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SUN ART

Retail Group Limited

PARAGON SHINE LIMITED

*(incorporated in the Cayman Islands
with limited liability)*

SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

*(Incorporated in Hong Kong with limited
liability)*
(Stock Code: 6808)

**(1) SALE AND PURCHASE AGREEMENT;
(2) POSSIBLE MANDATORY UNCONDITIONAL
CASH OFFERS FOR SUN ART RETAIL GROUP LIMITED;
AND
(3) POSSIBLE COMPULSORY ACQUISITION
AND WITHDRAWAL OF LISTING**

**Lead Financial Adviser
to Offeror**



**Joint Financial Adviser
to Offeror**



**Financial Adviser to Alibaba
Group Holding Limited**



SALE AND PURCHASE AGREEMENT

On December 31, 2024, the Offeror entered into the SPA with the Sellers for the conditional sale and purchase of 7,507,666,581 Shares (namely the Sale Shares, representing approximately 78.70% of the Shares in issue as at the date of this joint announcement) at a total consideration of HK\$10,360,579,882, equivalent to HK\$1.38 per Sale Share, together with the Interest, which shall be payable in the following manner:

- (a) a sum of HK\$6,907,053,255, equivalent to the SPA First Payment Price of HK\$0.92 per Sale Share, shall be paid by the Offeror to the Sellers in cash upon the SPA Completion, provided that the amount of the SPA First Payment Price payable by the Offeror shall be reduced by the aggregate amount of any dividends or other distributions (except for the 2024 Interim Dividend of HK\$0.17 per Share) distributed by the Company to the Sellers after the date of the SPA up to the SPA Completion Date and the stamp duty payable by the Sellers with respect to the transfer of the Sale Shares; and
- (b) the balance of HK\$3,453,526,627, equivalent to the SPA Second Payment Price of HK\$0.46 per Sale Share, shall be deferred and paid by the Offeror to the Sellers, together with the Base Interest accruing on the SPA Second Payment Price from the SPA Completion Date until the date on which the SPA Second Payment Price is paid and the Variable Interest, in cash on the applicable SPA Second Payment Date.

For the avoidance of doubt, SPA Completion occurs on the settlement of the SPA First Payment and is not subject to the SPA Second Payment having been paid.

TERMINATION OF FURTHER DISCUSSIONS WITH ANOTHER POTENTIAL OFFEROR

As advised by the Sellers, the Sellers have ceased further discussions with Another Potential Offeror in relation to any possible offer for the Company to be made by Another Potential Offeror.

THE OFFERS

Upon the SPA Completion, the Offeror will, pursuant to Rule 26.1 of the Takeovers Code, make a mandatory cash offer for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties. The Offeror will also make an offer to the Optionholders in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Options.

The Share Offer

Upon the SPA Completion, the Offeror Financial Advisers will, for and on behalf of the Offeror, make the Share Offer to Offer Shareholders for all Offer Shares on the following basis:

- (a) **Full Upfront Settlement Alternative** the Offer Shareholders will receive full payment of the Full Upfront Alternative Price of HK\$1.38 per Offer Share in cash no later than seven (7) Business Days from the date of acceptance; *or*
- (b) **Partial Deferred Settlement Alternative** the Offer Shareholders will be entitled to receive the following consideration:
 - (i) the Partial Deferred Alternative First Payment Price of HK\$0.92 per Offer Share in cash no later than seven (7) Business Days from the date of acceptance; and
 - (ii) the Partial Deferred Alternative Second Payment Price of HK\$0.46 per Offer Share, together with the Base Interest accruing on the Partial Deferred Alternative Second Payment Price from the Final Closing Date until the date on which the Partial Deferred Alternative Second Payment Price is paid and the Variable Interest, in cash on the applicable Partial Deferred Alternative Second Payment Date.

Offer Shareholders who validly accept the Share Offer but make no or an invalid election on the settlement alternative for the Share Offer will be deemed to have elected the Full Upfront Settlement Alternative. **The Partial Deferred Settlement Alternative is only available to Offer Shareholders who hold all of their Offer Shares as registered holders.**

If, after the date of this joint announcement and up to the close of the Offers, any dividend or other distribution other than the 2024 Interim Dividend is made or paid to the Offer Shareholders (and not the Offeror) in respect of the Offer Shares, the Offeror will reduce the Share Offer Total Payment by all or any part of the amount or value of such dividend or other distribution (as the case may be), and the Option Offer Consideration shall be reduced accordingly.

