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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 a licensed securities dealer or registered institution in securities, a 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 to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**SUN ART RETAIL GROUP LIMITED****高鑫零售有限公司***(Incorporated in Hong Kong with limited liability)***(Stock code: 06808)**

**(I) CONTINUING CONNECTED TRANSACTIONS:
2024 DELIVERY SERVICES MASTER PURCHASE AGREEMENTS;
(II) CONTINUING CONNECTED TRANSACTIONS:
2024 JOINT MARKETING SERVICES MASTER
SUPPLY AGREEMENT;
(III) CONTINUING CONNECTED TRANSACTIONS:
2024 PLATFORM SERVICES MASTER
PURCHASE AGREEMENTS; AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
Independent Shareholders**



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

A letter from the Board is set out on pages 6 to 27 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 29 of this circular. A letter from Alliance Capital Partners Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 57 of this circular.

A notice convening the Extraordinary General Meeting to be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 26 March 2024 at 11:15 a.m. is set out on pages 65 to 67 of this circular.

A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. 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 attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company in Hong Kong, 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 holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at the EGM or any adjournment thereof should you so wish.

8 March 2024

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DEFINITIONS

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

“2024 Delivery Services Master Purchase Agreement(s)”	the master agreements conditionally entered into between the Company with each of Hema, Shanghai Runhe, Shanghai Fengniao Zhisong, Hangzhou Cainiao Chengyun, Shanghai Kuaixing Tianxia and Taobao China on 25 January 2024 in relation to the purchase of delivery- and warehouse-related services from the Alibaba Delivery Services Suppliers
“2024 Joint Marketing Services Master Supply Agreement”	the master agreement conditionally entered into between the Company and Taobao China on 25 January 2024 in relation to the supply of marketing-related services to the Alibaba Marketing Services Purchaser
“2024 Platform Services Master Purchase Agreement(s)”	the master agreements conditionally entered into between the Company with each of Hema, Taobao China, and Rajax Network Shanghai on 25 January 2024 in relation to the purchase of platform-related services from the Alibaba Platform Services Suppliers
“Alibaba Affiliates”	Taobao China, Alibaba Holding, subsidiaries and affiliates of Alibaba Holding, and for the purpose of this circular, excluding the Company and its subsidiaries other than any subsidiaries which are connected subsidiaries of the Company
“Alibaba Group”	Alibaba Holding and its associates
“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 (HKD Counter) and 89988 (RMB Counter))
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company

DEFINITIONS

“ Business Day ”	a day on which banks are open for business in the PRC and Hong Kong
“ Company ” or “ Sun Art ”	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 under the Listing Rules
“ Director(s) ”	the director(s) of the Company
“ EGM ”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to, among others, approve, confirm and ratify the entering into of the Relevant Transactions
“ Existing Master Agreement(s) ”	collectively, the master agreements as disclosed in the announcements of the Company dated 7 June 2021, 16 June 2021 and 22 June 2021, respectively, entered into between the Company and Taobao China on even date
“ Group ”	the Company and its subsidiaries, and the expression “ Group Companies ” shall be construed accordingly
“ Hangzhou Cainiao Chengyun ”	杭州菜鳥橙運供應鏈管理有限公司 (Hangzhou Cainiao Chengyun Supply Chain Management Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding
“ Hema ”	盒馬(香港)有限公司 (Hema (Hong Kong) Limited), a company incorporated in Hong Kong and a subsidiary of Alibaba Holding
“ Hong Kong ”	the Hong Kong Special Administrative Region of the PRC
“ Independent Board Committee ”	an independent committee of the Board, comprising all of the independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser” or “Alliance Capital”	Alliance Capital Partners Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Relevant Transactions
“Independent Shareholders”	the Shareholders other than Alibaba Holding and its associates (as defined under the Listing Rules)
“Latest Practicable Date”	4 March 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Agreement(s)”	collectively, the 2024 Delivery Services Master Purchase Agreements, the 2024 Delivery Services Master Supply Agreements, the 2024 Joint Marketing Services Master Supply Agreement, the 2024 Platform Services Master Purchase Agreements, the 2024 Goods Master Purchase Agreements, the 2024 Goods Master Supply Agreements, the 2024 Equipment Master Purchase Agreements, the 2024 Payment Services Master Purchase Agreement, the 2024 Business Travel Services Master Purchase Agreement, and the 2024 Human Resources Services Master Supply Agreement
“PRC” or “China”	the People’s Republic of China, for the purposes of this circular only, excluding Hong Kong, Macao and Taiwan
“Rajax Network Shanghai”	拉紜斯網絡科技(上海)有限公司 (Rajax Network Technology (Shanghai) Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding

DEFINITIONS

“Relevant Transactions”	the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements, and the transactions contemplated thereunder (and the relevant proposed annual caps for the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates, the relevant proposed annual caps for the supply of marketing-related services by the Group Companies to the Alibaba Affiliates, and the relevant proposed annual caps for the purchase of platform-related services by the Group Companies from the Alibaba Affiliates thereunder)
“RMB”	Renminbi, the lawful currency of the PRC
“RT-Mart China”	康成投資(中國)有限公司 (Concord Investment (China) Co., Ltd.*), a limited liability joint venture company incorporated in the PRC and a subsidiary of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Fengniao Zhisong”	上海蜂鳥智送信息技術有限公司 (Shanghai Fengniao Zhisong Information Technology Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding
“Shanghai Kuaixing Tianxia”	上海快行天下供應鏈管理有限公司 (Shanghai Kuaixing Tianxia Supply Chain Management Co., Ltd.*), a company incorporated in the PRC and is held by Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) as to 40% equity interest
“Shanghai Runhe”	上海潤盒網絡科技有限公司 (Shanghai Runhe Internet Technology Co., Ltd*), a limited liability company incorporated in the PRC and is jointly held by RT-Mart China as to 51% equity interest and Hema (China) Limited (盒馬(中國)有限公司) as to the remaining 49% equity interest
“Share(s)”	ordinary share(s) of the Company in issue

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC
“Taobao China”	Taobao China Holding Limited (淘寶中國控股有限公司), a company incorporated in Hong Kong and a subsidiary of Alibaba Holding
“%”	per cent

* *for identification purposes only*

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:

Mr. LIN Xiaohai (*Chief Executive Director*)

Non-executive Directors:

Mr. HUANG Ming-Tuan (*Chairman*)

Mr. HAN Liu

Mr. LIU Peng

Independent non-executive Directors:

Ms. Karen Yifen CHANG

Mr. Dieter YIH

Mr. Charles Sheung Wai CHAN

Registered office:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, Hong Kong

Place of business in the PRC:

No. 255, Jiangchang Xi Road

200436 Jing'an District

Shanghai

China

8 March 2024

To the Shareholders and for information purposes only

Dear Sir/Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS:
2024 DELIVERY SERVICES MASTER PURCHASE AGREEMENTS;
(II) CONTINUING CONNECTED TRANSACTIONS:
2024 JOINT MARKETING SERVICES MASTER
SUPPLY AGREEMENT;
(III) CONTINUING CONNECTED TRANSACTIONS:
2024 PLATFORM SERVICES MASTER
PURCHASE AGREEMENTS; AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Since 2017, the Group has been developing a long-term relationship with the Alibaba Affiliates and carries out ongoing transaction with the Alibaba Affiliates, including the entering into of the Existing Master Agreements.

LETTER FROM THE BOARD

As the current term of the Existing Master Agreements will expire on 31 March 2024, and for the purpose of (i) better governing the conduct of the continuing connected transactions between the Group and the Alibaba Affiliates; and (ii) better aligning the categories of transactions with the business operation of the Group and the overall structure of the Alibaba Group, the Company has entered into the New Master Agreements on 25 January 2024 according to the different types/nature of goods and services the Group intends to supply to or purchase from the Alibaba Affiliates.

Reference is made to the announcement of the Company dated 25 January 2024 in relation to, among other things, the Company's entering into of the following New Master Agreements:

i. 2024 Delivery Services Master Purchase Agreements

The 2024 Delivery Services Master Purchase Agreements set out the principal framework upon which the Group may purchase delivery- and warehouse-related services from Hema, Shanghai Runhe, Shanghai Fengniao Zhisong, Hangzhou Cainiao Chengyun, Shanghai Kuaixing Tianxia and Taobao China, their respective subsidiaries and associates.

ii. 2024 Joint Marketing Services Master Supply Agreement

The 2024 Joint Marketing Services Master Supply Agreement sets out the principal framework upon which the Group may supply marketing-related services to Taobao China, its subsidiaries and associates.

iii. 2024 Platform Services Master Purchase Agreements

The 2024 Platform Services Master Purchase Agreements set out the principal framework upon which the Group may purchase platform-related services from Hema, Taobao China and Rajax Network Shanghai, their respective subsidiaries and associates.

2. CONTINUING CONNECTED TRANSACTIONS

2024 Delivery Services Master Purchase Agreements

(i) Key terms of the 2024 Delivery Services Master Purchase Agreements

Date : 25 January 2024 (after trading hours)

Parties : (i) The Company (for and on behalf of the Group Companies) as the purchaser, and

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- (ii) Each of Hema, Shanghai Runhe, Shanghai Fengniao Zhisong, Hangzhou Cainiao Chengyun, Shanghai Kuaixing Tianxia and Taobao China (for and on behalf of their respective subsidiaries and associates) as the supplier (the “**Alibaba Delivery Services Suppliers**”)

Term : Save for the 2024 Delivery Services Master Purchase Agreement entered into with Hangzhou Cainiao Chengyun, each of the 2024 Delivery Services Master Purchase Agreements has a term of three (3) years from 1 April 2024 to 31 March 2027, unless at any time prior to the expiry of the relevant 2024 Delivery Services Master Purchase Agreement, either party gives the other party of not less than three (3) months’ prior notice to terminate the relevant 2024 Delivery Services Master Purchase Agreement.

With respect to the 2024 Delivery Services Master Purchase Agreement entered into with Hangzhou Cainiao Chengyun, it has a term of two (2) years from 1 April 2024 to 31 March 2026, unless at any time prior to the expiry of the 2024 Delivery Services Master Purchase Agreement, either party gives the other party of not less than three (3) months’ prior notice to terminate this 2024 Delivery Services Master Purchase Agreement.

Conditions Precedent : The 2024 Delivery Services Master Purchase Agreements shall only be effective if (i) the Company has obtained Independent Shareholders’ approval pursuant to the Listing Rules (if applicable) in respect of the 2024 Delivery Services Master Purchase Agreements; and (ii) each party has complied with the applicable laws and regulations (including, but not limited to, the Listing Rules).

Nature of transaction : Pursuant to the 2024 Delivery Services Master Purchase Agreements, the Group Companies agreed to purchase from certain Alibaba Delivery Services Suppliers, and such Alibaba Delivery Services Suppliers agreed to supply to the Group Companies delivery- and warehouse-related services.

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Prices and fees : The price for the delivery- and warehouse-related services shall be determined at the time of the particular purchase of delivery- and warehouse-related services (either by entering into written contract or making order) with due regard (i) in the case of standard services, to the price charged for comparable services offered by independent third party service providers at the time of a particular transaction; and (ii) in the case of customised services where comparable market prices are not available, to the terms of market transactions of a similar size and nature recently entered into by the Group Companies or independent third party(ies), and the latest market information and information provided by such independent third party provider(s).

Payment arrangements : Payment of the relevant consideration shall be made as and when due pursuant to the terms of each relevant transaction which are on normal commercial terms.

(ii) General transaction principles

The Group shall conduct reviews and evaluations of the fees payable under the 2024 Delivery Services Master Purchase Agreements with reference to the rates quoted by other independent third party service providers of comparable services, in order to ensure that the transactions entered into under such agreements are conducted on normal commercial terms.

Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration (i) terms of market transactions of a similar size and nature recently entered into by the Group or independent third party(ies), and the latest market information of such independent third party provider(s); and (ii) the cooperative specifications, cost structure, profit margin, market condition and development strategy in determining the rate for the fees payable by the Group pursuant to the 2024 Delivery Services Master Purchase Agreements, to ensure the terms of the agreements are in the interest of the Group.

(iii) The historical transaction amounts and the proposed annual caps

Following the entering into of the 2024 Delivery Services Master Purchase Agreements and subject to obtaining the requisite Independent Shareholders' approval (where applicable), the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates will be primarily governed by the 2024 Delivery Services Master Purchase Agreements.

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For the financial years ended 31 March 2022 and 2023, the aggregate transaction amounts (audited) in respect of the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates amounted to approximately RMB1,229 million and RMB1,518 million, respectively.

During the period from 1 April 2023 to 31 December 2023, the aggregate transaction amount (unaudited) in respect of the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates amounted to approximately RMB1,178 million.

Accordingly, the relevant annual caps proposed for the delivery- and warehouse-related services to be purchased by the Group Companies from the Alibaba Affiliates for the three financial years ending 31 March 2027 are set out as follows:

	For the financial year ending 31 March 2025 <i>(RMB million)</i>	For the financial year ending 31 March 2026 <i>(RMB million)</i>	For the financial year ending 31 March 2027 <i>(RMB million)</i>
Proposed annual caps for the delivery- and warehouse-related services to be purchased by the Group Companies from the Alibaba Affiliates	2,400	2,520	2,645

The Company envisages that there will be an increase in demand for delivery- and warehouse-related services going forward in light of the macro-economic environment in China and the business strategies of the Group and, therefore, the proposed annual caps for the transactions in respect of the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates (including transactions contemplated under the 2024 Delivery Services Master Purchase Agreements) have increased from the historical transaction amounts.

China's online retail business has grown continuously in the past few years as there is a growing trend that consumers prefer shopping online over visiting brick-and-mortar stores for purchasing consumer goods, such as food and daily necessities. This growing trend has driven the demand for quality delivery services and the Group will continue to devote additional resources to explore this opportunity particularly on large-scale e-commerce shopping festivals, such as "618" and "Double 11", during which online sales have historically been boosted as a result of various promotional campaigns.

