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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)

CONNECTED TRANSACTION PROPERTY LEASE AGREEMENT

BACKGROUND

On 15 August 2023, Shanghai Kuaixing Tianxia (as lessor) entered into the Property Lease Agreement with Suzhou Concord Warehouse (as lessee), a wholly-owned subsidiary of the Company, in respect of the lease of the Premises for a term of five years commencing 15 August 2023. The Premises will be used for conducting external business projects of the Group.

IMPLICATIONS UNDER THE LISTING RULES

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% 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 Holding. Alibaba Holding is therefore also a connected person of the Company under the Listing Rules.

As of the date of this announcement, the lessor, Shanghai Kuaixing Tianxia is owned as to approximately 40% by Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), 42.86% by Mr. Huang Yushu (黃玉樹), 11.31% by Shanghai Lehong Corporation Management Partnership (Limited Partnership)* (上海樂航企業管理合夥企業(有限合夥)) and 5.83% by Jubo International Joint stock limited company* (巨擘國際股份有限公司). Save for Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), the other shareholders of Shanghai Kuaixing Tianxia are independent third parties of the Group. As Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) is an indirect wholly-owned subsidiary of Alibaba Holding, Shanghai Kuaixing Tianxia is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Property Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, on the basis of the estimated value of the right-of-use asset in the amount of approximately RMB34.12 million, exceed 0.1% but less than 5%, the transaction under the Property Lease Agreement is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

INTRODUCTION

On 15 August 2023, Shanghai Kuaixing Tianxia (as lessor) entered into the Property Lease agreement with Suzhou Concord Warehouse (as lessee), a wholly-owned subsidiary of the Company, in respect of the lease of the Premises for a term of five (5) years commencing from 15 August 2023.

PRINCIPAL TERMS OF THE PROPERTY LEASE AGREEMENT

Date	15 August 2023
Parties	(1) Shanghai Kuaixing Tianxia, as lessor; and (2) Suzhou Concord Warehouse, as lessee
Premises	Buildings 1 and 2, Lane 128, Lane 470, Suide Road, Shanghai, PRC (中華人民共和國上海市綏德路470弄128支弄1、2號樓) with gross floor area of 10,634 square metres
Usage	To conduct external business projects of the Group, including fresh products handling, packaging, distribution, storage, transportation and transportation auxiliary services
Term	Five (5) years commencing 15 August 2023 and ending on 14 August 2028 (both days inclusive)
Rental	Approximately RMB449,818 per month (exclusive of management fees, utilities, property rental tax, cleaning fees, parking space charges and facility maintenance fees)
Payment terms	Suzhou Concord Warehouse shall pay Shanghai Kuaixing Tianxia an amount equivalent to three (3) months of rent as deposit and an additional amount equivalent to three (3) months of rent in advance. The rent and property management fees shall be paid in advance on a quarterly basis
Early Termination	Suzhou Concord Warehouse shall have an option to early terminate the Property Lease Agreement, during the three (3) year period from the date of the Property Lease Agreement, if Suzhou Concord Warehouse operates at a loss at the Premises continuously for six months (based on the financial statements of Suzhou Concord Warehouse), Suzhou Concord Warehouse may terminate the Property Lease Agreement by notifying Shanghai Kuaixing Tianxia in writing with two (2) months of advanced notice.

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

In accordance with the IFRS 16 applicable to the Group, the Group will recognise the rental payments to be paid by the Group under the Property Lease Agreement as acquisition of right-of-use asset in its consolidated statement of financial position which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The value of the right-of-use asset under the Property Lease Agreement is estimated to be approximately RMB34.12 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE Property Lease Agreement

In view of the continuous growth of the Group's business, the Board believes that entering into of the Property Agreement would enable the Group to secure a long-term premises to meet the external business demands for fresh produce supplied by the Group.

INFORMATION OF THE PARTIES INVOLVED

The Group

The principal activity of the Group is the operation of brick-and-mortar stores and online sales channels in the PRC.

The Lessor of the Property Lease Agreement

Shanghai Kuaixing Tianxia is a company incorporated under the laws of PRC and is principally engaged in the provision of supply chain services and solutions in the PRC. As of the date of this announcement, Shanghai Kuaixing Tianxia is owned as to approximately 40% by Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), 42.86% by Mr. Huang Yushu (黃玉樹), 11.31% by Shanghai Lehong Corporation Management Partnership (Limited Partnership)* (上海樂航企業管理合夥企業(有限合夥)) and 5.83% by Jubo International Joint stock limited company* (巨擘國際股份有限公司). Save for Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), the other shareholders of Shanghai Kuaixing Tianxia are independent third parties of the Group.

The Lessee of the Property Lease Agreement

Suzhou Concord Warehouse is a limited liability company incorporated under the laws of PRC and is principally engaged in the operation and provision of warehousing and logistics services.

IMPLICATIONS UNDER THE LISTING RULES

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% 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 Holding. Alibaba Holding is therefore also a connected person of the Company under the Listing Rules. Shanghai Kuaixing Tianxia Supply Chain Management Co., Ltd.* (上海快行天下供應鏈管理有限公司) (the lessor), is a limited liability company incorporated in the PRC and, as of the date of this announcement, Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) holds 40% of its equity interest. As Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) is an indirect wholly owned subsidiary of Alibaba Holding, Shanghai Kuaixing Tianxia is therefore a connected person

of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction under the Property Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but less than 5%, the transaction under the Property Lease Agreement is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

As of the date of this announcement, Mr. Han Liu is the vice president of Local Service Group and president of Fengniao Logistic of Alibaba Holding and Mr. Liu Peng is the president of Taobao & Tmall Commercial Group Industrial Development Department II of Alibaba Holding, for good corporate governance, each of Mr. Han Liu and Mr. Liu Peng had voluntarily abstained from voting on the relevant board resolution in connection with entering into of the Property Lease Agreement. The Directors (including the independent non-executive Directors) consider that the terms of the Property Lease Agreement were arrived upon arm's length negotiation between Shanghai Kuaixing Tianxia and Suzhou Concord Warehouse and in the ordinary and usual course of business of the Company; and have been entered into on normal commercial terms and the terms thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“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 thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standard(s) issued by the International Accounting Standards Board from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, Macao and Taiwan
“Property Lease Agreement”	the property lease agreement entered into between Shanghai Kuaixing Tianxia (as lessor) and Suzhou Concord Warehouse (as lessee) dated 15 August 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Kuaixing Tianxia”	Shanghai Kuaixing Tianxia Supply Chain Management Co., Ltd.* (上海快行天下供應鏈管理有限公司), a limited liability company incorporated in the PRC which is a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Suzhou Concord Warehouse”	Suzhou Concord Warehouse Co., Ltd. Shanghai branch office* (蘇州康誠倉儲有限公司上海分公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Taobao China”	Taobao China Holding Limited (淘寶中國控股有限公司), a company incorporated in Hong Kong and an indirect wholly owned subsidiary of Alibaba Holding
“%”	per cent.

* For identification purposes only

By Order of the Board
Sun Art Retail Group Limited
LIN Xiaohai
Executive Director and Chief Executive Officer

Hong Kong, 15 August 2023

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

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

Charles Sheung Wai CHAN

Dieter YIH