The Option Offer

Upon the SPA Completion, the Offeror Financial Advisers will, for and on behalf of the Offeror, make appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in exchange for cash on the following terms:

(a) *In respect of Options with an exercise price of HK\$1.54:*

For cancellation of each such Option **HK\$0.0001 in cash**

(b) *In respect of Options with an exercise price of HK\$2.18:*

For cancellation of each such Option **HK\$0.0001 in cash**

Optionholders should note that the Board has confirmed that it intends to exercise its discretion as provided under the rules of the Share Option Scheme such that none of the outstanding unvested Options will become fully vested and exercisable solely by reason of the Offers.

VALUE OF THE OFFERS

As at the date of this joint announcement, there are 9,539,704,700 Shares in issue and 45,000,000 outstanding Options.

Based on the maximum aggregate consideration payable by the Offeror under the Offers and the assumptions that (a) no further Options are granted and there are no other changes to the share capital of the Company except that all the 2025 Vested Options are exercised before they lapse prior to the close of the Offers, and (b) all Shares issued on the exercise of the 2025 Vested Options are tendered for acceptance and the holder of those Shares have validly elected the Partial Deferred Settlement Alternative, the maximum consideration payable under the Offers is approximately HK\$3,236,298,104.

POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

If the Offeror acquires not less than 90% of the Offer Shares and not less than 90% of the Independent Shares within, but not exceeding, the Compulsory Acquisition Entitlement Period, the Offeror intends to privatize the Company by exercising the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and the Companies Ordinance to compulsorily acquire all those Shares not acquired by the Offeror under the Share Offer.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document with the offeree board circular from the Company into the Composite Document. The Composite Document setting out, inter alia, (i) details of the Offers (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders and the Optionholders; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, together with the relevant forms of acceptance and transfer, is normally required to be despatched to the Shareholders and the Optionholders no later than 21 days of the date of this joint announcement or such later date as the Executive may approve.

As the making of the Offers by the Offeror is conditional upon SPA Completion, pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Offeror will make an application to the Executive under Note 2 to Rule 8.2 of the Takeovers Code for consent to extend the deadline for the despatch of the Composite Document to a date falling no later than seven days after the SPA Completion or such other date as the Executive may approve. The expected timetable for the Offers will be set out in the Composite Document.

Further announcement(s) regarding the despatch of the Composite Document will be made by the Offeror and the Company as and when appropriate.

SALE AND PURCHASE AGREEMENT

On December 31, 2024, the Offeror entered into the SPA with the Sellers, pursuant to which the Offeror has conditionally agreed to purchase (by itself and/or through an entity/entities which is/are wholly owned by the Parent), and the Sellers have conditionally agreed to sell, the Sale Shares.

The principal terms of the SPA are set out as follows:

Date

December 31, 2024

Parties

- (1) Sellers: A-RT Retail Holdings Limited, Taobao China Holding Limited, and New Retail Strategic Opportunities Investments 1 Limited
- (2) Purchaser: the Offeror

The Sale Shares

The Sale Shares comprise a total of 7,507,666,581 Shares, representing approximately 78.70% of the entire issued share capital of the Company as at the date of this joint announcement.

Consideration for the Sale Shares

Pursuant to the SPA, the Sellers are entitled to receive HK\$10,360,579,882, equivalent to HK\$1.38 per Sale Share, in the following manner:

- (a) a sum of HK\$6,907,053,255, equivalent to the SPA First Payment Price of HK\$0.92 per Sale Share, shall be paid by the Offeror to the Sellers in cash upon the SPA Completion, provided that the amount of the SPA First Payment Price payable by the Offeror shall be reduced by the aggregate amount of any dividends or other distributions (except for the 2024 Interim Dividend of HK\$0.17 per Share) distributed by the Company to Sellers after the date of the SPA up to the SPA Completion Date and the stamp duty payable by the Sellers with respect to the transfer of the Sale Shares; and
- (b) the balance of HK\$3,453,526,627, equivalent to the SPA Second Payment Price of HK\$0.46 per Sale Share, shall be deferred and paid by the Offeror to the Sellers, together with the Base Interest accruing on the SPA Second Payment Price from the SPA Completion Date until the date on which the SPA Second Payment Price is paid and the Variable Interest, in cash on the applicable SPA Second Payment Date.