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At the same time, after the pandemic, consumers are less likely to stock up daily necessities, and are more inclined to make more frequent online purchases and therefore drive up the demand for delivery-related services. The prevalence of online shopping and the shift in consumers' behaviour are evidenced by the increase in the number of orders and revenue from various business-to-consumer online platforms, such as the RT-Mart Fresh (“大潤發優鮮”) App, “Tao Xian Da” (“淘鮮達”) and “Ele Me” (“餓了麼”), in the past year. The Board envisages this trend to persist in the coming years, thereby creating a higher demand for delivery- and warehouse-related services.

The expected growth in demand for delivery- and warehouse-related services is also in line with the Group's development strategy of business expansion and its continuous marketing endeavours on social media platforms. Following the opening of the first membership store, M-Club, last year, the Group is planning to open two more membership stores by 31 March 2024 and implement several “warehouse-based stores” in various cities in China. The Group is also considering opening more superstores in untapped areas in China, which will also serve as logistic fulfilment centres for the Group's online business. By expanding the Group's network, the Company envisages that the Group will gain further access to a wider spectrum of customers and therefore increase the number of orders and, accordingly, the need for delivery- and warehouse-related business. Considering the Group's increasing operational scale and customer coverage in the coming years, the Board envisages an increase in delivery orders and the demand for delivery- and warehouse-related services accordingly, as reflected in the increase of proposed annual caps for the coming three financial years.

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 of the Company.

(iv) Basis for the proposed annual caps

In determining annual caps for the transactions in respect of the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates (including transactions contemplated under the 2024 Delivery Services Master Purchase Agreements), the Board has taken into account the following factors:

- (a) the historical amount of fees paid by the Group in respect of the purchase of delivery- and warehouse-related services from the Alibaba Affiliates;
- (b) the frequent and wide-ranging cooperation in terms of delivery- and warehouse-related services between the Group and the Alibaba Affiliates;
- (c) the quality of the delivery- and warehouse-related services received by the Group from the Alibaba Affiliates;

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- (d) the Company's strategy to continue to offer or strengthen the one-hour delivery and half-day delivery service to customers who place orders on various online platforms, including "Freshippo" ("盒馬鮮生"), "Ele Me" ("餓了麼"), "Tao Xian Da" ("淘鮮達"), RT-Mart Fresh ("大潤發優鮮") App and other channels;
 - (e) the continuous development of a new retail business model and the need of quality logistic services; and
 - (f) the anticipated increase in the operational scale of the Group.
- (v) ***Reasons for and benefits of entering into the 2024 Delivery Services Master Purchase Agreements***

In light of the continuous business cooperation with the Alibaba Affiliates, the Company believes that it is for the benefit of the Group to conduct the transactions contemplated under the 2024 Delivery Services Master Purchase Agreements.

The Directors believe that the arrangements contemplated under the 2024 Delivery Services Master Purchase Agreements will facilitate the Group's ongoing leverage of the Alibaba Affiliates' extensive delivery- and warehouse-related network. This will also allow the Group to develop a new retail business model in addition to traditional brick-and-mortar stores.

The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the 2024 Delivery Services Master Purchase Agreements and the proposed annual caps thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and (ii) the 2024 Delivery Services Master Purchase Agreements and the transactions contemplated thereunder were entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group.

(vi) ***Listing Rules implications of the 2024 Delivery Services Master Purchase Agreements***

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% of the total Shares as at the date of entering into the New Master Agreements and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Taobao China is a subsidiary of Alibaba Holding. Alibaba Holding is therefore also a connected person of the Company under the Listing Rules.

Each of Hema, Shanghai Fengniao Zhisong and Hangzhou Cainiao Chengyun is a subsidiary of Alibaba Holding and is therefore also a connected person of the Company under the Listing Rules.

As Shanghai Kuaixing Tianxia is owned as to 40% by Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), a subsidiary of Alibaba Holding, Shanghai Kuaixing Tianxia is therefore a connected person of the Company under the Listing Rules.

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As Shanghai Runhe is owned as to 51% and 49% by RT-Mart China, a non-wholly-owned subsidiary of the Company and Hema (China) Limited (盒馬(中國)有限公司), a wholly-owned subsidiary of Hema, respectively, Shanghai Runhe is a connected subsidiary of the Company and is therefore a connected person of the Company under the Listing Rules.

In relation to delivery- and warehouse-related services to be provided by the Alibaba Affiliates to the Group Companies (including the transactions contemplated under the 2024 Delivery Services Master Purchase Agreements), 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 of the relevant category exceed 5%, the continuing connected transactions for delivery- and warehouse-related services to be provided by the Alibaba Affiliates to the Group Companies are subject to reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2024 Joint Marketing Services Master Supply Agreement

(i) *Key terms of the 2024 Joint Marketing Services Master Supply Agreement*

Date	:	25 January 2024 (after trading hours)
Parties	:	(i) The Company (for and on behalf of the Group Companies), as the supplier; and (ii) Taobao China (for and on behalf of its subsidiaries and associates) as the purchaser (the “ Alibaba Marketing Services Purchaser ”)
Term	:	The 2024 Joint Marketing Services Master Supply Agreement is of a term of three (3) years from 1 April 2024 to 31 March 2027, unless at any time prior to the expiry of the 2024 Joint Marketing Services Master Supply Agreement, either party gives the other party of not less than three (3) months' prior notice to terminate the 2024 Joint Marketing Services Master Supply Agreement.
Conditions precedent	:	The 2024 Joint Marketing Services Master Supply Agreement shall only be effective if (i) the Company has obtained Independent Shareholders' approval pursuant to the Listing Rules (if applicable) in respect of the 2024 Joint Marketing Services Master Supply Agreement; and (ii) each party has complied with the applicable laws and regulations (including, but not limited to, the Listing Rules).

LETTER FROM THE BOARD

- Nature of transaction** : Pursuant to the 2024 Joint Marketing Services Master Supply Agreement, the Group Companies agreed to supply to the Alibaba Marketing Services Purchaser, and the Alibaba Marketing Services Purchaser agreed to purchase from the Group Companies certain marketing-related services.
- Prices and fees** : The price for the marketing-related services shall be determined at the time of the particular supply of marketing-related services (by entering into written contract) with due regard (i) to the price charged for comparable services offered by independent third party service providers at the time of a particular transaction; and (ii) where comparable market prices are not available, to the agreed prices negotiated between the parties with reference to transaction size, nature of cooperation, cost structure, market condition and development strategy. The agreed price shall be based on actual or reasonable estimates of cost and profit. Reasonable profit estimates shall be determined with reference to the nature of services and the estimated profit margin of the Group Companies' retail sale of such services.
- Payment arrangements** : Payment of the relevant consideration shall be made as and when due pursuant to the terms of each relevant transaction which are on normal commercial terms.

(ii) General transaction principles

The Group shall conduct reviews and evaluations of the fees receivable under the 2024 Joint Marketing Services Master Supply Agreement with reference to the rates quoted by other independent third party service providers of comparable services, in order to ensure that the transactions entered into under such agreements are conducted on normal commercial terms.

Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration (i) terms of market transaction of a similar size and nature recently entered into by the Group or independent third party(ies), and the latest market information of such independent third party provider(s); and (ii) the cooperative specifications, cost structure, profit margin, market condition and development strategy in determining the rate for the fees receivable by the Group pursuant to the 2024 Joint Marketing Services Master Supply Agreement, to ensure the terms of the agreement are in the interest of the Group.

LETTER FROM THE BOARD

(iii) The historical transaction amounts and the proposed annual caps

Following the entering into of the 2024 Joint Marketing Services Master Supply Agreement and subject to obtaining the requisite Independent Shareholders' approval (where applicable), the supply of marketing-related services by the Group Companies to Alibaba Affiliates will be primarily governed by the 2024 Joint Marketing Services Master Supply Agreement.

For the financial years ended 31 March 2022 and 2023, the aggregate transaction amounts (audited) in respect of supply of marketing-related services by the Group Companies to the Alibaba Affiliates amounted to approximately RMB300 million and RMB463 million, respectively.

During the period from 1 April 2023 to 31 December 2023, the aggregate transaction amount (unaudited) in respect of supply of marketing-related services by the Group Companies to the Alibaba Affiliates amounted to approximately RMB364 million.

Accordingly, the relevant proposed annual caps for the marketing-related services to be provided by the Group Companies to the Alibaba Affiliates for the three financial years ending 31 March 2027 are set out as follows:

	For the financial year ending 31 March 2025 (RMB million)	For the financial year ending 31 March 2026 (RMB million)	For the financial year ending 31 March 2027 (RMB million)
Proposed annual caps for the marketing-related services to be supplied by the Group Companies to the Alibaba Affiliates	595	625	655

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 of the Company.

(iv) Basis for the proposed annual caps

In determining annual caps for the transactions in respect of the supply of marketing-related services by the Group Companies to the Alibaba Affiliates (including transactions contemplated under the 2024 Joint Marketing Services Master Supply Agreement), the Board has taken into account the following factors:

- (a) the historical amount of fees received by the Group in respect of the supply of marketing-related services from the Alibaba Affiliates;

LETTER FROM THE BOARD

- (b) the frequent and wide-ranging cooperation in terms of marketing-related services between the Group and the Alibaba Affiliates;
 - (c) the Company's ongoing strategy to utilise internet technology and to expand in the market segment offered through the "Tao Xian Da" ("淘鮮達") online platform and such other online platforms maintained by the Alibaba Affiliates to increase the efficiency of the Group's traditional hypermarket and supermarket stores; and
 - (d) the anticipated increase in the operational scale of the Group.
- (v) ***Reasons for and benefits of entering into the 2024 Joint Marketing Services Master Supply Agreement***

Due to the regular marketing campaigns being carried out by the Group, it is mutually beneficial for both the Group and also for the Alibaba Affiliates in cooperating in marketing campaigns in driving the respective revenues. In particular, given the large customer base of the Group, the Group can leverage our existing marketing resources of the Group to conduct marketing campaigns for the purpose of better marketing the services and product offerings of the Alibaba Affiliates in exchange for service fees from the Alibaba Affiliates. In light of the above, the Company believes that it is for the benefit of the Group to conduct the transactions contemplated under the 2024 Joint Marketing Services Master Supply Agreement.

The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the 2024 Joint Marketing Services Master Supply Agreement and the proposed annual caps thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and (ii) the 2024 Joint Marketing Services Master Supply Agreement and the transactions contemplated thereunder were entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group.

(vi) ***Listing Rules implications of the 2024 Joint Marketing Services Master Supply Agreement***

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% of the total Shares as at the date of entering into the New Master Agreements and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules.

In relation to marketing-related services to be provided by the Group Companies to the Alibaba Affiliates (including the transactions contemplated under the 2024 Joint Marketing Services Master Supply Agreement), 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 of the relevant category exceed 5%, the continuing connected transactions for marketing-related services to be provided to the Alibaba Affiliates by the Group Companies are subject to reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

2024 Platform Services Master Purchase Agreements

(i) *Key terms of the 2024 Platform Services Master Purchase Agreements*

- Date** : 25 January 2024 (after trading hours)
- Parties** : (i) The Company (for and on behalf of the Group Companies), as the purchaser; and
- (ii) Each of Hema, Taobao China, and Rajax Network Shanghai (for and on behalf of their respective subsidiaries and associates as the supplier (the “**Alibaba Platform Services Suppliers**”))
- Term** : Each of the 2024 Platform Services Master Purchase Agreements has a term of three (3) years from 1 April 2024 to 31 March 2027, unless at any time prior to the expiry of the relevant 2024 Platform Services Master Purchase Agreement, either party gives the other party of not less than three (3) months’ prior notice to terminate the 2024 Platform Services Master Purchase Agreements.
- Conditions precedent** : The 2024 Platform Services Master Purchase Agreements shall only be effective if (i) the Company has obtained Independent Shareholders’ approval pursuant to the Listing Rules (if applicable) in respect of the 2024 Platform Services Master Purchase Agreements; and (ii) each party has complied with the applicable laws and regulations (including, but not limited to, the Listing Rules).
- Nature of transaction** : Pursuant to the 2024 Platform Services Master Purchase Agreements, the Group Companies agreed to purchase from the Alibaba Platform Services Suppliers, and the Alibaba Platform Services Suppliers agreed to supply to the Group Companies certain platform-related services.

LETTER FROM THE BOARD

- Prices and fees** : The price for the platform-related services shall be determined at the time of the particular purchase of platform-related services (either by entering into written contract or making order) with due regard (i) in the case of standard services, to the price charged for comparable services offered by independent third party service providers at the time of a particular transaction; and (ii) in the case of customised services where comparable market prices are not available, to the terms of market transaction of a similar size and nature recently entered into by the Group Companies or independent third party(ies), and the latest market information and information provided such independent third party provider(s).
- Payment arrangements** : Payment of the relevant consideration shall be made as and when due pursuant to the terms of each relevant transaction which are on normal commercial terms.

(ii) General transaction principles

The Group shall conduct reviews and evaluations of the fees payable under the 2024 Platform Services Master Purchase Agreements with reference to the rates quoted by other independent third party service providers of comparable services, in order to ensure that the transactions entered into under such agreements are conducted on normal commercial terms.

Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration (i) terms of market transactions of a similar size and nature recently entered into by the Group or independent third party(ies), and the latest market information of such independent third party provider(s); and (ii) the cooperative specifications, cost structure, profit margin, market condition and development strategy in determining the rate for the fees payable by the Group pursuant to the 2024 Platform Services Master Purchase Agreements, to ensure the terms of the agreements are in the interest of the Group.

(iii) The historical transaction amounts and the proposed annual caps

Following the entering into of the 2024 Platform Services Master Purchase Agreements, the purchase of platform-related services by the Group Companies from the Alibaba Affiliates will be primarily governed by the 2024 Platform Services Master Purchase Agreements.

