

Ms. Karen Yifen CHANG

Mr. Desmond MURRAY

Mr. HE Yi

Mr. Dieter YIH

* *For identification purpose only*