For the avoidance of doubt, SPA Completion occurs on the settlement of the SPA First Payment and is not subject to the SPA Second Payment having been paid. The Sellers acknowledge that the sufficiency of financial resources for the Offeror's settlement of the SPA Second Payment does not need to be, and will not be, subject to the confirmation of financial resources sufficiency to be provided to the Executive pursuant to Note 3 to Rule 3.5 of the Takeovers Code and paragraph 11 of Schedule I to the Code on Takeovers and Mergers and Share Buy-backs. The SPA First Payment Price of HK\$0.92 per Sale Share has taken into account the receipt of the 2024 Interim Dividend by the Sellers.

Adjustment of the Adjusted EBITDA Low Limit and Adjusted EBITDA High Limit

In the event of occurrence of any EBITDA Limit Adjustment Event, the Sellers and the Offeror shall, within one month after March 31, 2028, discuss in good faith with a view to agreeing on any reasonable adjustments that may need to be made to the Adjusted EBITDA Low Limit and the Adjusted EBITDA High Limit as a result of each EBITDA Limit Adjustment Event, having regard to the following factors: (i) the Target Adjusted EBITDA of that EBITDA Limit Adjustment Event; and (ii) the gain or loss to be recognized by the Group as a result of that EBITDA Limit Adjustment Event for the two financial years ending March 31, 2027 and March 31, 2028.

Conditions to the SPA

SPA Completion is conditional on the following conditions being satisfied or waived in accordance with the SPA:

- (a) the merger control filing with SAMR with respect to the transactions contemplated under the SPA having been completed, and (i) the approval by SAMR with respect to such merger control filing having been duly obtained, or (ii) the relevant waiting periods (or any extensions thereof) having expired, lapsed or been terminated (as appropriate) with no objection having been received from SAMR;
- (b) the Shares remaining listed and traded on the Stock Exchange as of the SPA Completion Date, save for any temporary suspension(s) of trading of the Shares and no indication being received on or before the SPA Completion Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (c) up to and as at the SPA Completion Date, no event initiated or taken by any Relevant Authority having occurred or already existing (including any law, order, enquiry, action, proceeding, suit or investigation instituted or taken by any Relevant Authorities) which would make the transfer of the Sale Shares to the Offeror void, unenforceable, illegal or impracticable, impose any material and adverse conditions or obligations in connection with the transactions contemplated under the SPA, or prohibit the implementation of the transactions contemplated under the SPA; and
- (d) up to and as of the SPA Completion Date, there having been no material adverse change in the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group taken as a whole (to an extent which is material in the context of the Group taken as a whole), provided, however, that none of the following matters, alone or in combination, shall be deemed to constitute, nor shall their effect be taken into account (except, in the case of (i) and (ii) below, to the extent that such matters disproportionately and adversely affect the Group by comparison to other similarly situated participants in the industry that the Group operates) in determining whether there has been or will be a material adverse change: (i) general business, economic or political conditions affecting the industry or jurisdiction in which the Group operates, including without limitation national or international hostilities, act of war, terrorist attack, natural disasters or force majeure events; (ii) any epidemic, pandemic or disease outbreak and any shutdowns or lockdowns by order of any Relevant Authority; (iii) changes in Laws or the interpretation or enforcement thereof; (iv) the taking of any action, or failure to take any action, by any member of the Group or any change or effect arising out of actions taken (or omitted to be taken) at the written request of or with the written consent of the Offeror; (v) any change or effect arising out of compliance with the terms and conditions of the SPA; or (vi) any matter disclosed by the Sellers to the Offeror (or its representatives) in connection with the transactions contemplated under the SPA in the manner prescribed under the SPA.

The Offeror reserves the right to waive, in whole or in part, all the Conditions set out in (b) to (d) (both inclusive) above. The Condition set out in (a) above cannot be waived.

If the above Conditions have not been satisfied or (where applicable) waived by the Long Stop Date, the SPA may be terminated by the Offeror or any of the Sellers.

SPA Completion

SPA Completion shall take place on a date which is no later than twelve (12) Completion Business Days following the date on which Condition (a) above is satisfied, or such other date as may be agreed in writing by the Offeror and the Sellers.

Parent Share Mortgage

On or before the SPA Completion, the Parent Share Mortgage shall be granted to the Sellers to secure obligations of the Offeror for the settlement of the SPA Second Payment, unless the Sellers and the Offeror agree otherwise. The Sellers and the Offeror agree that the Parent Share Mortgage shall contain provisions customary for a share mortgage of such nature.