For the financial years ended 31 March 2022 and 2023, the aggregate transaction amounts (audited) in respect of the purchase of platform-related services by the Group Companies from the Alibaba Affiliates amounted to approximately RMB422 million and RMB693 million, respectively.

LETTER FROM THE BOARD

During the period from 1 April 2023 to 31 December 2023, the aggregate transaction amount (unaudited) in respect of the purchase of platform-related services by the Group Companies from the Alibaba Affiliates amounted to approximately RMB287 million.

Accordingly, the relevant proposed annual caps for the platform-related services to be purchased by the Group Companies from the Alibaba Affiliates for the three financial years ending 31 March 2027 are set out as follows:

	For the financial year ending 31 March 2025 (RMB million)	For the financial year ending 31 March 2026 (RMB million)	For the financial year ending 31 March 2027 (RMB million)
Proposed annual caps for the platform-related services to be purchased by the Group Companies from the Alibaba Affiliates	525	550	580

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 of the Company.

(iv) Basis for the proposed annual caps

In determining annual caps for the transactions in respect of the purchase of platform-related services by the Group Companies from the Alibaba Affiliates (including transactions contemplated under the 2024 Platform Services Master Purchase Agreements), the Board has taken into account the following factors:

- (a) the historical amount of fees paid by the Group in respect of the purchase of platform-related services from the Alibaba Affiliates;
- (b) the frequent and wide-ranging cooperation in terms of platform-related services between the Group and the Alibaba Affiliates;
- (c) the Company's ongoing strategy to utilise internet technology and to expand in the market segment offered through the "Freshippo" ("盒馬鮮生") model and online platforms including "Ele Me" ("餓了麼") and "Tao Xian Da" ("淘鮮達") to increase the efficiency of the Group's traditional hypermarket and supermarket stores; and
- (d) the anticipated increase in the operational scale of the Group.

LETTER FROM THE BOARD

(v) Reasons for and benefits of entering into the 2024 Platform Services Master Purchase Agreements

In light of the continuous business cooperation with the Alibaba Affiliates, the Company believes that it is for the benefit of the Group to conduct the transactions contemplated under the 2024 Platform Services Master Purchase Agreements.

The Directors consider that the entering into of the 2024 Platform Services Master Purchase Agreements will allow the Group to continue gain access to the established platforms created and maintained by the Alibaba Affiliates thereby enhancing the operational efficiency of the Group and enhancing overall customer experience. The utilization of these platforms also serves as additional channels to distribute products of the Group and therefore enhance the Group's revenue. As such, the Directors believe that it is for the benefit of the Group to enter into the 2024 Platform Services Master Purchase Agreements. The Directors consider that the entering into of the 2024 Platform Services Master Purchase Agreements will also allow the Group to continue to benefit from the Alibaba Affiliates' digital ecosystem, and to promote the expansion of new retail business through the online platforms of "Ele Me" ("餓了麼"), "Tao Xian Da" ("淘鮮達"), "Taobao Marketplace" ("淘寶網"), and "Freshippo" ("盒馬鮮生") for the Group.

The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the 2024 Platform Services Master Purchase Agreements and the proposed annual caps thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and (ii) the 2024 Platform Services Master Purchase Agreements and the transactions contemplated thereunder were entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group.

(vi) Listing Rules implications of the 2024 Platform Services Master Purchase Agreements

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% of the total Shares as at the date of entering into the New Master Agreements and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Taobao China is a subsidiary of Alibaba Holding. Alibaba Holding is therefore also a connected person of the Company under the Listing Rules.

Each of Hema and Rajax Network Shanghai is a subsidiary of Alibaba Holding and is therefore also a connected person of the Company under the Listing Rules.

In relation to platform-related services to be purchased by the Group Companies from the Alibaba Affiliates (including the transaction contemplated under the 2024 Platform Services Master Purchase Agreements), 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 of the relevant category exceed 5%, the continuing connected transactions for platform-related services to be

LETTER FROM THE BOARD

provided to the Group Companies by the Alibaba Affiliates are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

The Group

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

Alibaba Holding and Alibaba Group

Alibaba Holding is 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 (HKD Counter) and 89988 (RMB Counter)). Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it aspires to be a good company that will last for 102 years. Alibaba Holding is a holding company of six major business groups: Taobao and Tmall Group, Alibaba International Digital Commerce Group, Cloud Intelligence Group, Local Services Group, Cainiao Smart Logistics Network Limited, and Digital Media and Entertainment Group, along with various other businesses.

Hangzhou Cainiao Chengyun

Hangzhou Cainiao Chengyun is a company incorporated under the laws of the PRC and is principally engaged in the business of provision of local and cross-border courier services.

Hema

Hema is a company incorporated under the laws of Hong Kong. Hema is principally engaged in operating an integrated platform for sale of multichannel products and services.

Rajax Network Shanghai

Rajax Network Shanghai is a company incorporated under the laws of the PRC and a subsidiary of Alibaba Holding. Rajax Network Shanghai is principally engaged in the operation of a takeaway platform and provision of related services.

Shanghai Fengniao Zhisong

Shanghai Fengniao Zhisong is a company incorporated under the laws of the PRC and is principally engaged in provision of courier services including takeaway delivery services.

LETTER FROM THE BOARD

Shanghai Kuaixing Tianxia

Shanghai Kuaixing Tianxia is a company incorporated under the laws of the PRC and is principally engaged in the provision of supply chain services and solutions in the PRC.

Shanghai Runhe

Shanghai Runhe is a company incorporated under the laws of the PRC. Shanghai Runhe is principally engaged in the authorised operation of the retail stores of Hema, which adopts the “Freshippo” (“盒馬鮮生”) business model.

Taobao China

Taobao China is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Alibaba Holding. Taobao China is principally engaged in online retail, digital marketing, warehousing and distribution, and it is also the direct holding company of certain PRC subsidiaries of Alibaba Holding relating to Taobao Marketplace and Tmall, China’s leading mobile commerce destination with a large and growing social community, and Tmall, the world’s leading third-party online and mobile commerce platform for brands and retailers.

INTERNAL CONTROL PROCEDURES ON THE CONTINUING CONNECTED TRANSACTIONS

The Company has adopted and implemented the following internal control procedures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the continuing connected transactions between the Group and the Alibaba Affiliates, including the Relevant Transactions:

- (a) The Group’s procurement department has set up a committee whose responsibility is to collate, on a monthly basis, prices for the relevant services in order to ensure that the transactions under the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements are conducted on normal commercial terms.
- (b) The Group maintains a record of the costs of the relevant products and/or services and will add a markup on top of such cost to arrive at the bills. The applicable markup vary according to the different products and sales models and are determined according to factors including prevailing market prices and prices offered to independent customers to ensure that the pricing terms for each of the transactions under the such master supply agreement are no less favourable to the Group than those offered to comparable independent customers, and that the transactions are on normal commercial terms. The prevailing market prices and prices offered to independent customers are collected through regular online research on competitors’ online platforms and market research carried out at the Group’s stores.

LETTER FROM THE BOARD

- (c) For the 2024 Joint Marketing Services Master Supply Agreement, the respective managers and senior managers of the Group's procurement department responsible for such transactions will review and determine the marketing incentive amounts borne by the Alibaba Marketing Services Purchaser based on similar joint marketing discount programmes of the Group with independent third parties. If there are no similar programmes with independent third parties, the managers will make reference to the Group's historical cost structure and historical marketing discount programmes offered by the Group to its customers, and adjust service fees of the services under the 2024 Joint Marketing Services Master Supply Agreement if they deviate from a reasonable range of fee receivable based on the considerations set out above.
- (d) The procurement department will also review, evaluate and approve the transaction price and fees payable to Alibaba Affiliates under the 2024 Delivery Services Master Purchase Agreements and 2024 Platform Services Master Purchase Agreements with reference to at least two rates quoted by other independent third party service providers of comparable services on a quarterly basis, in order to ensure that the fees under such agreements are conducted on normal commercial terms. They will review the transaction amount and compare the price and terms to rates quoted by other independent third party service providers before approval. Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration the cooperative specifications, cost structure, market condition and development strategy in determining the rate for the fees payable by the Group with the view to ensure the terms of the agreements are in the best interest of the Group. Given the services fee rates are relatively stable, the management considered and we concur with them that the above-mentioned procedures to be conducted a quarterly basis are adequate.
- (e) The Company's operation departments are required to submit draft written agreements and materials to the legal department, including the estimated transaction amounts, nature of the connected transactions, analyses on fairness of the commercial terms and pricing with support of market research data or cost analysis, for approval prior to entering into such agreements. Furthermore, operation departments are also tasked to track actual transaction amounts and the use of the annual caps on a monthly basis.
- (f) The Company's finance department will also review information on actual transactions conducted with relevant parties and corresponding transaction amounts under the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement, on a monthly basis. Updated information will also be provided to the Company's legal department, chief executive officer and the chief financial

LETTER FROM THE BOARD

officer of the Company at the same time. The Company's legal department will also provide regular updates of connected transactions with transaction amounts to the board of Directors (including the independent non-executive Directors).

- (g) The Group's finance department will also monitor transaction amounts with Alibaba Affiliates on a on a monthly basis and from time to time. In the event the relevant annual cap amounts is likely to be exceeded as approved earlier, it will immediately notify the Board and shall agree with it the need to put forth any revised annual cap amount for that year and any subsequent year during the term of the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement. The Company will take prompt action to make necessary disclosure and obtain the Independent Shareholders' approval as required.
- (h) On a quarterly basis, the independent non-executive Directors will review the continuing connected transactions under the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement with a view to see whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.
- (i) Pursuant to the Listing Rules, the Company's external auditors will continue to review the connected transactions under each of the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders and that the Relevant Transactions are conducted in compliance with Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

GENERAL INFORMATION AND EGM

The EGM will be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 26 March 2024 at 11:15 a.m. for the Shareholders to consider, if thought fit, approve the aforementioned resolutions. The resolutions in relation to the Relevant Transactions will be proposed by way of ordinary resolution at the EGM to be approved by the Independent Shareholders. The voting in relation to such resolutions will be conducted by way of poll. A notice of the EGM is set out on pages 65 to 67 of this circular.

Alibaba Holding (through its subsidiaries and/or associates, as at the Latest Practicable Date, indirectly holds 7,507,666,581 Shares, representing approximately 78.70% of the total issued Shares of the Company, in aggregation) is considered to have material interests in respect of the relevant resolutions in connection with the entering into of the Relevant Transactions, and shall abstain from voting on resolutions in relation to the Relevant Transactions at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, no other shareholder has a material interest in the Relevant Transactions, and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A form of proxy for use at the EGM is enclosed with this circular and is also published on the website of the Stock Exchange. Whether or not you are able to attend the EGM (or any adjournment thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be) to the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person if you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

As of the date of entering into the New Master Agreements, Mr. HAN Liu was the vice president of Local Service Group of Alibaba Holding and president of Fengniao Logistic of Alibaba Holding and Mr. LIU Peng was 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 the entering into of the New Master Agreements (including the Relevant Transactions) and the various proposed annual caps thereunder.

Save for Mr. HAN Liu and Mr. LIU Peng and to the best knowledge, information and belief of the Company, none of the Directors have any material interest in the New Master Agreements for which they would be required to abstain from voting on the relevant board resolution approving the New Master Agreements (including the Relevant Transactions) pursuant to the Articles of Association.

LETTER FROM THE BOARD

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 Monday, 25 March 2024 to Tuesday, 26 March 2024, 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 Friday, 22 March 2024.

RECOMMENDATION

After taking into account the view of the Independent Board Committee as set out in this circular and the reasons for and benefits of entering into of the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements, the Directors consider that the relevant proposed annual caps for the purchase of delivery- and warehouse-related services by the Group Companies from the Alibaba Affiliates, the relevant proposed annual caps for the supply of marketing-related services by the Group Companies to the Alibaba Affiliates and the relevant proposed annual caps for the purchase of platform-related services by the Group Companies from the Alibaba Affiliates are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the entering into of the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements, and the transactions contemplated thereunder were on normal commercial terms or better, in the ordinary and usual course of business of the Group and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving, confirming and ratifying the entering into of the Relevant Transactions at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the entering into of the Relevant Transactions, and Alliance Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 28 to 29 of this circular. Your attention is also drawn to the letter of advice from Alliance Capital to the Independent Board Committee and the Independent Shareholders in respect of the same set out on pages 30 to 57 of this circular. None of the members of the Independent Board Committee has any material interest in the Relevant Transactions.

LETTER FROM THE BOARD

The Independent Board Committee, having taking into account the advice of Alliance Capital, considers that the entering into of the Relevant Transactions is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Relevant Transactions are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving, confirming and ratifying the entering into of the Relevant Transactions at the EGM.

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

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)

8 March 2024

To the Independent Shareholders and for information purposes only

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS:
2024 DELIVERY SERVICES MASTER PURCHASE AGREEMENTS;
(II) CONTINUING CONNECTED TRANSACTIONS:
2024 JOINT MARKETING SERVICES MASTER
SUPPLY AGREEMENT; AND
(III) CONTINUING CONNECTED TRANSACTIONS:
2024 PLATFORM SERVICES MASTER
PURCHASE AGREEMENTS**

We refer to the circular of the Company to its Shareholders dated 8 March 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

Under the Listing Rules, the transactions contemplated under the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements will constitute continuing connected transactions for the Company and are subject to the approval of the Independent Shareholders at the EGM.

We have been appointed by the Board as members of the Independent Board Committee to consider the Relevant Transactions and to advise the Independent Shareholders in connection therewith. Alliance Capital has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Alliance Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Alliance Capital as set out in its letter of advice, we consider that the entering into of the Relevant Transactions are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Relevant Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving, confirming and ratifying the entering into of the Relevant Transactions at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Ms. Karen Yifen CHANG

Independent non-executive

Director

Mr. Dieter YIH

Independent non-executive

Director

Mr. Charles Sheung Wai CHAN

Independent non-executive

Director

LETTER FROM ALLIANCE CAPITAL

The following is the full text of the letter of advice from Alliance Capital to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions for the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements for the purpose of incorporation into this circular.



