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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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 Sun Art Retail Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) PROPOSED ADOPTION OF THE SHARE OPTION SCHEME AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page have the same meanings as those defined in the circular.

The notice convening the Extraordinary General Meeting of Sun Art Retail Group Limited to be held at Victoria Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 16 August 2023 at 5:00 p.m. (or immediately following the conclusion of the annual general meeting of the Company, whichever is earlier) is set out in this circular.

Whether or not you are able to attend the Extraordinary General Meeting, please complete and sign the enclosed form of proxy for use at the Extraordinary General Meeting in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the Extraordinary General Meeting (i.e. not later than 5:00 p.m. on Monday, 14 August 2023 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Extraordinary General Meeting if they so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.sunartretail.com).

References to time and dates in this circular are to Hong Kong time and dates.

1 August 2023

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DEFINITIONS

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

“Adoption Conditions”	the conditions of the adoption of the Share Option Scheme as disclosed in the paragraph headed “Adoption Conditions” in section 2 of the section headed “LETTER FROM THE BOARD” of this circular;
“Adoption Date”	the date on which the Share Option Scheme is conditionally adopted by an ordinary resolution of the Shareholders at the EGM;
“Applicable Laws”	any applicable laws and regulations of Hong Kong or other relevant jurisdictions (including but not limited to the Listing Rules and the Code on Takeovers and Mergers and Share Buy-backs);
“Articles of Association”	the articles of association of the Company;
“associate(s)”	shall have the meaning as defined in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“chief executive”	shall have the meaning as defined in the Listing Rules;
“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;
“core connected person”	shall have the meaning as defined in the Listing Rules;
“Director(s)”	directors of the Company or any one of them;
“EGM”	an extraordinary general meeting of the Company to be held and convened for the purpose of, considering and, if thought fit, approving the adoption of the Share Option Scheme;

DEFINITIONS

“Eligible Participant(s)”	any employees of the Group, Directors or other directors of a Subsidiary (excluding participants of the ETBS) and persons who are expected to become employees of the Group, Directors or other directors of a Subsidiary (excluding participants of the ETBS) as an inducement to enter into employment or service contracts with the Group (but effective no earlier than the date on which such individual begins to provide services to the Group);
“ETBS”	the employee trust benefit schemes established by the Subsidiaries for the employees of each of Concord Investment (China) Limited and its subsidiaries, and Auchan (China) Hong Kong Limited and its subsidiaries, as amended from time to time;
“Exercise Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the date of grant;
“Exercise Price”	the price per Share payable by a Grantee on the exercise of an Option as determined in accordance with the terms of the Share Option Scheme;
“Grantee”	any Eligible Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	27 July 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;

DEFINITIONS

“Offer”	the offer of the grant of an Option made in accordance with the terms of the Share Option Scheme;
“Option”	an option to subscribe for Share(s) pursuant to the terms and conditions of the Share Option Scheme;
“Remuneration Committee”	the remuneration committee of the Company;
“Scheme Mandate Limit”	the total number of Shares which may be issued in respect of all Options to be granted under the Share Option Scheme and any other Share Scheme(s) of the Company, being 10% of the total number of Shares in issue as at the date of the EGM;
“Share(s)”	ordinary shares of the Company in issue;
“Shareholder(s)”	the holder(s) of the Share(s);
“Share Option Scheme”	this share option scheme in its present form or as amended from time to time in accordance with the provisions hereof;
“Share Scheme(s)”	share option schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (as defined in the Listing Rules) of the Company, whether incorporated in Hong Kong or elsewhere;
“substantial shareholder”	shall have the meaning as defined in the Listing Rules;
“Vesting Date”	in relation to any Grantee, the earliest date on which the Option (or a tranche thereof) granted to him/her may be exercised by such Grantee, pursuant to which Share(s) (or separate tranches of Shares) may be subscribed for pursuant to the terms of such Options; and
“Vesting Period”	in relation to any Grantee, the period commencing on the date on which the Grantee accepts the Option granted to him/her and ending on the Vesting Date (both dates inclusive).