TERMINATION OF FURTHER DISCUSSIONS WITH ANOTHER POTENTIAL OFFEROR

As advised by the Sellers, the Sellers have ceased further discussions with Another Potential Offeror in relation to any possible offer for the Company to be made by Another Potential Offeror.

POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

As at the date of this joint announcement, neither the Offeror nor any of the Offeror Concert Parties (excluding the Sellers) holds, owns, controls or has direction over any Shares or voting rights of the Company or any other relevant securities.

Immediately after the SPA Completion, the Offeror will become interested in 7,507,666,581 Shares, representing approximately 78.70% of the entire issued share capital of the Company as at the date of this joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make a mandatory general offer for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties. The Offeror will also be required to make an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code.

The Share Offer

Upon the SPA Completion, the Offeror Financial Advisers will, for and on behalf of the Offeror, make the Share Offer to Offer Shareholders for all Offer Shares, on the following basis:

The Offer Shareholders who accept the Share Offer are entitled to choose **either one** of the following alternatives:

- (a) **Full Upfront Settlement Alternative** the Offer Shareholders will receive full payment of the Full Upfront Alternative Price of HK\$1.38 per Offer Share in cash no later than seven (7) Business Days from the date of acceptance; or

- (b) **Partial Deferred Settlement Alternative** the Offer Shareholders will be entitled to receive the following consideration:
- (i) the Partial Deferred Alternative First Payment Price of HK\$0.92 per Offer Share in cash no later than seven (7) Business Days from the date of acceptance; and
 - (ii) the Partial Deferred Alternative Second Payment Price of HK\$0.46 per Offer Share (which is equivalent to the SPA Second Payment Price), together with the Base Interest accruing on the Partial Deferred Alternative Second Payment Price from the Final Closing Date until the date on which the Partial Deferred Alternative Second Payment Price is paid and the Variable Interest, in cash on the applicable Partial Deferred Alternative Second Payment Date.

Offer Shareholders who validly accept the Share Offer but make no or an invalid election on the settlement alternative for the Share Offer will be deemed to have elected the Full Upfront Settlement Alternative. **The Partial Deferred Settlement Alternative is only available to Offer Shareholders who hold all of their Offer Shares as registered holders.** Accordingly, Offer Shareholders who are not registered holders but wish to elect the Partial Deferred Settlement Alternative are required to withdraw their Offer Shares deposited in CCASS, if any, from CCASS and enter into the share register of the Company, on or before the date that such Offer Shareholder delivers its acceptance for the Share Offer where the Partial Deferred Settlement Alternative is elected. Settlement of the Partial Deferred Alternative Second Payment payable to the Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative will be made by cheque, which will be mailed by ordinary post to such Accepting Shareholders at the correspondence addresses recorded in the register of members of the Company. Further details relating to the election of the Partial Deferred Settlement Alternative will be set out in the Composite Document.

The audited consolidated financial information of the Group for the financial year ending March 31, 2028 and the Adjusted EBITDA of the Group for the financial year ending March 31, 2028 (collectively, the “**2028 Financial Information**”) are expected to be available by May 31, 2028. The Offeror will inform the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative of: (1) the 2027/2028 Average Adjusted EBITDA and the Variable Interest payable to those Accepting Shareholders after the 2028 Financial Information has been determined; and (2) the payment date of the Partial Deferred Alternative Second Payment Price, in each case by post to those Accepting Shareholders at the correspondence addresses recorded in the register of members of the Company.

For the avoidance of doubt, in connection with the Variable Interest with respect to the Partial Deferred Alternative Second Payment, to the extent that any EBITDA Limit Adjustment is made by the Offeror to the Adjusted EBITDA Low Limit and Adjusted EBITDA High Limit, such EBITDA Limit Adjustment shall apply to the Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative.

The Offeror will inform the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative of such EBITDA Limit Adjustment by post to those Accepting Shareholders at the correspondence addresses recorded in the register of members of the Company.