Alliance Capital Partners Limited
Room 03, 7/F Worldwide House,
19 Des Voeux Road Central,
Hong Kong

8 March 2024

To the Independent Board Committee and Independent Shareholders

Dear Sir or Madam,

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2024 Platform Services Master Purchase Agreements, 2024 Delivery Services Master Purchase Agreements, and the 2024 Joint Marketing Services Master Supply Agreement entered into between the Group and Alibaba Affiliates.

Alibaba Group is currently a controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual cap amounts under each of the category in the 2024 Platform Services Master Purchase Agreements, 2024 Delivery Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement exceed 5%, the continuing connected transactions under the aforementioned agreements are subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules.

Details of the 2024 Platform Services Master Purchase Agreements, 2024 Delivery Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement are contained in the Letter from the Board as set out in the circular of the Company dated 8 March 2024 (the "Circular"). Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

An Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders on whether the above mentioned agreements with Alibaba Affiliates are in the ordinary and usual course of business of the Company, on normal commercial terms, and on terms that are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole.

LETTER FROM ALLIANCE CAPITAL

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on statements, information and representations referred to in the Circular as well as information and representations provided to us by the Company. We have assumed that all such information and representations provided by the Company, for which the Directors are solely responsible, are true and accurate at the time when they were made. We have also assumed that all statements of belief, opinion, forecasts and intention made by the Company were reasonably made after due enquiry and careful consideration. At the time of writing, we have no reason to doubt the truth and accuracy of the information and representations provided to us and have been advised by the Company that no material facts have been withheld or omitted from the information provided and/or referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, for the purpose of this exercise conducted any independent verification of the information included in the Circular and/or those provided to us by the Company nor have we conducted any form of investigation into the businesses, affairs of the Group.

Save for the appointment as the independent financial adviser of the Company in respect of the revision of annual caps for the continuing connected transaction (details of which were set out in the circular of the Company dated 7 September 2021), there was no other engagement between the Group and us. In addition, we have no relationship with, or interest in, the Company or any of its associates during the past two years immediately preceding the Latest Practicable Date that could reasonably be regarded as relevant to our independence.

Apart from normal advisory fee payable to us in connection with our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to this engagement, we do not have a relationship with, or interest in, the Group and/or the Alibaba Group, including any of their respective associates. As such, we are of the opinion that we are independent in relation to our acting as independent financial adviser to the Company in this regard.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the 2024 Platform Services Master Purchase Agreements, 2024 Delivery Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement (including their respective proposed annual cap amounts for three financial years ending 31 March 2027), we have considered the following principal factors and reasons:

Background

The Group is a leading retailer in China with multi-formats and omni-channels, continues to focus on target customers, and create diversified shopping scenarios, and endeavor to improve online and offline shopping experience. It operates hypermarkets, superstores and

LETTER FROM ALLIANCE CAPITAL

mini stores under RT-Mart (大潤發) and RT-Super (大潤發 Super). As of 30 September 2023, the Group had a total of 485 hypermarkets, 19 superstores and one membership store, M-Club. In addition, it had a total of 14 fresh produce processing centers across the country, covering over 211 cities across different provinces, autonomous regions and municipalities in China with a total gross floor area of approximately 13.79 million square meters. As of 30 September 2023, approximately 6.7% of the Group's hypermarkets and superstores were located in first-tier cities, 18.1% in second-tier cities, 48.4% in third-tier cities, 19.3% in fourth-tier cities and 7.5% in fifth-tier cities.

The Group opened the first membership store ("M-Club") in Yangzhou in April 2023. Converted from an existing store, the membership store covers approximately 45,000 square meters, with an operating area of approximately 12,000 square meters and 800 parking spaces. As of 30 September 2023, the number of paid members of Yangzhou M-Club has exceeded 50,000 and the total number of members was close to 100,000. The number of products in M-Club was about 3,000, with over 10% being private label products. M-Club also provides one-hour delivery service within three-kilometer radius from the store. In the second half of the fiscal year 2024, two stores located in Nanjing and Changzhou have been converted into membership stores and started business and additional five membership stores are planned to be opened by 31 March 2025. In the future, the Group will continue to look for appropriate sites for store remodeling. By remodeling an existing hypermarket and leveraging the "big box" advantages of RT-Mart and resources of the Group's owned properties, M-Club uses a new supply chain system to develop differentiated products to create value for members.

Following the investment by Taobao China (an indirect wholly owned subsidiary of Alibaba) in recent years, Alibaba Group has further enhanced the cooperation with the Company to integrate the Group's offline hypermarket businesses with Taobao's online capabilities and reach. These initiatives included (1) remodeling the Group's hypermarkets to become online fulfilment centers in order to meet the needs of online and offline customers; and (2) enabling all Sun Art's stores to launch 30-minute, one-hour-delivery-to-home, and/or half-day delivery service of fresh products through Taoxianda 淘鮮達 under Taobao, Alibaba's B2C online platform, Ele.me 餓了麼 (Alibaba's online food ordering and delivery platform) and Freshippo 盒馬鮮生 (Alibaba's new retail platform for groceries and fresh goods, which integrates online and offline retail models). All the above initiatives involve different types of cooperation with Alibaba Affiliates and the Group, including but not limited to (1) sales of goods through various e-commerce platforms operated by Alibaba Affiliates, such that platform services fee would be charged to the Group by Alibaba Affiliates; (2) delivery services provided by Alibaba Affiliates to the Group such that delivery, logistic and warehousing supporting services fee is charged by Alibaba Affiliates to the Group; and (3) joint promotion services would be provided by the Group to Alibaba Affiliates such that promotion services fee would be charged by the Group to Alibaba Affiliates.

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Through the above cooperation, the Group aims to utilize the online platforms and resources provided by Alibaba to expand its sales coverage and access a larger customer base in China. Alibaba, being a prominent e-commerce company in China, has a strong presence and influence in the country's online market. By tapping into Alibaba's networks, the Group hopes to increase its sales and overall revenue.

With the continuous development of the above online businesses, the Group's offline stores have also become logistics fulfillment centers which enable the Group to improve the entire fulfillment efficiency and to support the development of its online business.

In 2023, the Group improved its digital membership capabilities to attract a steady customer base. Also, the Group's membership system had been integrated with that of Ele.me 餓了麼 and Taoxianda 淘鮮達, and established content and channels through public platforms such as Douyin 抖音, Xiaohongshu 小紅書, Weibo 微博 and Enterprise WeChat 企業微信. The omni-channel digital membership operation is expected to become an important business development strategy of RT-Mart.

The Group continued to develop its procurement capabilities for multi-channels and online operations. As such, B2C business continued to grow and has become the Group's core competency. As a result of the above mentioned initiatives and development, the Group's B2C revenue increased by approximately 15% from year ended 31 March 2022 to year ended 31 March 2023, and remained the driver of revenue growth of the Group. The Daily Order per Store ("DOPS") of B2C was nearly 1,300 orders, and the ticket size was approximately RMB75 per order with an increase of over 10% as compared to the fiscal year before.

Revenue derived from its own mobile application, RT-Mart Fresh 大潤發優鮮 App, has also increased by nearly 40% compared to the same period in previous fiscal year. The Group's Taoxianda 淘鮮達 business, as the core supplier of near-site fresh products for Taobao, continued to grow steadily. Ele.me's revenue growth, driven by its ticket size expansion, was also up by nearly 20% compared to the fiscal year before.

In terms of products, fresh products, dairy products and fast moving consumer goods (FMCG) were main revenue drivers of which fresh products and dairy products contributed nearly 45% of the Group's total online revenue, and FMCG accounted for more than 50% in the year ended 31 March 2023.

We understand the Group is currently embarking on the following development strategies:

The Group's business remodeling

In 2022, the Group restructured the private label ("PL") team and redefined the positioning of PL products that focus on quality-to-price considerations and meeting core customers' needs. The PL products mainly cover groceries, snacks and beverages, daily necessities, pet products and 3R (ready-to-cook, ready-to-eat, and ready-to-heat) products. As

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of 30 September 2023, the Group has developed more than 100 PL products and sales penetration rate was almost 10% of the overall sales of the sub-categories involved. The Group will continue to improve the proportion of its differentiated PL products.

The hypermarket remodeling version 2.0 focused on products and services to create value-added services in terms of perception, mindset and word-of-mouth for customers. The Group has continued to improve customer satisfaction and on-time fulfilment rates as well as to improve the entire fulfilment efficiency. And the online average daily order per store (“DOPS”) has continued to increase. The Group has also committed to further extend its service time period and scope of service, increase user growth of its own APP, deepen cooperation with Taoxianda 淘鮮達 and Ele.me 餓了麼, and explore new online channels.

The Group opened its first membership store (“M-Club”) in Yangzhou in April 2023. Converted from an existing store, the membership store covers approximately 45,000 square meters, with an operating area of approximately 12,000 square meters and 800 parking spaces. As of 30 September 2023, the number of paid members of Yangzhou M-Club had exceeded 50,000 and the total number of members was close to 100,000. The number of products in M-Club was about 3,000, with over 10% being PL products. M-Club also provides one-hour delivery service within three-kilometer radius from the store. In the second half of the fiscal year 2024, two more property stores located in Nanjing and Changzhou had been converted into membership stores and opened for business. We understand the Group is actively looking for appropriate sites to accelerate store remodeling as well.

The Group has been actively looking for suitable sites for opening of more superstores. As at the year ended 31 March 2023 and 30 September 2023, the Groups operated 12 and 19 Superstores respectively. By end of 31 March 2024, the Group plans to operate more than 20 Superstores and by end of 31 March 2025, the Group aims to open another 10 to 12 Superstores in untapped areas including Yangtze River Delta, Pearl River Delta and Shandong Peninsula. Furthermore, these superstores will serve as logistics fulfillment centers, empowering the Group to drive the growth of its online business and take advantage of economies of scale.

In-depth cooperation with Alibaba for online retail business

Cainiao 菜鳥, being delivery and logistic solution services provider under Alibaba, operates in local communities, university campuses, townships and rural areas in residential communities. In recent years, the Group’s online retail business strengthened its business cooperation with Cainiao 菜鳥 located in major cities of China with the number of active stations connected to a large last-mile network consisting of over 4,400 delivery stations and over 170,000 “pick-up, drop-off” stations as of June 30, 2023¹. In addition, Fengniao 蜂鳥即配, being an on-demand delivery network, provides last-mile logistics services, including delivery of food, groceries, FMCG and pharmaceutical products for the Group, Freshippo 盒馬鮮生, as well as Alibaba Health.

1 <https://www1.hkexnews.hk/app/sehk/2023/105763/documents/sehk23092601328.pdf>

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Both of Cainiao 菜鳥 and Fengniao 蜂鳥即配 are the important delivery and logistic solution partners of the Group in online retail business. More importantly, Cainao 菜鳥 and Fengniao 蜂鳥即配 provided customized logistic support to the Group so that the Group is able to provide the fulfilment services as well as to maintain the quality of fresh- products to its customers.

Increased cooperation with Alibaba Group’s online retail business allows the Group to expand procurement scale, improve category operation capability and core competitiveness of its supply chain. By strengthening the cooperation with Alibaba Affiliates, the Group’s multi-channel supply chain capabilities as well as sales performance are expected to be benefitted from it.

With a view to react to online impact on sales of products in physical stores, the Group has initiated a renovation project to transform some stores into the “warehouse-based” model. This involves a reduction of non-food operating area and an increase in the warehouse area to support omni-channel businesses. Such renovation means each city has its own city warehouse resulting in reduction of delivery time, leading to improvement in product efficiency and customers’ shopping experience. More importantly, these changes not only meet the needs of the stores themselves, but also support one-hour delivery services, half-day delivery services, and B2B business in their respective cities.

Also, the Group will expand the customers’ coverage by establishing additional “warehouse-based” stores. Such “warehouse-based” stores aim to bring products closer to customers, reducing delivery times. Instead of relying on a single central warehouse, which might be located far away from the customers, multiple “warehouse-based” stores are strategically positioned in different regions, closer to the target market. In this case, the Group aims to strategically establish “warehouse-based” stores with an appropriate distance from the hypermarkets so as to cover the customers living area within a five-kilometer radius, enabling such “warehouse-based” stores to provide faster and more efficient delivery services.

Customers’ buying habits have become at anytime and anywhere, online and offline, deliver to home or shop in stores. To cater for such market changes, the general trend in the physical retail industry is to be online, miniaturized, convenient and community-based. Through working with Alibaba’s online networks, the Group shall focus on investments in user experience, new business formats and fresh products processing capability so as to position itself for long-term revenue growth. Going forward, we understand Sun Art’s stores not only serve as traditional hypermarkets but will also become customers’ offline experience centers and order fulfillment centers of online business focusing on fresh products.

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Growth in China's online retail sales

China's well-developed e-commerce sector is the largest element of the country's digital economy. According to E-commerce in China (2022)² (中國電子商務報告2022) (the "Report") released by the Ministry of Commerce in June 2023, the China's online retail transactions reached RMB1,279 billion, representing a year-on-year growth of 4%. Among China's online retail sales of food, daily necessities, clothing and consumer goods increased by 15.6%, 3.3% and 2.6% respectively. Despite the fact that the full report for 2023 statistic will only be issued in the second half of the year, China's online retail transaction figures for 2023³ issued by the Ministry of Finance amounted to RMB1,542 billion, represented a growth of 11.0% as compared to 2022. Further, B2C online retail transactions recorded a growth of 13.7% for the nine months ended 30 September 2023⁴ as compared to the same corresponding period. Among China's online retail sales, food, clothing and consumer goods increased by 10.4%, 9.6% and 8.5% respectively. Therefore, we are of the view the statistics of the Report are relevant for us to assess the growth trend of China's online retail market.