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)

Executive Director:

LIN Xiaohai (*Chief Executive Officer*)

Non-executive Directors:

HUANG Ming-Tuan (*Chairman*)

HAN Liu

LIU Peng

Independent Non-executive Directors:

Karen Yifen CHANG

Dieter YIH

Charles Sheung Wai CHAN

Head Office and Registered Office:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

Place of Business in the People's

Republic of China:

No. 255, Jiangchang Xi Road

Jing'an District, 200436 Shanghai

China

1 August 2023

To the Shareholders

Dear Sir or Madam,

1. PROPOSED ADOPTION OF THE SHARE OPTION SCHEME

AND

2. NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to provide you with information and to seek your approval in respect of the resolutions to be proposed at the EGM for the proposed adoption of the Share Option Scheme. A notice of the EGM containing the resolution to be proposed at the EGM is set out in this circular.

LETTER FROM THE BOARD

2. PROPOSED ADOPTION OF SHARE OPTION SCHEME

As disclosed in paragraph 1 of Appendix I to this circular, the purposes of the Share Option Scheme are (i) to recognise the contribution and potential future contribution of the Eligible Participants and to align their interests with those of the Company and the Shareholders as a whole; (ii) to motivate Eligible Participants and give them additional incentive to optimise their valuable contributions to the continuous growth and success of the Group; and (iii) to attract and retain high-calibre personnel to strive for the long term development of the Group. The Directors consider that it is in the interests of the Company to adopt the Share Option Scheme, given that the rules of the Share Option Scheme have been prepared in compliance with the Listing Rules currently in force as at the Latest Practicable Date. The Share Option Scheme will become effective on the date that all the conditions as referred to under the paragraph headed “Adoption Conditions” below are satisfied.

There was a total of 9,539,704,700 Shares in issue as at the Latest Practicable Date. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date up to the Adoption Date, the total number of Shares which may be issued in respect of all Options to be granted under the Share Option Scheme and any other Share Scheme(s) will not exceed 10% of the total number of Shares in issue (“**Scheme Mandate Limit**”).

The Eligible Participants under the Share Option Scheme include any employees of the Group, Directors or other directors of a Subsidiary (excluding participants of the ETBS) and persons who are expected to become employees of the Group, Directors or other directors of a Subsidiary (excluding participants of the ETBS) as an inducement to enter into employment or service contracts with the Group (but effective no earlier than the date on which such individual begins to provide services to the Group). In determining the eligibility of any of the Eligible Participants to the grant of Options, careful consideration will be made in assessing the relevant Grantee’s present and expected contribution to the development and growth of the Group so as to serve the purpose of the Share Option Scheme.

Unless the Board otherwise determines and specified in the Offer letter at the time of making an Offer, there is (i) no performance target that needs to be achieved by the Grantee before an Option can be exercised in whole or in part; and (ii) no clawback mechanism for the Company to recover or withhold any Options granted to any Grantee. However, the Share Option Scheme will give the Board discretion to impose such conditions as it sees fit on the Option and specify such conditions (including but not limited to performance targets and clawback mechanisms) in the Offer letter for the Option where appropriate (if applicable). Such performance target and clawback mechanism (if any) will be consistent with the purpose of the Share Option Scheme as it serves to protect the value of the Group. However, the Directors consider that it may not always be appropriate to impose such conditions particularly when the purpose of granting the Option is to remunerate or compensate Eligible Participants for past contributions. The Directors consider it more beneficial to the Company to retain the flexibility to determine whether such conditions are appropriate in light of the particular circumstances of each grant.

LETTER FROM THE BOARD

While the Share Option Scheme is in force and subject to all Applicable Laws, the Board shall be entitled to make an Offer to any Eligible Participant, as the Board may from time to time in its absolute discretion select, take up an Option pursuant to which such Eligible Participant may, during the Exercise Period, subscribe for such number of Shares as the Board may determine at the Exercise Price in accordance with the terms of the Share Option Scheme. The Vesting Period shall not be less than 12 months from the date of grant of such Option, unless a shorter Vesting Period under specific circumstances as set out in the Share Option Scheme. The Directors consider that the aforesaid terms of the Share Option Scheme will provide the Board with more flexibility in setting the terms and conditions of the Options under particular circumstances of each grant and facilitate the Board's aim to offer meaningful incentives to attract and retain quality personnel who are valuable to the development of the Group and for the benefit of the Company and the Shareholders as a whole, which aligns with the purposes of the Share Option Scheme.

Once the Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically pursuant to the terms originally provided for in the Share Option Scheme.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the proposed adoption of the Share Option Scheme. As such, no Shareholder is required to abstain from voting on resolution(s) in relation thereto. The results of the poll will be published on the websites of the Stock Exchange and the Company after conclusion of the EGM in the manner prescribed under the Listing Rules and/or the Articles of Association.