If, after the date of this joint announcement and up to the close of the Offers, any dividend or other distribution other than the 2024 Interim Dividend is made or paid to the Offer Shareholders (and not the Offeror) in respect of the Offer Shares, the Offeror will reduce the Share Offer Total Payment by all or any part of the amount or value of such dividend or other distribution (as the case may be), and the Option Offer Consideration shall be reduced accordingly. For the avoidance of doubt: (a) if any dividend or other distribution other than the 2024 Interim Dividend (such as any 2025 Final Dividend) is made or paid in respect of the Sale Shares and distributed by the Company to the Sellers (and not the Offeror) after the date of this joint announcement and up to the SPA Completion Date, the SPA First Payment Price will be reduced by all or any part of the amount or value of such dividend or other distribution (as the case may be); and (b) if any dividend or other distribution other than the 2024 Interim Dividend (such as any 2025 Final Dividend) is made or paid in respect of the Offer Shares to the Offer Shareholders (and not the Offeror) after the date of this joint announcement and up to the close of the Offers, the Share Offer Total Payment shall be reduced accordingly.

As at the date of this joint announcement, except for the 2024 Interim Dividend, the Company does not have outstanding dividends which have been declared but not yet paid. Except for the 2024 Interim Dividend and the 2025 Final Dividend which the Company may potentially declare, the Company has no intention to make, declare or pay any dividend or make other distributions after the date of this joint announcement and before the close of the Offers.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, pre-emptive rights and any other third-party rights of any nature and together with all rights attaching to them or subsequently becoming attached to them, including the right to receive all dividends, other distributions and return of capital, if any, announced, declared, made or paid the record date of which is on or after the date on which the Offers are closed.

The Option Offer

Upon the SPA Completion, the Offeror Financial Advisers will, for and on behalf of the Offeror, make appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in exchange for cash on the following terms:

(A) *In respect of Options with an exercise price of HK\$1.54:*

For cancellation of each such Option **HK\$0.0001 in cash**

(B) *In respect of Options with an exercise price of HK\$2.18:*

For cancellation of each such Option **HK\$0.0001 in cash**

The consideration for the cancellation of each Option represents the “see-through” price, which is the excess of the Full Upfront Alternative Price over the exercise price of each Option. As at the date of this joint announcement, 20,000,000 Options had an exercise price of HK\$2.18 and 25,000,000 Options had an exercise price of HK\$1.54. As the exercise prices for those Options are higher than the Full Upfront Alternative Price under the Share Offer, such Options are “out-of-the-money”. As such, the Option Offer will be made with HK\$0.0001 in cash for the cancellation of each such outstanding Option.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced. The Options shall remain if the Optionholders choose not to accept the Option Offer.

Optionholders should note that the Board has confirmed that it intends to exercise its discretion as provided under the rules of the Share Option Scheme such that none of the outstanding unvested Options will become fully vested and exercisable solely by reason of the Offers.

Determination of the Variable Interest

The amount of Variable Interest payable in respect of each of the SPA Second Payment and the Partial Deferred Alternative Second Payment shall be determined as follows:

- (a) if the 2027/2028 Average Adjusted EBITDA is higher than or equal to the Adjusted EBITDA High Limit, the Variable Interest shall be HK\$0.20 per Sale Share and/or Offer Share (as applicable) less the Base Interest per Sale Share and/or Offer Share (as applicable);
- (b) if the 2027/2028 Average Adjusted EBITDA is higher than the Adjusted EBITDA Low Limit but is lower than the Adjusted EBITDA High Limit, the Variable Interest shall be an amount in Hong Kong dollars per Sale Share and/or Offer Share (as applicable) equal to:

$$\frac{(E-X)}{(Y-X)} \times Z$$

where:

E = 2027/2028 Average Adjusted EBITDA

X = Adjusted EBITDA Low Limit

Y = Adjusted EBITDA High Limit

Z = HK\$0.20 per Sale Share and/or Offer Share (as applicable) less the Base Interest per Sale Share and/or Offer Share (as applicable); and

- (c) if the 2027/2028 Average Adjusted EBITDA is lower than or equal to the Adjusted EBITDA Low Limit, the Variable Interest shall be nil.

For the avoidance of doubt, the maximum Interest payable by the Offeror to the Sellers under the SPA and the Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative is HK\$0.20 per Sale Share and/or Offer Share (as applicable).

Basis for determination of the Base Interest and the Variable Interest

The Base Interest and Variable Interest were determined after arm's length negotiation between the Sellers and the Offeror taking into account a range of factors such as benchmark interest rates, creditworthiness of the Offeror, type and nature of the deferred settlement, macro-economic factors and industry risks.