Driven by the "stay-at-home economy" in China following the pandemic, the synergy between online and offline channels in e-commerce has rapidly developed in China. The new model of real-time retail had been emerged in the field of food delivery. With the increasing variety of products delivered by food delivery riders, the platforms have transformed from primarily focusing on food delivery to becoming platforms for "delivery of everything to your doorstep". With the support of digital technology, real-time retail in China has experienced rapid growth, from the delivery of fresh produce through e-commerce to the booming sales of pre-packaged meals and the online sales of other items including anti-pandemic drugs. According to the Report, in 2022, the number of real-time delivery orders in China exceeded 40 billion, with a year-on-year growth of around 30%.

It is expected that the China's online retail sales will further grow due to various factors such as increased internet usage, mobile adoption, and evolving consumer behavior which are all growth drivers of digital-first economy.

- Government policies have played a crucial role in fostering this environment. Initiatives promoting digital literacy, supporting small and medium-sized enterprises (SMEs) in adopting e-commerce, and investing in technological infrastructure have significantly contributed to the market's expansion. Moreover, regulatory frameworks are continually being adapted to keep pace with the evolving digital landscape, ensuring a stable and conducive environment for e-commerce businesses.

2 <http://images.mofcom.gov.cn/dzsws/202306/20230609104929992.pdf>

3 <https://dzswgf.mofcom.gov.cn/>

4 https://dzswgf.mofcom.gov.cn/news_attachments/8c838acc35d4bf354c3935ba0c35eb820d23ac33.pdf

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- Technology innovation continues to be a cornerstone of China’s e-commerce market. Cutting-edge technologies such as artificial intelligence (AI), big data analytics, and blockchain are being employed to enhance customers’ experiences, optimize supply chains, and introduce new business models. These technologies will not only improve operational efficiencies but also open new avenues for market expansion and customer engagement.

E-commerce in China is witnessing a rise in green consumerism trends, which are gaining traction among consumers. The trend is driven by concerns over pollution, climate change, and health awareness, creating opportunities for eco-friendly products and sustainable development initiatives. For instance, Tmall, Alibaba’s online marketplace, introduced the “Green Star” certification program, which requires environmentally responsible brands to demonstrate their commitments before being featured on Tmall for customers to purchase.

2024 Platform Services Master Purchase Agreements

Purpose of the 2024 Platform Services Master Purchase Agreements is to allow Alibaba Affiliates to provide platform-related services to the Group including, among others, (a) granting access of the Group’s software systems to work with Alibaba’s online platforms as well as the payment gateways; (b) product and consumption data sharing; and (c) platform-related support services provided by Alibaba Affiliates.

Basic terms of the 2024 Platform Services Master Purchase Agreements dated 25 January 2024 governing the platform services provided by Alibaba Affiliates to the Group are as follows:

Term

Each of the 2024 Platform Services Master Purchase Agreements has a term of three (3) years from 1 April 2024 to 31 March 2027, unless at any time prior to the expiry of the 2024 Platform Services Master Purchase Agreements, either party gives the other party of not less than three (3) months’ prior notice to terminate the 2024 Platform Services Master Purchase Agreements.

Nature of transactions

Following the entering into of the 2024 Platform Services Master Purchase Agreements, the purchase of platform-related services by the Group from the Alibaba Affiliates will be primarily governed by the 2024 Platform Services Master Purchase Agreements.

Alibaba Affiliates shall provide platform-related technical and support services to the Group to enable it to display, manage and sale of the Group’s products using Taoxianda 淘鮮達, Ele.me 餓了麼 and Freshippo 盒馬鮮生 (Alibaba’s online platform for the ordering of meals, groceries and daily necessities).

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To support the Group as a supplier, Alibaba Affiliates will also allow the Group to have real time information on sales and payments, sales returns and to participate in different types of sales promotion from time to time. Also, the platform services provided by Alibaba Affiliates includes customer behavior analysis such as browsing patterns, purchase history, and preferences. Such data analytics provides valuable insights and data-driven decision-making capabilities so that the Group would be able to adjust its sales plans based on customers' demographics, purchasing behavior, and preferences etc. In addition, Alibaba Affiliates will also allow different payment gateways to be used by their customers for payments of the Group's products and services online.

We understand the platform services fee under the above-mentioned agreement are charges based on the Group's transaction value through various e-commerce platforms operated by Alibaba Affiliates (including Taoxianda 淘鮮達, Ele.me 餓了麼 and Freshippo 盒馬鮮生) multiple by an pre-determined platform fee rate.

Historical transaction amounts and new caps

For the financial years ended 31 March 2022 and 2023, the aggregate transaction amounts in respect of the purchase of platform-related services by the Group from the Alibaba Affiliates amounted to approximately RMB422 million and RMB693 million, respectively, representing an increase of 64%. The increase in the transaction amounts during the above periods was mainly due to the increase in the number of customers' orders from Taocaicai 淘菜菜, an Alibaba's online platform which provides groceries and fresh goods with next-day pick-up services. The high demand for orders purchase through Taocaicai 淘菜菜 during pandemic period when customers inclined to buy in bulk or stock up on products, especially for the vegetables and fresh meats and necessities. However, in post-pandemic period, this stock up mentality has subsided.

During the period from 1 April 2023 to 31 December 2023, the aggregate unaudited transaction amount in respect of the Group's purchase of platform-related services from the Alibaba Affiliates amounted to approximately RMB287 million. It is estimated that the amount for this type of transaction for the year ending 31 March 2024 would be around RMB400 million.

Pricing

The consideration for such platform services fee primarily involves e-commerce platform support services required by the Group and payable to Alibaba Affiliates. Such consideration is determined based on arm's length negotiation between the parties with due regard to market price charged for the same category of services offered by independent third party service providers from time to time. Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration the cooperative specifications, cost structure, market condition and development strategy in determining the rate for the fees payable by the Group with the view to ensure the terms of the agreements are in the best interest of the Group.

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We understand the Group's products are being displayed and sold through various e-commerce platforms operated by Alibaba Affiliates and platform-related services fee are being charged under the above mentioned agreement involving primarily the following three types of e-commerce platforms as operated by Alibaba Affiliates:

Taoxianda 淘鮮達

Taoxianda 淘鮮達, Alibaba's online supermarket, offers on-demand delivery of groceries within one hour. The Group initiated a business cooperation with Alibaba Affiliates in 2018 through Taobao Daojia, which is Alibaba's online convenience store. Initially, customers could order fresh fruits, vegetables, meat, and groceries online through this platform. Over time, this cooperation expanded to include a more diverse network operated under Taoxianda 淘鮮達, serving multiple cities.

To facilitate this collaboration, the Group implemented Taobao's software across its hypermarkets and superstores. This allowed customers to place orders, make payments, and have products delivered to Alibaba Affiliates' online customers. By adopting Taobao's software, the Group streamlined the ordering and delivery process, enhancing the shopping efficiency and convenience for customers.

Through this cooperation, the Group leveraged the extensive reach and capabilities of Alibaba's online platforms to tap into the growing demand for online grocery shopping. By offering fast delivery and a wide range of products, the Group aims to meet the evolving needs of consumers and increase its market presence in the online grocery sector.

Ele.me 餓了麼

Ele.me 餓了麼 is an online platform operated by Alibaba Affiliates that facilitates the ordering of meals, groceries, and daily necessities in China. The Group established a business cooperation with Ele.me 餓了麼 in 2019, which involves listing the Group's products on the Ele.me 餓了麼 platform for sales and delivery. Such business cooperation supports the Group's ongoing utilization of Alibaba Affiliates' expertise in internet technologies and digital infrastructure. This collaboration aims to expand the Group's retail channels and online food ordering business, ultimately increasing the Group's revenue. Moreover, this business cooperation will enable the Group to take advantage of Alibaba Affiliates' digital ecosystem, promoting the expansion of its online retail business through partnerships with Alibaba Group's online marketplaces, including Taoxianda 淘鮮達, Ele.me 餓了麼 and Freshippo 盒馬鮮生, among others. We believe that these initiatives will contribute to the Group's revenue growth, aligning with the best interests of the Company and its shareholders.

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Freshippo 盒馬鮮生

Freshippo 盒馬鮮生 is the new retail platform operated by Alibaba Affiliates for groceries and fresh goods, which integrates online and offline retail experiences. Freshippo's proprietary fulfillment system enables 30-minute store-to-door delivery for consumers living within a three-kilometer radius of a Freshippo Supermarket store.

In this regard, Alibaba Affiliates shall provide platform-related supports to the Group, in return the Group pays Alibaba Affiliates a platform fee for such supporting services.

In terms of pricing policy for platform-related services fee, we have obtained and reviewed business contracts contemplated under 2024 Platform Services Master Purchase Agreements, which the pricing policies is generally in line with the 2024 Platform Services Master Purchase Agreements, and noted that the platform-related services fee charged by Alibaba Affiliates to the Group were primarily determined by the pre-determined services fee based on the transaction amount. Such consideration is determined based on arm's length negotiation between the parties with due regard to market price charged for the same category of services offered by independent third party service providers from time to time. We have obtained and review the internal price quotations and approval records, the internal price quotations and approval records clearly indicated the fee charged by two independent third-party service providers for the same category of services, namely, providing platform-related technical and support services with a fixed fee rate charged per transaction. The platform fee is charged based on arm's length terms and at prices no less favorable to Sun Art than those rates charged to other independent third-party. Accordingly, we are of the view that the pricing policies under 2024 Platform Services Master Purchase Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Basis for determining platform services fee payable to Alibaba Affiliates

Under the 2024 Platform Services Master Purchase Agreements, the Group shall conduct review and evaluation of the fees payable with reference to the rates quoted by other independent third party service providers of comparable services, in order to ensure that the fees under such agreements are conducted on normal commercial terms. Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration the cooperative specifications, cost structure, market condition and development strategy in determining the rate for the fees payable by the Group with the view to ensure the terms of the agreements are in the best interest of the Group.

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Annual Caps relating to platform-related services fee payable to Alibaba Affiliates

The proposed annual caps under the above category under 2024 Platform Services Master Purchase Agreements for the following periods are:

	For year ending 31 March		
	2025	2026	2027
	(RMB million)	(RMB million)	(RMB million)
Proposed annual cap	525	550	580

As for the annual caps under the 2024 Platform Services Master Purchase Agreements for the three years ending 31 March 2027, it mainly consists of estimated amounts of the three main business categories with Alibaba Affiliates; namely, Taoxianda 淘鮮達, Ele.me 餓了麼 and Freshippo 盒馬鮮生.

We understand from the Company that the above services fees paid by the Group to Alibaba Affiliates under such category mainly represented platform fees. In assessing the reasonableness of the proposed annual caps relating to services fees under the 2024 Platform Services Master Purchase Agreements with Alibaba Affiliates, we have reviewed and discussed with the Company's management such annual caps (including their bases) provided by the Group and have been advised that such annual caps for the three years ending 31 March 2027 are mainly determined based on the following factors:

With respect to the platform-related services fee payable to Alibaba Group as seller on the e-commerce platforms

Annual cap amounts are estimated based on platform-related fee chargeable to the Group and calculated based on the estimated transaction value expected to be conducted over various e-commerce platforms, primarily Taoxianda 淘鮮達, Ele.me 餓了麼 and Freshippo 盒馬鮮生. Such transaction value is primarily estimated based on the historical transaction amounts with an estimated growth rate of approximately 31% from year ending 31 March 2024 to 31 March 2025. And further 5% growth rate in each fiscal year thereafter.

Notwithstanding that the demand for online shopping had been significantly shifted in consumer behavior towards online purchasing following the pandemic, especially the convenience and efficiency of online shopping have appealed to consumers, the demand for online purchase is expected to continue after the pandemic. As mentioned before, the pandemic has accelerated the adoption of e-commerce as people increasingly turn to online platforms to meet their shopping needs.

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The proportion of domestic digital economy in GDP has kept increasing. It reached 41.5% (or RMB50.2 trillion) in 2022⁵, with a year-on-year growth of 10.3% and become the second largest industry economy in China, reflecting the development achievements of domestic digital economy and also laying a solid foundation for the further development of digital economy in the future. Being a part of digital economy, customized enterprise services e-commerce will be benefited from the enhanced development of digital economy and achieve further penetration of traditional enterprise services market. This also aligned with the strategic cooperation with Alibaba Affiliates on a on-going basis.

Platform fee is charged on arm's length terms and at prices that are comparable or lower than those rates payable by other independent third party to Alibaba Affiliates. Since Alibaba Affiliates shall provide online platform support services, we have compared the relevant service fee rates of various platform services to the corresponding market rates and found that such service fee rate is within market range.

With respect to Taoxianda 淘鮮達

The historical transaction amounts under Taoxianda 淘鮮達 in fiscal year 2022, fiscal year 2023 and nine months ended 31 December 2023 represented on average 60% of the total amount under the platform services purchase from Alibaba Affiliates, respectively. However, excluding the business conducted through Taocaicai 淘菜菜, which the Group will not focus on going forward, the historical transaction amount under Taoxianda 淘鮮達 for the above-mentioned periods represented over 80% of the platform services purchased from Alibaba Affiliates.

This category of platform services enables the Group to use Taobao's platform across its hypermarkets and supermarkets in order to allow ordering, payment and delivery of products to Alibaba Affiliates' online customers. As such, annual cap amounts under this category are estimated based on the Group's projected transaction amounts on Taoxianda 淘鮮達 and platform fee for the use of such platform. We note the above platform fee are charged based on arm's length basis and are comparable or lower than service fees payable by other independent third party to Alibaba Affiliates. As Alibaba Affiliates shall provide online platform support services, we have compared the relevant service fee rates of various platform services with the corresponding market rates and we found that the service fee rate is within the market range.