A summary of the principal terms of the Share Option Scheme is set out in Appendix I to this circular.

A copy of the rules of the Share Option Scheme will be published on the websites of the Stock Exchange and the Company for display for a period of not less than 14 days before the date of the EGM and the rules of the Share Option Scheme will be made available for inspection at the EGM.

Exercise Price of the Options under the Share Option Scheme

The Exercise Price under the Share Option Scheme will be a price determined by the Board and notified to an Eligible Participant. The Exercise Price will not be less than the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, which must be a Business Day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant. The Directors consider that such basis for determining the Exercise Price will serve to preserve the value of the Company, while encouraging the Grantees to acquire proprietary interests in the Company, which aligns with the purposes of the Share Option Scheme.

LETTER FROM THE BOARD

Adoption Conditions

The adoption of the Share Option Scheme is conditional upon:

- (1) the passing of the ordinary resolution(s) by the Shareholders at the EGM to, (a) approve the adoption of the Share Option Scheme; and (b) authorise the Board to grant Options thereunder and to allot and issue shares pursuant to the Share Option Scheme; and
- (2) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted pursuant to the exercise of the Options on the Stock Exchange.

An application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted pursuant to the exercise of the Options granted under the Share Option Scheme.

Once the Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically pursuant to the terms originally provided in the Share Option Scheme.

3. EGM AND PROXY ARRANGEMENT

The notice of the EGM to consider and, if appropriate, to approve the proposed adoption of the Share Option Scheme is set out on pages 20 to 22 of this circular.

Pursuant to the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under the Listing Rules.

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunartretail.com). Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the EGM (i.e. by no later than 5:00 p.m. on Monday, 14 August 2023). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and, in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

4. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the Register of Members of the Company will be closed from Friday, 11 August 2023 to Wednesday, 16 August 2023, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 10 August 2023.

5. RECOMMENDATIONS

The Directors (including all the independent non-executive Directors) consider the proposed adoption of the Share Option Scheme is in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

6. 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.

Yours faithfully,

By Order of the Board

Sun Art Retail Group Limited

LIN Xiaohai

Executive Director and Chief Executive Officer

The following is a summary of the principal terms of the Share Option Scheme. It does not form part of, nor is it intended to be part of the rules of the Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. PURPOSES

The purposes of the Share Option Scheme are (i) to recognise the contribution and potential future contribution of the Eligible Participants and to align their interests with those of the Company and the Shareholders as a whole; (ii) to motivate Eligible Participants and give them additional incentive to optimise their valuable contributions to the continuous growth and success of the Group; and (iii) to attract and retain high-calibre personnel to strive for the long term development of the Group.

2. GRANT OF OPTIONS AND ELIGIBILITY OF PARTICIPANTS

The Eligible Participant under the Share Option Scheme shall include any employees of the Group, Directors or other directors of a Subsidiary (excluding participants of the ETBS), and persons who are expected to become employees of the Group, Directors or other directors of a Subsidiary (excluding participants of the ETBS) as an inducement to enter into employment or service contracts with the Group (but effective no earlier than the date on which such individual begins to provide services to the Group).

On and subject to the terms and conditions of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Eligible Participant, as the Board may in its absolute discretion select, to take up an Option pursuant to which such Eligible Participant may, during the Exercise Period, subscribe for such number of Shares as the Board may determine at the Exercise Price as calculated in accordance with paragraph (4) below. The Board may grant Options in respect of which the Exercise Price is fixed at different prices for different periods during the Exercise Period. An Offer shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the date of grant provided that no such Offer shall be open for acceptance after the expiry of the Exercise Period or after the Share Option Scheme has been terminated or after the Eligible Participant for whom the Offer is made has ceased to be an Eligible Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. Once accepted, the Option shall be deemed to have been granted as from the date on which it was offered to the relevant Eligible Participant. No Offer shall be capable of or open for acceptance after the expiry of 10 years from the Adoption Date. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; (ii) the clawback mechanism for the Company to recover or withhold the Options granted to any Eligible Participant; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally. Unless otherwise determined by the Board

and specified in the offer letter at the time of making an Offer, there is (i) no performance target that needs to be achieved by the Grantee before an Option can be exercised in whole or in part; and (ii) no clawback mechanism for the Company to recover or withhold any Options granted to any Grantee.