Comparisons of Value

HK\$1.58 per Offer Share, being the maximum consideration payable under the Partial Deferred Settlement Alternative (assuming the maximum Variable Interest is payable), represents:

- (a) a discount of approximately 14.13% over the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on the Undisturbed Date;
- (b) a premium of approximately 17.76% over the average closing price of approximately HK\$1.34 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Undisturbed Date;
- (c) a premium of approximately 18.49% over the average closing price of approximately HK\$1.33 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Undisturbed Date;
- (d) a premium of approximately 8.48% over the average closing price of approximately HK\$1.46 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Undisturbed Date;
- (e) a discount of approximately 36.29% over the closing price of HK\$2.48 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (f) a discount of approximately 34.81% over the audited consolidated net assets value attributable to equity holders (excluding non-controlling interests) as at March 31, 2024 of approximately RMB2.24 per Share (equivalent to approximately HK\$2.42 per Share), based on the audited consolidated net assets of the Company as at March 31, 2024, the number of Shares in issue as at the date of this joint announcement and the Reference Exchange Rate; and
- (g) a discount of approximately 34.90% over the unaudited consolidated net asset value attributable to equity holders (excluding non-controlling interests) as at September 30, 2024 of approximately RMB2.25 per Share (equivalent to approximately HK\$2.43 per Share), based on the unaudited consolidated net assets of the Company as at September 30, 2024, the number of Shares in issue as at the date of this joint announcement and the Reference Exchange Rate.

HK\$1.38 per Offer Share, being the Full Upfront Alternative Price, represents:

- (h) a discount of approximately 25.00% over the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on the Undisturbed Date;
- (i) a premium of approximately 2.86% over the average closing price of approximately HK\$1.34 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Undisturbed Date;
- (j) a premium of approximately 3.49% over the average closing price of approximately HK\$1.33 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Undisturbed Date;
- (k) a discount of approximately 5.25% over the average closing price of approximately HK\$1.46 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Undisturbed Date;
- (l) a discount of approximately 44.35% over the closing price of HK\$2.48 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (m) a discount of approximately 43.06% over the audited consolidated net assets value attributable to equity holders (excluding non-controlling interests) as at March 31, 2024 of approximately RMB2.24 per Share (equivalent to approximately HK\$2.42 per Share), based on the audited consolidated net assets of the Company as at March 31, 2024, the number of Shares in issue as at the date of this joint announcement and the Reference Exchange Rate; and
- (n) a discount of approximately 43.14% over the unaudited consolidated net asset value attributable to equity holders (excluding non-controlling interests) as at September 30, 2024 of approximately RMB2.25 per Share (equivalent to approximately HK\$2.43 per Share), based on the unaudited consolidated net assets of the Company as at September 30, 2024, the number of Shares in issue as at the date of this joint announcement and the Reference Exchange Rate.

Highest and lowest Share prices

During the six-month period immediately prior to the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.71 per Share on December 16, 2024, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.21 per Share on August 15, 21, 22 and 23, 2024.

VALUE OF THE OFFERS

As at the date of this joint announcement, there are 9,539,704,700 Shares in issue and 45,000,000 outstanding Options.

Based on the maximum aggregate consideration payable by the Offeror under the Offers and the assumptions that (a) no further Options are granted and there are no other changes to the share capital of the Company except that all the 2025 Vested Options are exercised before they lapse prior to the close of the Offers, and (b) all Shares issued on the exercise of the 2025 Vested Options are tendered for acceptance and the holder of those Shares have validly elected the Partial Deferred Settlement Alternative, the maximum consideration payable under the Offers is approximately HK\$3,236,298,104.

CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance the SPA First Payment and the consideration payable under the Offers (including costs and expenses relating to the Offers payable by the Offeror) with a combination of (i) the Equity Commitment and (ii) external debt facilities provided by China Merchants Bank Co., Ltd. Shanghai Branch. The Offeror intends to finance the Partial Deferred Alternative Second Payment with the Equity Commitment.

Deutsche Bank is satisfied that sufficient financial resources are available to the Offeror to satisfy the SPA First Payment to the Sellers and the full acceptances of the Offers by the Offer Shareholders and the Optionholders.