It is estimated that approximately 70% to 80% of the total cost of relevant services under the 2024 Platform Services Master Purchase Agreements for the three years ending 31 March 2027 will be generated from this type of transaction. In terms of transaction amount, it is expected to increase by around 40% to 50% for year ending 31 March 2025 as compared to the expected transaction amount for the year ending 31 March 2024. Considering (i) the explanation under paragraph – “*Growth in China's online retail sales*” on the projected growth in the Group's B2C business for coming years, (ii) in-depth cooperation with Alibaba for online

5 <http://www.caict.ac.cn/kxyj/qwfb/bps/202304/P020230427572038320317.pdf>

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retail business as well as (iii) the Group's intention to expand the customers' coverage by establishing additional Superstores, M-club and "warehouse-based" stores as mentioned above, we are of the opinion that the estimated growth in this type of transaction are fair and reasonable.

With respect to Ele.me 餓了麼

The historical transaction amounts under the category of service in 2022 and 2023 fiscal years and nine months ended 31 December 2023 represented an average of around 15% of the total amount respectively in respect of platform-related services fee paid to Alibaba Affiliates. However, excluding the business conducted through Taocaicai 淘菜菜, which the Group will not focus on going forward, the historical transaction amount under Ele.me 餓了麼 for the 2022 and 2023 fiscal years and nine months ended 31 December 2023 represented approximately 13%, 17% and 24% of the platform-related services purchase from Alibaba Affiliates, respectively. Transaction amount for the platform-related fee in respect to Ele.me 餓了麼 is currently estimated to have a growth rate of around 45% in year ending 31 March 2024 compared to the fiscal year before.

It is estimated that approximately 20-30% of the platform services fee charged under the 2024 Platform Services Master Purchase Agreements for the three years ending 31 March 2027 will be incurred by this type of transaction. In terms of transaction amount, it is estimated to increase by approximately 50% to 70% for the year ending 31 March 2025 as compared to the expected amount in the year ending 31 March 2024. Considering (i) the historical growth of over 15 % of platform-related fee paid to Ele.me 餓了麼 for the year ended 31 March 2023 as compared to the same period in 2022, (ii) the explanation under paragraph – "*Growth in China's online retail sales*" on the projected growth in the Group's B2C business for coming years, we are of the opinion that the estimated growth in this type of transaction are fair and reasonable.

Based on the 2023 first quarter report of Alibaba⁶, the local consumer services sector which included online food delivery recorded a growth of 17% as compared to the same period in prior year, whereas the number of China's online food delivery platform user had increased from approximately 468 million in 2021 to approximately 534 million in 2023⁷, according to the Statistical report on the Development of Internet in China published by China Internet Network Information Centre. As such, we are of the view that the above estimated growth rate in cap amounts as mentioned above is fair and reasonable.

We further note the projected percentage growth in terms of cap amount for Ele.me 餓了麼 for the three years to 31 March 2027 will increase by 5% each fiscal year. Based on the GDP growth rate of 5.2% in 2023⁸, we are of the view that the estimated growth rates are fair and reasonable.

6 <https://data.alibabagroup.com/ecms-files/1508695866/3c9bbccd-1b9e-4525-87cf-6eb2d5a9c66a/March%20Quarter%202023%20and%20Full%20Fiscal%20Year%202023%20Results.pdf>

7 <https://cnnic.cn/NMediaFile/2023/0908/MAIN1694151883032GOV1XCI4CO.docx>

8 <https://www.aljazeera.com/news/2024/1/17/china-posts-sluggish-gdp-growth-in-2023-population-declines-again>

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A platform fee is charged based on the transaction amount via Ele.me 餓了麼. We note such platform fee is charged at a lower rate when compared to other online food delivery companies in China⁹ with charged rate (i.e. 6% to 8%) as displayed in Ele.me's app for other independent merchants.

With respect to Freshippo 盒馬鮮生

The historical transaction amounts under the category of service in 2022 and 2023 fiscal years and nine months ended 31 December 2023 represented an average of around 1% of the total amount respectively in respect of platform-related services fee paid to Alibaba Affiliates.

Given Freshippo 盒馬鮮生 is one of the new transformed retail platforms launched by Alibaba Affiliates, the transaction amounts are not that significant compared to Taoxianda 淘鮮達 and Ele.me 餓了麼. However, Freshippo's proprietary fulfilment system enables 30-minute store-to-door delivery for consumers living within a three-kilometer radius of a Freshippo Supermarket store. Such online and offline retail model matched with Sun Art's business objective as well as to expand the target customer coverage.

It is estimated that approximately less than 5% of the platform services fee charged under the 2024 Platform Services Master Purchase Agreements for the three years ending 31 March 2027 will be incurred by this type of transactions. In terms of transaction amount, it is estimated to increase by approximately 50% for the year ending 31 March 2025 as compared to the expected amount in the year ending 31 March 2024, given Freshippo 盒馬鮮生 is one of the newly transformed platforms launched by Alibaba Affiliates in 2023 and the Group expected the cooperation with Freshippo 盒馬鮮生 will be further enhanced. Considering (i) the Group's target to expand the retail business and create diversified shopping scenarios to customers, Sun Art will put more effort to enhance the cooperation with Alibaba via Freshippo 盒馬鮮生 by selling fresh and groceries products through the platform, (ii) the explanation under paragraph – "*Growth in China's online retail sales*" on the projected growth in the Group's B2C business for coming years as products sales through Freshippo 盒馬鮮生 are similar to those sold through Taoxianda 淘鮮達, we are of the opinion that the estimated growth in this type of transaction is fair and reasonable.

Consequently, we are of the view that the projected annual cap amounts with respect to platform services for the three years ending 31 March 2027 are fair and reasonable.

⁹ <https://news.sina.cn/sx/2022-12-01/detail-imqmmthc6675943.d.html>

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2024 Delivery Services Master Purchase Agreements

Main purpose of the 2024 Delivery Services Master Purchase Agreements is to allow Alibaba's Affiliates to provide delivery- and warehouse-related services to the Group. Basic terms of the 2024 Delivery Services Master Purchase Agreements dated 25 January 2024 governing the Group's delivery- and warehouse-related services transaction with Alibaba Affiliates are as follows:

Term

Save for the 2024 Delivery Services Master Purchase Agreement entered into with Hangzhou Cainiao Chengyun, each of the 2024 Delivery Services Master Purchase Agreements has a term of three (3) years from 1 April 2024 to 31 March 2027, unless at any time prior to the expiry of the 2024 Delivery Services Master Purchase Agreements either party gives the other party not less than three months' prior notice to terminate such agreement.

Nature of transactions

As the Group's products are being displayed, and sell through the RT-Mart Fresh 大潤發 優鮮 App, M-Club app as well as different online platforms operated by Alibaba Affiliates, including Taoxianda 淘鮮達, Ele.me 餓了麼 and Freshippo 盒馬鮮生 (Alibaba's online platform for the ordering of meals, groceries and daily necessities), Alibaba Affiliates shall provide distribution, delivery and logistic supporting services to the Group for purchase orders put through the above-mentioned platforms.

We understand the supply of delivery- and warehouse-related services under the above-mentioned agreement involve primarily the following types of services provided by Alibaba Affiliates:

- (1) Distribution and logistics and warehouse-related services for frozen products.
- (2) Delivery services for the customers' orders of the Group as conducted through the platform(s).

Basis of charges by Alibaba Affiliates:

- (i) Warehousing and delivery services fee was charged based on the quantity of products supplied and fulfilment services such as packing and delivery services; and
- (ii) Delivery service fee was charged based on fulfilment charge per order multiple by the projected number of orders of the Group conducted through the above-mentioned platforms.

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Historical transaction amounts and new caps

Following the entering into of the 2024 Delivery Services Master Purchase Agreements, the purchase of delivery- and warehouse-related services by the Group from certain Alibaba Affiliates will be primarily governed by the 2024 Delivery Services Master Purchase Agreements.

For the financial years ended 31 March 2022 and 2023, the aggregate audited transaction amounts in respect of the Group's purchase of delivery- and warehouse-related services from Alibaba Affiliates amounted to approximately RMB1,229 million and RMB1,518 million, respectively. During the period from 1 April 2023 to 31 December 2023, the aggregate transaction amount (unaudited) in respect of the purchase of delivery and warehouse-related services by the Group from the Alibaba Affiliates amounted to approximately RMB1,178 million. And it is estimated that the annual transaction amount for the year ending 31 March 2024 would be around RMB1,635 million.

Set out below are the proposed annual caps for the relevant transactions contemplated under the 2024 Delivery Services Master Purchase Agreements for the three financial years ending 31 March 2025, 2026 and 2027:

	For the year ending 31 March 2025 (RMB million)	For the year ending 31 March 2026 (RMB million)	For the year ending 31 March 2027 (RMB million)
Annual cap	2,400	2,520	2,645

Pricing

The consideration for such cooperation primarily involves distribution and delivery and warehouse-related supports services required by the Group and payable to Alibaba Affiliates. Such consideration is determined based on arm's length negotiation between the parties with due regard to market price charged for the same category of services offered by independent third party service providers from time to time. Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration the cooperative specifications, cost structure, market condition and development strategy in determining the rate for the fees payable by the Group with the view to ensure the terms of the agreements are in the best interest of the Group.

In terms of pricing policy for delivery-related services fee, we have obtained and reviewed business contracts contemplated under 2024 Delivery Services Master Purchase Agreements, which the pricing policies are generally in line with the 2024 Delivery Services Master Purchase Agreements, and noted that the services fee charged by Alibaba Affiliates to the Group were primarily determined by the pre-determined delivery charge rate per distance in corresponding tier of cities in the PRC. Such consideration is determined based on arm's

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length negotiation between the parties with due regard to market price charged for the same category of services offered by independent third party service providers from time to time. We have obtained and reviewed the internal price quotations and approval records and noted the fee charged by the independent third-party service providers for delivery-related services. The delivery-related services fee is charged based on arm's length terms and at prices no less favorable to Sun Art than those rates charged by other independent third-party. Accordingly, we are of the view that the pricing policies under 2024 Delivery Services Master Purchase Agreements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Assessment of the proposed annual caps for the delivery- and warehouse-related services to be supplied by the Group to the Alibaba Affiliates

Proposed annual caps for the delivery- and warehouse-related services to be purchased by the Group from the Alibaba Affiliates is expected to grow approximately 47% for the year ending 31 March 2025 as compared to the forecast amount for the year ending 31 March 2024. And it is expected that the transaction will increase steadily by 5% for two years ending 31 March 2026 and 31 March 2027.

In assessing the reasonableness of the proposed annual cap for the purchase of delivery- and warehouse-related services by the Group from the Alibaba Affiliates under 2024 Delivery Services Master Purchase Agreements; we have reviewed and discussed with Company's management such annual caps (including their bases) provided by the Group and we concur with them that such estimated growth rates are fair and reasonable due to the following factors:

- The average growth of the China's online retail sales of food, daily necessities, clothing and consumer goods increased by 15.6%, 3.3% and 2.6% respectively from 2021 to 2022;
- Based on sales transactions among the platforms for the nine months ended 31 December 2023, it was noted that the B2C sales were primarily from Alibaba Affiliate's online platforms (i.e. Taoxianda 淘鮮達 and Ele.me 餓了麼) and RT-Mart Fresh 大潤發優鮮 App (the Group's own online store app) for the year ended 31 March 2022, 2023 and the nine months ended 31 December 2023. Number of orders from B2C platforms including Taoxianda 淘鮮達, Ele.me 餓了麼 and RT-Mart Fresh 大潤發優鮮 App, in aggregate increased for approximately 10% and 4% for the year ended 31 March 2023 and 31 March 2024 (expected) respectively as compared to the year before;
- The Group's B2C revenue increased by approximately 15% from year ended 31 March 2022 to year ended 31 March 2023, and remained the driver of the revenue growth of the Group. In particular, the Group's in-house RT-Mart Fresh 大潤發優鮮 App will further connect with other popular social media platforms so as to increase the exposure of the RT-Mart Fresh 大潤發優鮮 App to attract more new customers

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and orders. The Daily Order per Store (“DOPS”) of B2C was nearly 1,300 orders, and the ticket size was approximately RMB75 per order with an increase of over 10% as compared to the prior fiscal year;

- Changes of consumers purchase behaviors when the customers incline to buy in bulk or stock up on products during the pandemic period. This stock up mentality faded after the pandemic resulting in a decrease in order size but frequencies of orders increased. Accordingly, the delivery services changes (based on number of orders) is expected to increase;
- Following the opening of the first membership store (i.e. M-club) in Yangzhou in April 2023 and planned additional two membership stores in Nanjing and Changzhou by end of 31 March 2024 and additional five membership stores by 31 March 2025, as well as the implementation of “warehouse-based” stores in eight first and second-tier cities including Shanghai, Suzhou, Changzhou etc. As such, expected additional delivery orders from M-club as well as additional customers coverage will be one of the growth contributors for delivery services in FY2025 onwards;
- The Group has been actively looking for suitable sites for opening of more superstores. As at 31 March 2023 and 30 September 2023, the Group operated 12 and 19 Superstores respectively. By end of 31 March 2024, the Group plans to operate more than 20 Superstores, and by end of 31 March 2025, the Group aims to open another 10 to 12 Superstores in untapped areas including Yangtze River Delta, Pearl River Delta and Shandong Peninsula. Furthermore, these superstores will serve as logistics fulfillment centers, empowering the Group to drive the growth of its online business and take advantage of economies of scale;
- More promotional and commercial campaign opportunities such as “618”, double 11 and double 12 will be scheduled during the year; and
- Various initiatives as mentioned earlier to be integrated with the Group’s online retail business following further in-depth cooperation with Alibaba Affiliates.

Having considered the above factors, we are of the opinion that, the growth rates for the delivery services are fair and reasonable.

