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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)

CONTINUING CONNECTED TRANSACTION 2024 EBC REIMBURSEMENT FRAMEWORK AGREEMENT

BACKGROUND

The Board announces that on 28 March 2024, the Company and Alibaba Holding entered into the 2024 EBC Reimbursement Framework Agreement for a term commencing from 1 April 2024 and ending on 31 March 2027. Pursuant to the 2024 EBC Reimbursement Framework Agreement, Alibaba Holding may allocate to the Company, and the Company may allocate to Alibaba Holding, the EBC costs associated with the relevant unvested awards held by any grantees (whose employment is transferred to the Group or Alibaba Holding, as the case may be) and each party may reimburse the other party the amount in respect of the relevant vested awards.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Alibaba Holding is the ultimate shareholder of Taobao China, which is a substantial shareholder and a connected person of the Company holding directly approximately 27.33 % and holding indirectly approximately 46.33% of the issued share capital of the Company. Alibaba Holding is therefore also a connected person of the Company. The transactions contemplated under the 2024 EBC Reimbursement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios calculated with reference to the annual caps of the 2024 EBC Reimbursement Framework Agreement are more than 0.1% but less than 5%, the entering into of the 2024 EBC Reimbursement Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 28 March 2024, the Company and Alibaba Holding entered into the 2024 EBC Reimbursement Framework Agreement for a term commencing from 1 April 2024 and ending on 31 March 2027.

PRINCIPAL TERMS OF THE 2024 EBC REIMBURSEMENT FRAMEWORK AGREEMENT

Date	:	28 March 2024
Parties	:	(1) the Company (2) Alibaba Holding
Term	:	1 April 2024 to 31 March 2027 (both dates inclusive)
Nature of transaction	:	Pursuant to the 2024 EBC Reimbursement Framework Agreement, in the event that: (1) (i) the Group grants the Group Awards to any of its employees, and (ii) the employment of such employee is transferred from the Group to Alibaba Holding, the Company may allocate the EBC costs associated with those unvested Group Awards to Alibaba Holding and Alibaba Holding may reimburse the Company the amount in respect of the relevant vested Group Awards; and/or (2) (i) Alibaba Holding grants the AGH Awards to any of its employees, and (ii) the employment of such employee is transferred to the Group, Alibaba Holding may allocate the EBC costs associated with those unvested AGH Awards to the Company and the Company may reimburse Alibaba Holding the amount in respect of the relevant vested AGH Awards.
Amount payable and payment terms	:	Any Group Entity and Alibaba Holding may, subject to the annual caps, from time to time enter into the Definitive Agreements to set out the detailed terms (including the amount of reimbursement, payment terms and the settlement method) of the transactions contemplated under the 2024 EBC Reimbursement Framework Agreement. The terms of the Definitive Agreements will be negotiated on an arm's length basis between the parties. The amount which Alibaba Holding or the Company may allocate and/or settle under the 2024 EBC Reimbursement Framework Agreement (as the case may be) is determined with reference to, among other things: (1) the terms of recent transactions of a similar size and nature acceptable to the Group;

- (2) current market practice;
- (3) number of the relevant awards (whether vested or unvested);
- (4) number of the relevant grantees;
- (5) the period in which the employment is transferred; and
- (6) the fair market value of the relevant awards as at the grant date or the transfer date, to be reasonably determined by the parties.

ANNUAL CAPS, HISTORICAL TRANSACTION AMOUNTS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The annual cap for the transaction amount associated with the AGH Awards under the 2024 EBC Reimbursement Framework Agreement for each of the years ending 31 March 2025, 2026 and 2027 is RMB20 million and is determined with reference to (i) the historical EBC costs associated with the vested AGH Awards during the period from 1 April 2023 to 29 February 2024 in the amount of RMB19.54 million (unaudited) and no EBC costs associated with the vested AGH Awards were recognized for years ended 31 March 2022 and 2023; (ii) the number of grantees transferred and expected to be transferred from Alibaba Holding to the Group; (iii) the period in which the employment is transferred; and (iv) the total number and the fair market value of the relevant AGH Awards.