OTHER TERMS OF THE OFFERS

Effect of accepting the Offers

By accepting the Share Offer, each Shareholder will sell to the Offeror their tendered Offer Shares free from all liens, charges, encumbrances, pre-emptive rights and any other third-party rights of any nature and together with all rights attaching to them or subsequently becoming attached to them, including the right to receive all dividends, other distributions and return of capital, if any, announced, declared, made or paid the record date of which is on or after the date on which the Offers are closed.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

Hong Kong stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the amount payable in respect of relevant acceptances by the Shareholders or the market value of the Shares, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Share Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of Accepting Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Settlement

Settlement of the Partial Deferred First Payment Price and the Full Upfront Alternative Price in respect of acceptances of the Share Offer and settlement of the consideration in respect of acceptances of the Option Offer will be made as soon as possible but in any event no later than seven (7) Business Days after the date of receipt of a complete and valid acceptance in respect of the Share Offer or the Option Offer (as the case may be).

Please refer to the sub-section headed "The Share Offer" of this joint announcement for further information on the settlement of the Partial Deferred Alternative Second Payment.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder or an Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as the case may be) will be rounded up to the nearest cent.

Overseas Shareholders and Optionholders

The making of the Share Offer to the Shareholders and the Option Offer to the Optionholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions.

Such Shareholders and Optionholders may be prohibited or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder and/or Optionholder who wishes to accept the Share Offer and/or the Option Offer respectively to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder and/or Optionholder in such relevant jurisdictions.

Any acceptance by any overseas Shareholders and/or Optionholders will be deemed to constitute a representation and warranty from such Shareholder and/or Optionholder to the Offeror that all laws, regulations and requirements applicable to that Shareholder and/or Optionholder have been complied with and that the Share Offer and the Option Offer can be lawfully accepted by such Shareholder and/or Optionholder respectively under the laws and regulations of the relevant jurisdiction. Shareholders and Optionholders should consult their professional advisers if in doubt.

In the event that the receipt of the Composite Document by overseas Shareholders or Optionholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly onerous or burdensome (or otherwise not in the best interest of the Offeror or the Company or the Shareholders), the Composite Document, subject to the Executive's consent, may not be despatched to such overseas Shareholders or Optionholders. For that purpose, the Offeror will apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code. The Executive may or may not grant the waiver.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Share Offer and/or Option Offer. None of the Offeror, the Offeror Concert Parties, the Company, the Offeror Financial Advisers, the Independent Financial Adviser and (as the case may be) their respective ultimate beneficial owners, directors, officers, employees, advisers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer and/or the Option Offer.

INFORMATION OF THE GROUP

The Company is a company incorporated in Hong Kong with limited liability, the Shares of which are currently listed on the Main Board (stock code: 6808). The principal activities of the Company are the operation of brick-and-mortar stores and online sales channels where merchandise, mainly fresh products, FMCG (fast moving consumer goods), textile, electric appliance and general goods, are made available for sale, with a coverage of more than 200 cities nationwide and ownership of more than 120 properties in Mainland China.

Set out below is a summary of the unaudited consolidated financial information of the Group for the six months ended September 30, 2024, as extracted from the Company's interim report for the six months ended September 30, 2024 and the audited consolidated financial information of the Group for each of the two financial years ended March 31, 2024 and March 31, 2023, as extracted from the Company's annual report for the year ended March 31, 2024:

	For the six months ended September 30, 2024 <i>RMB million (unaudited)</i>	For the year ended March 31, 2024 <i>RMB million (audited)</i>	For the year ended March 31, 2023 <i>RMB million (audited)</i>
Revenue	34,708	72,567	83,662
(Loss)/Profit for the period/year	186	(1,668)	78

	As at September 30, 2024 <i>RMB million (unaudited)</i>	As at March 31, 2024 <i>RMB million (audited)</i>	As at March 31, 2023 <i>RMB million (audited)</i>
Total assets	62,001	60,715	64,118
Total liabilities	40,203	38,921	39,921
Net assets	21,798	21,794	24,197

INFORMATION OF THE OFFEROR

The Offeror is an exempt company incorporated in the Cayman Islands with limited liability. It is 100% indirectly owned by DCP Capital Partners II, L.P., a fund of DCP Capital with total fund commitments of approximately US\$2.6 billion. The general partner of DCP Capital Partners II, L.P. is DCP General Partner II, Ltd. DCP Capital Partners II, L.P. is a fund with a diversified base of approximately 60 limited partners and no single limited partner held more than 15% of the limited partnership interests therein.