The eligibility of any of the Eligible Participants to the grant of Options shall be determined by the Board from time to time on the basis of the Board's opinion as to the present and expected contribution of the relevant Grantee to the development and growth of the Group. In order for a person to satisfy the Board that he/she is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her eligibility (or continuing eligibility). Subject to the terms and conditions of the Share Option Scheme, a Grantee should continue to qualify as an Eligible Participant during the period when any Option granted to him/her remains outstanding, or otherwise the Company would (subject to Applicable Laws) be entitled to deem any outstanding Option or any part thereof, granted to such Grantee and to the extent not already exercised, as lapsed. An Eligible Participant shall not be regarded as ceasing to be an Eligible Participant by reason of his/her retirement as director of the relevant company by rotation at general meeting if he/she is re-elected as a director at the same general meeting pursuant to the constitutional documents of the company.

3. GRANT OF OPTIONS TO CONNECTED PERSONS OR ANY OF THEIR ASSOCIATES

Any grant of Options to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates under the Share Option Scheme shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding independent non-executive Directors who are the proposed Grantees of the Options in question).

Where any grant of Options to any independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all Options and awards granted (excluding options and award shares that have been lapsed in accordance with the Share Option Scheme or any other Share Scheme(s)) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue, such grant of Options must be approved by Shareholders in general meeting (with such Grantee, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting).

4. EXERCISE PRICE

The Exercise Price for Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant which must be a Business Day; and
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant.

5. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a) The total number of Shares which may be issued in respect of all Options to be granted under the Share Option Scheme and all other Share Schemes will not exceed 10% of the total issued shares of the Company at the date of approval of the scheme (the “**Scheme Mandate Limit**”), provided that if the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved in general meeting, the maximum number of Shares that may be issued in respect of all options and awards to be granted under the Share Option Scheme and other Share Schemes under the Scheme Mandate Limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.
- (b) Options lapsed in accordance with the terms of the Share Option Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.
- (c) The Scheme Mandate Limit may be refreshed at any time subject to prior Shareholders’ approval after three years from the date of the Shareholders’ approval for the last refreshment or the Adoption Date. Any “refreshment” within any three-year period must be approved by Shareholders in a manner compliant with Chapter 17 of the Listing Rules in force from time to time. The Scheme Mandate Limit so refreshed shall not exceed 10% of the Shares in issue as at the date of the Shareholders’ approval of the refreshing of the Scheme Mandate Limit.
- (d) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Eligible Participants if:
 - (i) separate Shareholders’ approval has been obtained for granting Options beyond the Scheme Mandate Limit to Eligible Participants specifically identified by the Company before such Shareholders’ approval is sought; and

- (ii) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular. The number and terms of Options to be granted to such Eligible Participants must be fixed before Shareholders' approval.
- (e) Subject to the terms and conditions of the Share Option Scheme, the total number of Shares issued and to be issued in respect of all Options and awards granted to each Grantee under the Share Option Scheme and any other Share Scheme(s) (excluding options and awards that have been lapsed in accordance with the Share Option Scheme and any other Share Scheme(s)) in any 12-month period up to and including the date of such grant shall not in aggregate exceed 1% of the Shares in issue at the date of grant (the "**1% Individual Limit**").
- (f) Where any grant of Options to an Eligible Participant would result in the Shares issued and to be issued in respect of all Options and awards granted to such person (excluding options and awards that have been lapsed in accordance with the Share Schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, such grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his/her associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant in question, the number and terms of the Options or awards to be granted (and those previously granted to such Eligible Participant in the 12-month period), the purpose of granting Options or awards to the Eligible Participant and an explanation as to how the terms of the Options or awards serve such purpose pursuant to the Listing Rules. The number and terms of the Options or awards to be granted to such Eligible Participant must be fixed before Shareholders' approval.

6. TIME OF EXERCISE OF OPTION

Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, an Option may be exercised by the Grantee in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to each Grantee, at the time of making an offer of the grant of an Option which shall not expire later than 10 years from the date of grant.

7. RIGHTS ARE PERSONAL TO GRANTEES

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company.