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2024 Joint Marketing Services Master Supply Agreement

Basic terms of the 2024 Joint Marketing Services Master Supply Agreement governing the Group's supply of relevant joint marketing services to Alibaba Affiliates are as follows:

- Term:** the 2024 Joint Marketing Services Master Supply Agreement is of a term of three (3) years from 1 April 2024 to 31 March 2027, unless at any time prior to the expiry of the 2024 Joint Marketing Services Master Supply Agreement, either party gives the other party of not less than three (3) months' prior notice to terminate the 2024 Joint Marketing Services Master Supply Agreement.
- Type of joint marketing services:** By taking advantage of the extensive networks of RT-Marts stores over the China, the Group's ongoing strategy to utilise internet technology and to expand in the market segment offered through the Taoxianda 淘鮮達 online platform to increase the efficiency of the Group's traditional hypermarket and supermarket stores.
- The joint marketing services including wide-ranging collaboration by displaying the co-brand of "RT-Mart x Tao Xian Da" in the designated RT-Marts stores in the network; host marketing and advertising events for bring in new online customer users and/or online orders of the online platforms as well as other services in connection with the joint marketing services from time to time.
- Pricing:** The price for the marketing-related services shall be determined at the time of the particular supply of marketing related services (by entering into written contract) with due regard (i) to the price charged for comparable services offered by independent third party service providers at the time of a particular transaction; and (ii) where comparable market prices are not available, to the agreed prices negotiated between the parties with reference to transaction size, nature of cooperation, cost structure, market condition and development strategy. The agreed price shall be based on actual or reasonable estimates of cost and profit of the Group. Reasonable profit estimates shall be determined with reference to the nature of services and the estimated profit margin of the Group's retail sale of such services.
- Payment:** Payment of the relevant consideration shall be made as and when due pursuant to the terms of each relevant transaction which are on normal commercial terms.

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We understand the supply of joint marketing services under the above-mentioned agreement involves, among others, primarily the services of Taoxianda 淘鮮達. Service fee is charged to Alibaba Affiliates based on cost of marketing events as well as the portion of cost sharing as agreed by the Group and Alibaba Affiliates. Depending on the target of sales/revenue, the Group and Alibaba Affiliates carried out a series of marketing events for the Taoxianda 淘鮮達 for Alibaba Affiliates during different times of the year to boost purchase orders. Such marketing events may involve free delivery for the first orders, special discount/coupons/rebates being offered to be buyers during promotion period (such as 618, double 11, Double 12, etc). Considering services fee charged to the Alibaba Affiliates is based on the cost of marketing (mainly relating to joint discount programmes offered by the Group and Taoxianda 淘鮮達 to their customers) as well as the portion of cost sharing as agreed between the Group and Alibaba Affiliates, in which both the Group and Alibaba Affiliates are expected to be benefitted from increased purchase orders. In recent years, platform operators, including those operated by Alibaba Affiliates, have shown a willingness to share the marketing costs incurred during promotion events. This cost sharing is determined based on and made reference to the market statistics regarding the portion of marketing costs incurred for boosting platform sales by independent third-party online platforms.

We have conducted a review and analysis of the marketing fees received from Alibaba Affiliates in relation to the transaction amounts conducted through Taoxianda 淘鮮達. We have observed that the percentage of marketing costs relative to platform sales falls within the market range of what is shared by other independent third-party platform service providers from time to time. Accordingly, we consider the above pricing policy ensures that such joint marketing services will be conducted on normal commercial terms, is fair and reasonable and not prejudicial to the interests of the Company and its Independent Shareholders.

Annual Caps of sales of joint marketing services to Alibaba Affiliates

For the financial years ended 31 March 2022 and 2023, the aggregate audited transaction amounts in respect of supply of marketing-related services by the Group to the Alibaba Affiliates amounted to approximately RMB300 million and RMB463 million, respectively, representing a growth of 54%. During the period from 1 April 2023 to 31 December 2023, the aggregate transaction amount (unaudited) in respect of supply of marketing-related services by the Group to the Alibaba Affiliates amounted to approximately RMB364 million. It is expected that the transaction amount for the year ending 31 March 2024 will be approximately RMB505 million, representing an increase of approximately 9% as compared to the year ended 31 March 2023.

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Set out below are the proposed proportion of annual cap for the relevant transactions contemplated under the 2024 Joint Marketing Services Master Supply Agreement for the three financial years ending 31 March 2027:

	For the year ending 31 March 2025 <i>(RMB million)</i>	For the year ending 31 March 2026 <i>(RMB million)</i>	For the year ending 31 March 2027 <i>(RMB million)</i>
Annual cap	595	625	655

In assessing the reasonableness of the proposed annual caps for the sale of marketing-related services by the Group to the Alibaba Affiliates under the 2024 Joint Marketing Services Master Supply Agreement, we have reviewed and discussed with the Company's management such annual caps (including their bases) provided by the Group and have been advised that such annual caps for the three years ending 31 March 2027 are mainly determined based on the estimated average transaction amounts as well as the expected amount of sales incentive in marketing campaigns to be offered for the three years ending 31 March 2027.

The estimated marketing-related services transaction amount is expected to increase by around 18% as compared to the projected amount for the year ending 31 March 2024. Considering the planned marketing strategies for crossover branding of RT-Mart and Taoxianda 淘鮮達 as well as the targeted sales transactions to be achieved, we are of the view that the projected proposed annual cap for year ending 31 March 2025 are fair and reasonable.

As the types and frequency of marketing events for the three fiscal years ending 31 March 2027 are expected to be relatively stable for the upcoming fiscal years, the management estimated that the annual cap amount would be relatively stable with around 5% increment for the three fiscal years ending 31 March 2027.

Having considered the above, we are of the view that the natural growth of estimated annual cap amounts for this type of transaction are fair and reasonable.

Internal control

We understand the Company has adopted the following internal control procedures to ensure the Group's transactions with Alibaba Affiliates are conducted at arm's length terms and at prices no less favourable to Sun Art than those offered by independent third parties. In this respect,

- (a) The Group's procurement department has set up a committee whose responsibility is to collate, on a monthly basis, prices for the relevant services in order to ensure that the transactions under the 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement are conducted on normal commercial terms.

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- (b) The procurement department will also review, evaluate and approve the transaction price and fees payable to Alibaba Affiliates under the 2024 Delivery Services Master Purchase Agreements and 2024 Platform Services Master Purchase Agreements with reference to at least two rates quoted by other independent third party service providers of comparable services on a quarterly basis, in order to ensure that the fees under such agreements are conducted on normal commercial terms. They will review the transaction amount and compare the price and terms to rates quoted by other independent third party service providers before approval. Where it is impracticable to make reference to the rate of the service fees offered by independent third party service providers for comparable services, the Group will take into consideration the cooperative specifications, cost structure, market condition and development strategy in determining the rate for the fees payable by the Group with the view to ensure the terms of the agreements are in the best interest of the Group. Given the services fee rates are relatively stable, the management considered and we concur with them that the above-mentioned procedures to be conducted a quarterly basis are adequate.
- (c) The Group maintains a record of the costs of the relevant products and/or services and will add a markup on top of such cost to arrive at the bills. The applicable markup vary according to the different products and sales models and are determined according to factors including prevailing market prices and prices offered to independent customers to ensure that the pricing terms for each of the transactions under the such master supply agreement are no less favourable to the Group than those offered to comparable independent customers, and that the transactions are on normal commercial terms. The prevailing market prices and prices offered to independent customers are collected through regular online research on competitors' online platforms and market research carried out at the Group's stores.
- (d) For the 2024 Joint Marketing Services Master Supply Agreement, the respective managers and senior managers of the Group's procurement department responsible for such transactions will review and determine the marketing incentive amounts borne by the Alibaba Marketing Services Purchaser based on similar joint marketing programmes of the Group with independent third parties. If there are no similar programmes with independent third parties, the managers will make reference to the Group's historical cost structure and historical marketing discount programmes offered by the Group to its customers, and adjust service fees of the services under the 2024 Joint Marketing Services Master Supply Agreement if they deviate from a reasonable range of fee receivable based on the considerations set out above.
- (e) Company's operation departments are required to submit draft written agreements and materials to the legal department, including the estimated transaction amounts, nature of the connected transactions, analyses on fairness of the commercial terms and pricing with support of market research data or cost analysis, for approval prior to entering into such agreements. Furthermore, operation departments are also tasked to track actual transaction amounts and the use of the annual caps on a monthly basis.

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- (f) The Company's finance department will also review information on actual transactions conducted with relevant parties and corresponding transaction amounts under the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement, on a monthly basis. Updated information will also be provided to the Company's legal department, chief executive officer and the chief financial officer of the Company at the same time. The Company's legal department will also provide regular updates of connected transactions with transaction amounts to the board of Directors (including the independent non-executive Directors).
- (g) The Group's finance department will also monitor transaction amounts with Alibaba Affiliates on a monthly basis and from time to time. In the event the relevant annual cap amounts is likely to be exceeded as approved earlier, it will immediately notify the Board and shall agree with it the need to put forth any revised annual cap amount for that year and any subsequent year during the term of the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement. The Company will take prompt action to make necessary disclosure and obtain the Independent Shareholders' approval as required.
- (h) On a quarterly basis, the independent non-executive Directors will review the continuing connected transactions under the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement with a view to see whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.
- (i) Pursuant to the Listing Rules, the Company's external auditors will continue to review the connected transactions under each of the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

In terms of the transaction conducted under the 2024 Delivery Services Master Purchase Agreements, we have conducted a review of three sets of the underlying business contracts, internal price quotations, and approval records pertaining to such delivery services provided to different online platforms operated by Alibaba Affiliates (including, Ele.me 餓了麼 and Taoxianda 淘鮮達) and RT-Mart Fresh 大潤發優鮮 App operated by the Company for the year ended 31 March 2022 ("FY2022"), 31 March 2023 ("FY2023"), and the first nine months

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ended 31 December 2023 (“9M2024”). The abovementioned business contracts and relevant approval forms were (i) selected based on the significance of historical transaction during FY2022, FY2023 and 9M2024 (i.e., by identifying the top historical transaction amount occurred with the above mentioned online platforms for each respective year/period, as indicated in the full list of historical transactions for the delivery services obtained from the Company) and (ii) provided upon our request. We believe that the sampling size are relevant, comparable and sufficient for the purpose of comparison due to the following reasons: (i) the total coverage of the business contracts and relevant approval forms represented over 96%, 97% and 90% of the total transaction amount under delivery services with Alibaba Affiliates for FY2022, FY2023, and 9M2024, respectively; (ii) the internal price quotations and approval records clearly indicated the market price charged by three independent third-party service providers for the same category of services; namely, delivery charge rate per distance in corresponding tier of cities in the PRC. These quotes, in terms of platform scale and business nature and terms, are similar and comparable to those of the aforementioned platforms; and (iii) we are given to understand that the price quotations from independent third-party service providers were obtained during the same time period as those used to determine the price and terms with the aforementioned platforms. It is worth noting that some of these price lists are updated regularly. Furthermore, we obtained and reviewed four latest monthly transaction breakdown reports (i.e., October 2023 to January 2024) with the underlying financial raw data of all stores included. The data covered transactions from three of the aforementioned platforms, which represented approximately 29% of the total transaction amount under delivery services with Alibaba Affiliates for 9M2024, and the average delivery charges from these transactions aligned with the fee rates specified in the respective business contracts; while the average delivery fee rate from transactions in January 2024 remained stable.

In terms of the transactions conducted under the 2024 Platform Services Master Purchase Agreements, we have conducted a review of three sets of underlying business contracts, internal price quotations, and approval records pertaining to such platform services provided to different online platforms operated by Alibaba Affiliates, including, Ele.me 餓了麼, Taoxianda 淘鮮達 and Freshippo 盒馬鮮生 for FY2022, FY2023 and 9M2024. The abovementioned business contracts and relevant approval forms were (i) selected based on relevance of the transaction and the corresponding significance of historical transaction during FY2022, FY2023 and 9M2024 (i.e., by identifying the major online platforms that will continue to cooperate with the Company, and their respective historical transaction amount occurred for each respective year/period, as indicated in the full list of historical transactions for the platform service obtained from the Company) and (ii) provided upon our request. We believe that the sampling size are relevant, comparable and sufficient for the purpose of comparison due to the following reasons: (i) the coverage of the business contracts and relevant approval forms represented approximately 56%, 39% and 74% of the total transaction amount under platform services with Alibaba Affiliates for FY2022, FY2023, and 9M2024, respectively; (ii) the internal price quotations and approval records clearly indicated the fee charged by two independent third-party service providers for the same category of services, namely, providing platform-related technical and support services with a fixed fee rate charged per transaction. These quotes, in terms of platform scale and business nature and terms, are similar and comparable to those of the aforementioned platforms; and (iii) we are given to

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understand that the price quotations from independent third-party service providers were obtained during the same time period as those used to determine the price and terms with the aforementioned platforms. Furthermore, we obtained and reviewed 24 monthly transaction reports (i.e., January 2022 to December 2023) of all stores in the PRC and three random daily transaction reports with the underlying financial raw data of four stores from selected province in the past three months (i.e., November 2023 to January 2024) from Taoxianda 淘鮮達. We are given to understand that the actual platform charges from these transactions were similar to the pre-determined terms specified in the respective business contracts.

In terms of joint marketing services transactions, we have analyzed the historical Taoxianda 淘鮮達 sales transaction amount and the marketing services fee received by the Group from Alibaba Affiliates, the marketing services fee was charged based on the cost incurred and the cost sharing as agreed between the Group and Alibaba Affiliates from time to time. Such marketing services fee were in line with the market charge rate and within the range of fee rates charged to the other independent third parties' online platforms.

We also note in the Company's Annual Report for the year ended 31 March 2023, the Company's auditors, reported to the Company that, in respect of the continuing connected transactions with Alibaba Affiliates carried out during the year ended 31 March 2023, nothing has come to their attention that caused them to believe:

- (a) the continuing connected transactions have not been approved by the Board;
- (b) the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (c) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (d) the aggregated continuing connected transactions had exceeded the annual cap disclosed in the announcements made by the Company for the year ended 31 March 2023.