The annual cap for the transaction amount associated with the Group Awards under the 2024 EBC Reimbursement Framework Agreement for each of the years ending 31 March 2025, 2026 and 2027 is RMB5 million and is determined with reference to: (i) the fact that no grantees were transferred from the Group to Alibaba Holding and therefore no EBC costs associated with the vested Group Awards were recognized for the years ended 31 March 2022, 2023 and 2024; (ii) the number of grantees expected to be transferred from the Group to Alibaba Holding; (iii) the period in which the employment is transferred; and (iv) the total number and the fair market value of the relevant Group Awards.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 EBC REIMBURSEMENT FRAMEWORK AGREEMENT

Each of Alibaba Holding and the Company is committed to providing their employees with a nurturing work environment that supports personal growth and therefore allows internal transfers between the Group and Alibaba Holding. As equity-based awards are vital to attract, incentivize and retain those employees, each of them intends to introduce the arrangement contemplated under the 2024 EBC Reimbursement Framework Agreement allowing the grantees to retain their awards after the internal transfers and allocating their EBC costs to the relevant entity to which such grantee has joined.

In light of the above, the Directors (including the independent non-executive Directors) consider that although the transactions contemplated under the 2024 EBC Reimbursement Framework Agreement are not in the ordinary and usual course of business of the Group, the transactions contemplated thereunder have been negotiated on arm's length basis, on normal commercial terms, and are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Alibaba Holding is the ultimate shareholder of Taobao China, which is a substantial shareholder and a connected person of the Company holding directly approximately 27.33% and holding indirectly approximately 46.33% of the issued share capital of the Company. Alibaba Holding is therefore also a connected person of the Company. The transactions contemplated under the 2024 EBC Reimbursement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios calculated with reference to the annual caps of the 2024 EBC Reimbursement Framework Agreement are more than 0.1% but less than 5%, the entering into of the 2024 EBC Reimbursement Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As of the date of this announcement, Mr. HAN Liu is the senior vice president of Ele.me 餓了麼 and the president of Fengniao Logistic (蜂鳥即配) of Alibaba Holding and Mr. LIU Peng is the president of Brand Development Centre of Taobao and Tmall Group of Alibaba Holding. For good corporate governance, each of Mr. HAN Liu and Mr. LIU Peng has voluntarily abstained from voting on the relevant board resolution in connection with the entering into of the 2024 EBC Reimbursement Framework Agreement and the annual caps.

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 2024 EBC Reimbursement Framework Agreement and the transactions contemplated thereunder for which they would be required to abstain from voting on the relevant board resolution approving the 2024 EBC Reimbursement Framework Agreement and the annual caps.

INFORMATION ABOUT THE PARTIES

The Group

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

Alibaba Holding

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.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“2024 EBC Reimbursement Framework Agreement”	the framework agreement dated 28 March 2024 entered into between the Company and Alibaba Holding relating to EBC cost allocation and reimbursement
“AGH Awards”	restricted share units, options or any other equity incentive awards of Alibaba Holding pursuant to its equity incentive plans and/or any other EBC plans
“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))
“Alibaba Group”	Alibaba Holding and its associates
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Company”	Sun Art Retail Group Limited (高鑫零售有限公司), a company incorporated under the laws of Hong Kong on 13 December 2000 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Definitive Agreement(s)”	invoice(s), receipt(s) or any other definitive agreement(s)
“Director(s)”	the director(s) of the Company
“EBC”	equity-based compensation
“Group”	the Company, its subsidiaries (each, a “Group Entity”) and associates
“Group Awards”	awarded shares, options or any other equity incentive awards of the Group pursuant to its share award scheme(s), share option scheme(s) and any other EBC plans
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, Macao and Taiwan
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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

By Order of the Board
Sun Art Retail Group Limited
HUANG Ming-Tuan
Chairman of the Board

Hong Kong, 28 March 2024

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

Executive Director:

SHEN Hui (*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