8. (a) RIGHTS ON TERMINATION OF EMPLOYMENT

- (i) If the Grantee ceases to be an Eligible Participant by reason of the termination of his employment or directorship due to personal or performance reasons, including but not limited to by reason he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangement or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option shall lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised the Option in whole or in part, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Exercise Price for the Shares received by the Company in respect of the purported exercise of such Option. If the Grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or directorship on one or more grounds specified above, the unvested Option(s) of such Grantee shall be cancelled automatically. For the avoidance of doubt, if the Grantee ceases to be an Eligible Participant by reason of the termination of his employment or directorship due to internal transferral or business needs of the Group, the Board or the board of directors of the relevant Subsidiary shall have the absolute discretion to determine the arrangement of the unvested Option(s) of such Grantee on a case-by-case basis.
- (ii) If the Grantee who is an employee or a Director or another member of the Group ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable.

(b) RIGHTS ON DEATH

If the Grantee ceases to be an Eligible Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (8)(a)(i) above has arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

9. REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, such corresponding alterations (if any) shall be made to (a) the number of Shares subject to the Option so far as unexercised; (b) the Exercise Price for the Shares subject to the Option so far as unexercised; (c) the Shares to which the Option relates; and (d) the method of exercise of the Option, or any combination thereof as the auditors of the Company or the independent financial advisor to the Company shall, at the request of the Company, certify in writing to the Board either generally or as regards any particular Grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto.

Any such adjustments required shall be made in accordance with the following requirements:

- (a) the adjustments shall give a Grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as to which that Grantee was previously entitled; and
- (b) any adjustments shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

The capacity of the auditors of the Company or the independent financial advisor to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

10. RIGHTS ON A GENERAL OFFER BY WAY OF TAKEOVER

In the event of a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

11. RIGHTS ON A GENERAL OFFER BY WAY OF SCHEME OF ARRANGEMENT

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice.

12. RIGHTS ON WINDING UP

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of fully paid Shares to the Grantee which fall to be issued on exercise of such Option.

13. RIGHTS ON A COMPROMISE OR ARRANGEMENT

In the event a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

14. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the articles of association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

15. PERIOD OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date. The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the Share Option Scheme.

16. ALTERATIONS TO THE SHARE OPTION SCHEME

The Share Option Scheme may be altered in any respect by a resolution of the Board (save for the Scheme Mandate Limit) provided that no such alteration shall operate to affect adversely any subsisting rights of any Grantee unless otherwise provided for in the Share Option Scheme.

Any alternations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Eligible Participants must be approved by the Shareholders in general meeting. Any changes to the authority of the Directors in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must also, to be effective, be approved by the Shareholders in general meeting. Any change to the terms of Options granted to an Eligible Participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be), except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the Options must comply with Chapter 17 of the Listing Rules in force from time to time.

17. CONDITIONS OF THE SHARE OPTION SCHEME

The adoption of the Share Option Scheme is conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders at the EGM to, (1) approve the adoption of the Share Option Scheme; and (2) authorise the Board to grant options thereunder and to allot and issue shares pursuant to the Share Option Scheme; and

- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any new Shares which may fall to be issued and allotted pursuant to the exercise of the Options (subject to the Scheme Mandate Limit).

18. LAPSE OF OPTION

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the Exercise Period (subject to the provisions of the Share Option Scheme);
- (b) the expiry of the periods referred to in paragraphs (8), (12) or (13) above respectively;
- (c) the expiry of the period referred to in paragraph (10) above, subject to any court of competent jurisdiction not making an order to prohibit the offer or from acquiring the remaining Shares in the offer;
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period for exercising the Option as referred to in paragraph (11) above;
- (e) the date of the commencement of the winding-up of the Company;
- (f) the date on which the Grantee ceases to be an Eligible Participant as referred to in paragraph (8)(a)(i);
- (g) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any other party over or in relation to any Option; and
- (h) subject to paragraph (8)(a)(ii), the date the Grantee ceases to be an Eligible Participant for any other reason.

19. TERMINATION OF THE SHARE OPTION SCHEME

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme and, in such event, no further Options will be offered or granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

20. RESTRICTION ON GRANT OF OPTION

A grant of Options may not be made after inside information (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time) has come to its knowledge until and including the trading day after the Company has announced such inside information pursuant to the relevant requirements of the Applicable Laws. In particular, the Company may not grant any Options during the period commencing one month immediately preceding the earlier of:

- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to issue its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No Option may be granted during any period of delay in publishing a results announcement.