Accordingly, we are of the view that the Group's historical transactions with Alibaba Affiliates were fair and reasonable and in the best interest of the Company and Shareholders as a whole. Furthermore, the management has also provided us with an extract of the Group's internal policies in relation to the internal control measures as to the relevant connected transaction concerned. It is noted that there is no change to the internal control procedures adopted by the Group for the connected transactions under 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement.

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Having obtained and reviewed the relevant internal policies, and considered that the Group's measures to ensure that the transactions under the 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement are conducted under the terms similar to, or more favourable than, those agreed between the Group and other independent third parties, we are of the view that effective implementation of the internal control measures will help to ensure fair pricing of the transactions between the Group and Alibaba Affiliates going forward.

For the purpose of evaluating the effectiveness of internal control measures in place to monitor continuing connected transactions contemplated under the 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement, we have reviewed the internal control procedures of the relevant transactions contemplated under each of the 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement, and obtained the relevant walk-through documents including, amongst others, the services agreements, the internal approvals records and the daily finance records of the actual transaction amounts incurred. Based on our review, we note that (i) prior to the entering of the services agreements, they were first submitted by the procurement department or business operation department and subsequently reviewed and approved by the legal department and finance department in respect of the contractual terms; and (ii) subsequent to the entering of the services agreements, the finance department and legal department of the Group monitor the transactions contemplated under the services agreements on monthly basis and check whether the transactions were conducted according to the pricing policies and whether relevant annual caps are not exceeded. In view of the above, the management confirmed and we concur with the management's view that appropriate measures are in place to govern the conduct of the continuing connected transaction and safeguard the interests of the Shareholders.

Having reviewed the relevant pricing policies, methods and procedures, we consider that the pricing policy and relevant internal controls can ensure that each of the 2024 Delivery Services Master Purchase Agreements, the 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement will be conducted on normal commercial terms, are fair and reasonable and not prejudicial to the interest of the Company and its Shareholders as a whole.

We consider that the Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the Annual Caps of the transactions contemplated under the 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the 2024 Platform Services Master Purchase Agreements, 2024 Delivery Services Master Purchase Agreements, and 2024 Joint Marketing Services Master Supply Agreement with Alibaba Affiliates including the transactions thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms, and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the amount and basis for determining the proposed annual caps relating to the sale of marketing-related services by the Group to the Alibaba Affiliates under the 2024 Joint Marketing Services Master Supply Agreement and that for determining the proposed annual caps relating to the purchase of delivery-and warehouse-related and platform-related services provided by Alibaba Affiliates to the Group under the 2024 Delivery Services Master Purchase Agreements and 2024 Platform Services Master Purchase Agreements respectively are fair and reasonable.

Consequently, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the 2024 Delivery Services Master Purchase Agreements, 2024 Platform Services Master Purchase Agreements and the 2024 Joint Marketing Services Master Supply Agreement and their respective proposed cap amounts thereunder at the upcoming EGM.

Yours faithfully

For and on behalf of

Alliance Capital Partners Limited

Danielle Yau

Vice President

SFC CE No. BFW878

David Tsang

Responsible Officer

SFC CE No. ACH258

1. 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 Group. 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.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Positions in Shares and underlying Shares of the Company:

Name of director/ chief executive	Nature of interest	Total interest in Shares ⁽¹⁾	Approximate percentage of the Company's Share capital
HUANG Ming-Tuan	Interest of spouse ⁽²⁾	68,334,202 (L)	0.71%
LIN Xiaohai	Beneficial owner and Equity derivative interests ⁽³⁾	40,000,000 (L)	0.42%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 66,782,964 Shares through Unique Grand Trading Limited and 1,551,238 Shares under her name as at the Latest Practicable Date. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the Shares held by Ms. LEE Chih-Lan.
- (3) The equity derivatives were shares underlying the options granted in accordance with the share option scheme of the Company adopted on 16 August 2023.

Positions in shares and underlying shares of Alibaba Holding⁽¹⁾, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of director/ chief executive	Nature of interest	Number of Shares/underlying Shares held⁽²⁾	Approximate percentage of the issued share of associated corporation⁽⁴⁾
LIN Xiaohai	Beneficial owner	479,008 (L) ⁽³⁾	0.00%
HAN Liu	Beneficial owner	176,896 (L) ⁽⁴⁾	0.00%
LIU Peng	Beneficial owner	338,200 (L) ⁽⁵⁾	0.00%
Charles Sheung Wai CHAN	Beneficial owner	13,128 (L)	0.00%

Notes:

- (1) Alibaba Holding is a company incorporated in the Cayman Islands with its American depositary shares (“ADS”), 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 (HKD Counter) and 89988 (RMB Counter). Taobao China is a company incorporated in Hong Kong and a wholly-owned subsidiary of Alibaba Holding, therefore Alibaba Holding is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO. Alibaba Holding is also holding company (as defined in the SFO) of the Company and is therefore an associated corporation (as defined in the SFO) of the Company. Alibaba Holding and its Affiliates are entitled to exercise control over the voting right in respect of the 7,507,666,581 Shares, representing approximately 78.70% of the total issued Shares of the Company by virtue of Part XV of the SFO.
- (2) The letter “L” denotes the person’s long position in the shares.
- (3) Mr. LIN Xiaohai beneficially held 284,008 ordinary shares and subject to vesting, is interested in 195,000 ordinary shares underlying 24,375 restricted share units (“RSU”) granted to him in accordance with the share award scheme.
- (4) Mr. HAN Liu beneficially held 102,896 ordinary shares and subject to vesting, is interested in 74,000 ordinary shares underlying 9,250 RSU granted to him in accordance with the share award scheme.
- (5) Subjected to vesting, Mr. LIU Peng is interested in 338,200 ordinary shares underlying 42,275 RSU granted to him in accordance with the share award scheme.
- (6) The share capital of Alibaba Holding as at the Latest Practicable Date was 19,989,106,016.

Save as disclosed above, as far as known to any Directors, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange and to be disclosed under the Takeovers Code.

As at the Latest Practicable Date:

- (a) Mr. HAN Liu was the senior vice president of Ele Me and the president of Fengniao Logistic (蜂鳥即配) of Alibaba Holding.
- (b) Mr. LIU Peng was president of Brand Development Centre of Taobao and Tmall Group of Alibaba Holding and a director in certain companies within the Alibaba Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares, underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company and based on 9,539,704,700 ordinary Shares in issue as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had an interest or short position in the Shares and underlying Shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Nature of interest	Number and class of shares ⁽¹⁾	Approximate percentage of shareholding
A-RT Retail Holdings Limited (“A-RT”) ⁽²⁾	Beneficial owner	4,419,731,966 (L) ⁽⁷⁾	46.33%
Taobao China ⁽³⁾	Interest in a controlled corporation	4,419,731,966 (L) ⁽⁷⁾	46.33%
Taobao China ⁽³⁾	Beneficial owner	2,607,565,384 (L)	27.33%
Taobao Holding Limited (“Taobao Holding”) ⁽⁴⁾	Interest in a controlled corporation	7,027,297,350 (L)	73.66%
New Retail Strategic Opportunities Investments 1 Limited (“New Retail”) ⁽⁵⁾	Beneficial owner	480,369,231 (L) ⁽⁸⁾	5.04%
New Retail Strategic Opportunities Fund, L.P. ⁽⁵⁾	Interest in a controlled corporation	480,369,231 (L) ⁽⁸⁾	5.04%
New Retail Strategic Opportunities Fund GP, L.P. ⁽⁵⁾	Interest in a controlled corporation	480,369,231 (L) ⁽⁸⁾	5.04%

Name of substantial shareholder	Nature of interest	Number and class of shares ⁽¹⁾	Approximate percentage of shareholding
New Retail Strategic Opportunities GP Limited ⁽⁵⁾	Interest in a controlled corporation	480,369,231 (L) ⁽⁸⁾	5.04%
Alibaba Investment Limited ⁽⁵⁾	Interest in a controlled corporation	480,369,231 (L) ⁽⁸⁾	5.04%
Alibaba Holding ⁽⁶⁾	Interest in a controlled corporation	7,507,666,581 (L)	78.70%

Notes:

- The letter “L” denotes a long position in the shares.
- A-RT is directly owned by Taobao China as to 100% interest, therefore Taobao China is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.
- Taobao China is a company incorporated in Hong Kong with limited liability, and is directly wholly-owned by Taobao Holding, which is in turn owned by Alibaba Holding. As at the Latest Practicable Date, Taobao Holding held an aggregated long interest of 73.66% in the Company, of which Taobao China directly held 2,607,565,384 shares, constituting 27.33% interest in the Company.
- Taobao Holding is a company incorporated in Cayman Islands, which is wholly-owned by Alibaba Holding. Taobao China is wholly-owned by Taobao Holding, therefore Taobao Holding is deemed to be interested in all the shares in which Taobao China is interested in by virtue of Part XV of the SFO.
- New Retail Strategic Opportunities GP Limited is the general partner of New Retail Strategic Opportunities Fund GP, L.P., which in turn is the general partner of New Retail Strategic Opportunities Fund, L.P. New Retail is an investment vehicle wholly-owned by New Retail Strategic Opportunities Fund, L.P. Therefore, New Retail Strategic Opportunities GP Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO. New Retail Strategic Opportunities GP Limited is directly wholly-owned by Alibaba Investment Limited (which in turn is directly wholly-owned by Alibaba Holding). Therefore, Alibaba Investment Limited is deemed to be interested in all the shares in which New Retail is interested by virtue of Part XV of the SFO.
- Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares and ordinary shares are listed on the New York Stock Exchange and the Stock Exchange, respectively. Each of Taobao Holding and Alibaba Investment Limited is directly wholly-owned by Alibaba Holding, therefore Alibaba Holding is deemed to be interested in all the shares in which Taobao China and New Retail are interested in by virtue of Part XV of the SFO.
- Such 4,419,731,966 shares belong to the same batch of shares.
- Such 480,369,231 shares belong to the same batch of shares.

Save as disclosed above, as at the Latest Practicable Date, there was no other person so far as is known to the Directors and chief executives of the Company (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. LITIGATION

As at the Latest Practicable Date, as far as the Directors were aware, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) had any interests in a business which competes or is likely to compete, either directly or indirectly with the business of the Group.

7. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2023 (being the date of the latest published audited financial statements of the Company).

8. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, being the date of the latest published audited financial statements of the Group.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice, which is contained or referred to in this circular:

Name	Qualification
Alliance Capital Partners Limited	a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, Alliance Capital has given and confirmed that it has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Alliance Capital did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities which carry voting rights in any member of the Group.

As at the Latest Practicable Date, Alliance Capital did not have any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.sunartretail.com) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (i) the 2024 Delivery Services Master Purchase Agreements, the 2024 Joint Marketing Services Master Supply Agreement and the 2024 Platform Services Master Purchase Agreements;

- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (iii) the letter from Alliance Capital, the text of which is set out in this circular;
- (iv) the written consent from Alliance Capital referred to in the section headed “Expert and Consent” in this appendix; and
- (v) this circular.

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of Sun Art Retail Group Limited (the “Company”) will be held at 24/F., Admiralty Centre 1, 18 Harcourt Road, Admiralty, Hong Kong on Tuesday, 26 March 2024 at 11:15 a.m. to consider and, if thought fit, passing, with or without modifications, the following resolutions. Unless otherwise defined, capitalised terms defined in the circular dated 8 March 2024 shall have the same meanings when used in this notice.

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the form and substance of the 2024 Delivery Services Master Purchase Agreements dated 25 January 2024 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;
- (b) the proposed annual caps for the transactions contemplated under the category of purchase of delivery- and warehouse-related services by the Group from the Alibaba Affiliates for the years ending 31 March 2025, 31 March 2026 and 31 March 2027 be and are hereby approved, confirmed and ratified;
- (c) any one Director of the Company be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds, instruments (including affixing the common seal of the Company thereon) and take all such steps and execute such other documents as the Director in his or her opinion and absolute direction may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with (a) and (b) above.”

2. **“THAT**

- (a) the form and substance of the 2024 Joint Marketing Services Master Supply Agreement dated 25 January 2024 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;

NOTICE OF EGM

- (b) the proposed annual caps for the transactions contemplated under the category of supply of marketing-related services by the Group to the Alibaba Affiliates for the years ending 31 March 2025, 31 March 2026 and 31 March 2027 be and are hereby approved, confirmed and ratified;
- (c) any one Director of the Company be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds, instruments (including affixing the common seal of the Company thereon) and take all such steps and execute such other documents as the Director in his or her opinion and absolute direction may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with (a) and (b) above.”
3. **“THAT**
- (a) the form and substance of the 2024 Platform Services Master Purchase Agreements dated 25 January 2024 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;
- (b) the proposed annual caps for the transactions contemplated under the category of purchase of platform-related services by the Group from the Alibaba Affiliates for the years ending 31 March 2025, 31 March 2026 and 31 March 2027 be and are hereby approved, confirmed and ratified;
- (c) any one Director of the Company be and is hereby authorised to do all such acts and things and execute and deliver all such documents, deeds, instruments (including affixing the common seal of the Company thereon) and take all such steps and execute such other documents as the Director in his or her opinion and absolute direction may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with (a) and (b) above.”

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

Hong Kong, 8 March 2024

Registered office:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

NOTICE OF EGM

Notes:

1. All resolutions 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 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 11:15 a.m. on Sunday, 24 March 2024 (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. Please note that Sunday, 24 March 2024 is a public holiday in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on that day for physical delivery of the proxy form. To be effective, all proxy appointments must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.
4. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Monday, 25 March 2024 to Tuesday, 26 March 2024, both dates inclusive, during which period no transfer of shares 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 share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 March 2024.
5. A circular containing further details concerning items 1 to 3 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 Tuesday, 26 March 2024 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 at 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.

As at the date of this notice, 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