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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)

CONNECTED TRANSACTION PROPERTY LEASE AGREEMENT

BACKGROUND

On 28 March 2024, Qingdao Chuanyun Wulianwang (as lessor) entered into the Property Lease Agreement with Qingdao RT-Mart Warehouse (as lessee), a wholly-owned subsidiary of the Company, in respect of the lease of the Premises commencing from 1 April 2024 to 30 June 2027. The Premises will be used for conducting external business projects of the Group.

IMPLICATIONS UNDER THE LISTING RULES

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% of the total Shares as at the date of this announcement and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Taobao China is an indirect subsidiary of Alibaba Holding. Alibaba Holding is therefore also a connected person of the Company under the Listing Rules.

As of the date of this announcement, the lessor, Qingdao Chuanyun Wulianwang is an indirect subsidiary of Alibaba Holding, Qingdao Chuanyun Wulianwang is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Property Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, on the basis of the estimated value of the right-of-use asset in the amount of approximately RMB13.35 million, exceed 0.1% but less than 5%, the transaction under the Property Lease Agreement is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

INTRODUCTION

On 28 March 2024, Qingdao Chuanyun Wulianwang (as lessor) entered into the Property Lease agreement with Qingdao RT-Mart Warehouse (as lessee), a wholly-owned subsidiary of the Company, in respect of the lease of the Premises for a fixed term of 39 months commencing from 1 April 2024 to 30 June 2027.

PRINCIPAL TERMS OF THE PROPERTY LEASE AGREEMENT

Date	28 March 2024
Parties	(1) Qingdao Chuanyun Wulianwang, as lessor; and (2) Qingdao RT-Mart Warehouse, as lessee
Premises	Warehouse No. 6. No. 1998, Qingwei Road, Daxin Town, Jimo District, Qingdao City, Shandong Province, People's Republic of China (中華人民共和國山東省青島市即墨區大信鎮青威路1998號, 6號庫), with gross floor area of 15,208 square metres
Usage	To conduct external business projects of the Group, including fresh products handling, packaging, distribution, storage, transportation and transportation auxiliary services
Term	a fixed term of 39 months commencing from 1 April 2024 to 30 June 2027 (both days inclusive)
Total consideration and security deposit	The total consideration payable under the fixed term of the Property Lease Agreement amount to approximately RMB14.43 million (excluding tax and any other expenses), with a security deposit amounting to approximately RMB1.11 million, which will be satisfied by the Group's internal resources
Payment terms	Qingdao RT-Mart Warehouse shall pay Qingdao Chuanyun Wulianwang an amount equivalent to three (3) months of rent and property management fees (tax inclusive) as security deposit and an additional amount equivalent to three (3) months of rent and property management fees (tax inclusive) in advance. The rent and property management fees shall be paid in advance on a quarterly basis

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

In accordance with the IFRS 16 applicable to the Group, the Group will recognise the consideration to be paid by the Group under the Property Lease Agreement as acquisition of right-of-use asset in its consolidated statement of financial position which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The value of the right-of-use asset under the Property Lease Agreement is estimated to be approximately RMB13.35 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASE AGREEMENT

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

INFORMATION OF THE PARTIES INVOLVED

The Group

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

The Lessor of the Property Lease Agreement

Qingdao Chuanyun Wulianwang is a company incorporated under the laws of PRC and is principally engaged in the Internet of Thing related business, provision of warehousing, logistics, leasing and property management services. As of the date of this announcement, the lessor, Qingdao Chuanyun Wulianwang, is an indirect subsidiary of Alibaba Holding.

The Lessee of the Property Lease Agreement

Qingdao RT-Mart Warehouse is a limited liability company incorporated under the laws of PRC and a wholly-owned subsidiary of the Company and is principally engaged in the operation and provision of warehousing and logistics services.

IMPLICATIONS UNDER THE LISTING RULES

Taobao China directly holds approximately 27.33% and indirectly holds approximately 46.33% of the total Shares as at the date of this announcement and is therefore a substantial shareholder and a connected person of the Company under the Listing Rules. Taobao China is an indirect wholly-owned subsidiary of Alibaba Holding. Alibaba Holding is therefore also a connected person of the Company under the Listing Rules. As of the date of this announcement, the lessor, Qingdao Chuanyun Wulianwang, is an indirect subsidiary of Alibaba Holding and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Property Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

As of the date of this announcement, Mr. Han Liu is the 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 had voluntarily abstained from voting on the relevant board resolution in connection with entering into of the Property Lease Agreement. The Directors (including the independent non-executive Directors) consider that the terms of the Property Lease Agreement were arrived upon arm's length negotiation between Qingdao Chuanyun Wulianwang and Qingdao RT-Mart Warehouse and in the ordinary and usual course of business of the Company; and have been entered into on normal commercial terms and the terms thereof are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988 (HKD counter) and 89988 (RMB counter))
“Board”	the board of Directors
“Company”	Sun Art Retail Group Limited (高鑫零售有限公司), a company incorporated under the laws of Hong Kong on 13 December 2000 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standard(s) issued by the International Accounting Standards Board from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, Macao and Taiwan
“Premise”	Warehouse No. 6. No. 1998, Qingwei Road, Daxin Town, Jimo District, Qingdao City, Shandong Province, People’s Republic of China, with gross floor area of 15,208 square metres
“Property Lease Agreement”	the property lease agreement entered into between Qingdao Chuanyun Wulianwang (as lessor) and Qingdao RT-Mart Warehouse (as lessee) dated 28 March 2024
“Qingdao Chuanyun Wulianwang”	Qingdao Chuanyun Wulianwang Technology Co., Ltd.* (青島傳雲物聯網科技有限公司), a limited liability company incorporated in the PRC which is a connected person of the Company

“Qingdao RT-Mart Warehouse”	Qingdao RT-Mart Warehouse Co., Ltd.* (青島大潤發倉儲有限公司, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	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 an indirect wholly-owned subsidiary of Alibaba Holding
“%”	per cent.

* *For identification purposes only*

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