- (c) during any period of time which is prohibited from any such Offer under the Listing Rules or the Applicable Laws.

Where any Option is proposed to be granted to a Director or director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

21. VESTING PERIOD

The Vesting Period shall not be less than 12 months from the date of grant of such Option, unless a shorter Vesting Period under specific circumstances as set out in the Share Option Scheme.

The Board may determine a shorter Vesting Period on Options granted to any Eligible Participants if the Board and/or the Remuneration Committee deem appropriate, including where:

- (a) grants of “make-whole” Options to the Eligible Participants who newly joined the Group to replace the share options they forfeited when leaving the previous employers;
- (b) grants to an Eligible Participant whose employment is terminated due to disability or occurrence of any out-of-control event;
- (c) grants that are made in batches during a year for administrative and compliance reasons, which may include Options that should have been granted earlier but had to wait for a subsequent batch, in such cases, the Vesting Date may be adjusted to take account of the time from which the Options would have been granted if not for such administrative or compliance requirements;
- (d) grants of Options with a mixed or accelerated vesting schedule such that the Options may vest evenly over a period of 12 months; and
- (e) grants of Options with a total vesting and holding period of more than 12 months.

22. CANCELLATION

Any Options granted but not exercised may be cancelled in whole or in part if the Eligible Participant so agrees.

Options cancelled in accordance with the terms of the Share Option Scheme and (as the case may be) such other Share Scheme(s) will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit. Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other Share Scheme(s) will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Sun Art Retail Group Limited 高鑫零售有限公司 (the “**Company**”) will be held at Victoria Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 16 August 2023 at 5:00 p.m. (or immediately following the conclusion of the annual general meeting of the Company, whichever is earlier) to consider and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms defined in the circular dated 1 August 2023 (the “**Circular**”) shall have the same meanings when used in this notice.

ORDINARY RESOLUTION

1. “**THAT:**

- (a) subject to and conditional upon the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the new shares of the Company which may fall to be issued and allotted pursuant to the exercise of any options that may be granted under the share option scheme of the Company (the “**Share Option Scheme**”), the rules of which are set out in the printed documented marked “A” now produced in this meeting and signed by the chairman of the meeting for identification purpose, the Share Option Scheme be and is hereby approved and adopted;
- (b) the total number of Shares to be allotted and issued pursuant to (a) above, together with any issue of Shares upon the exercise of any options and awards granted under any other share schemes of the Company involving issuance of new shares of the Company as may from time to time be adopted by the Company, shall not exceed such number of Shares as equals to 10% of the Shares in issue as at the date of passing of this Resolution; and
- (c) the Directors be and are hereby authorised to do all such acts and to enter into all such arrangements as may be necessary or expedient in order to give full effect to the Share Option Scheme including but without limitation to: (i) administer the Share Option Scheme under which options will be granted to participants eligible under the Share Option Scheme to subscribe for Shares; (ii) modify and/or amend the Share Option Scheme from time to time provided

NOTICE OF EXTRAORDINARY GENERAL MEETING

that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment and subject to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”); (iii) grant options to subscribe for Shares under the Share Option Scheme and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme and subject to the Listing Rules; (iv) make application at the appropriate time or times to the Listing Committee of the Stock Exchange upon which the issued Shares may, for the time being, be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the options under the Share Option Scheme; and (v) consent, if they so deem fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Share Option Scheme.”

By Order of the Board
Sun Art Retail Group Limited
LIN Xiaohai

Executive Director and Chief Executive Officer

Hong Kong, 1 August 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The resolution at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order 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 certified copy of that power of attorney or authority, must be deposited at the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the EGM (i.e. not later than 5:00 p.m. on Monday, 14 August 2023 (Hong Kong time)) or the adjourned meeting (as the case may be). Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the EGM, the Register of Members of the Company will be closed from Friday, 11 August 2023 to Wednesday, 16 August 2023, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 10 August 2023.
5. A circular containing further details concerning item 1 set out in the above notice will be sent to all shareholders of the Company.
6. References to time and dates in this notice are to Hong Kong time and dates.
7. Bad weather arrangements:

The EGM will be held on Wednesday, 16 August 2023 as scheduled regardless of whether or not any rainstorm warning signal or tropical cyclone signal is in force in Hong Kong at any time on that day. Shareholders may visit the website of the Company (www.sunartretail.com) for details of the alternative meeting arrangements. Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.