DCP Capital is an alternative asset management company focused on private equity investments. Combining more than three decades of global investment experience and extensive resources, DCP Capital has accumulated deep knowledge in key focus industries and strong operational value creation capabilities. DCP Capital has led a number of successful transactions, such as the investment in Canada's reputable consumer health brand Jamieson Wellness in 2023, privatization of 51 Jobs in 2022, acquisition of a controlling stake in MFS Technology in 2019, investment in Sunpower Group Limited's convertible bonds in 2018, among others.

Taking a long-term, sustainable approach to building and growing enterprises, DCP Capital provides portfolio companies with strategic insights, access to capital, and comprehensive operational expertise. Leveraging its strong track record in the consumer and retail space, DCP Capital prioritizes win-win alignment of interests with senior management and fellow shareholders to drive success for all parties.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Following the successful completion of the Offers, the Offeror intends to support the Group's existing principal activities and continue to work closely with the Company management team to drive both customer and shareholder value. As at the date of this joint announcement, the Offeror does not have any plans to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business), and does not expect there to be a significant redeployment of the fixed assets of the Group. The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalization, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the completion of the Offers with a view to optimizing the Group's activities and development, and may make such changes as the Offeror deems necessary, appropriate or beneficial for the Group following its strategic review and/or taking into account any future developments.

By partnering with DCP Capital, the Company will have the opportunity to benefit from the Offeror's deep industry knowledge and strong operational resources to further enhance its competitive position in the dynamic retail industry.

It is intended that Mr. HAN Liu and Ms. QIN Yuehong would resign from the Board with effect from no later than the first Closing Date. The Offeror intends to nominate new directors to the Board with effect from the date of despatch of the Composite Document or such other date as the Executive may permit under Rule 26.4 of the Takeovers Code.

As at the date of this joint announcement, save as disclosed herein, the Offeror has not finalized any material plans in relation to the future development of the Company's business.

POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF SHARES

If the Offeror acquires not less than 90% of the Offer Shares and not less than 90% of the Independent Shares within, but not exceeding, the Compulsory Acquisition Entitlement Period, the Offeror intends to privatize the Company by exercising the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and the Companies Ordinance to compulsorily acquire all those Shares not acquired by the Offeror under the Share Offer.

On completion of the compulsory acquisition process, the Company will be held as to 100% by the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules.

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer for compulsory acquisition is not met, the Shares will remain listed on the Stock Exchange. However, if less than 15% of the issued Shares are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is attained. In such case, the Company and the Offeror jointly and severally undertake to take such steps as are necessary to restore the public float.

DEALINGS AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the Sale Shares, neither the Offeror nor the Offeror Concert Parties had dealt in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the six months preceding the commencement of the Offer Period and up to the date of this joint announcement.

Deutsche Bank is the lead financial adviser to the Offeror in respect of the Offers and UBS is the joint financial adviser to the Offeror in respect of the Offers. Accordingly, Deutsche Bank, UBS and members of the Deutsche Bank group and the UBS group are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except for members of the Deutsche Bank group and the UBS group which are exempt principal traders or exempt fund managers, in each case recognized by the Executive as such for the purpose of the Takeovers Code).

Details of holdings, borrowings or lendings of, and dealings in, the Shares, Options or derivatives in respect of them held by or entered into by other parts of the Deutsche Bank group or the UBS group will be obtained as soon as possible after the date of this joint announcement and (if applicable) disclosed in accordance with Note 1 to Rule 3.5 of the Takeovers Code.

Other arrangements or agreements

The Offeror confirms that as at the date of this joint announcement:

- (a) save for the Sale Shares, none of the Offeror and the Offeror Concert Parties owns, controls or has direction over any voting rights or rights over Shares or otherwise holds convertible securities, warrants or options of the Company;
- (b) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror or any of the Offeror Concert Parties;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (d) none of the Offeror and the Offeror Concert Parties have borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) none of the Offeror and the Offeror Concert Parties has received any irrevocable commitment(s) to accept or reject the Offers;
- (f) save for the SPA, there is no agreement or arrangement to which the Offeror or the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (g) other than the SPA First Payment, the SPA Second Payment and the Parent Share Mortgage, none of the Sellers or any party acting in concert with each of them has received or will receive any other consideration, compensation or benefit, in whatever form from the Offeror or any of the Offeror Concert Parties, and none of the Offeror and the Offeror Concert Parties has given or will give any other consideration, compensation or benefit, in whatever form to the Sellers or any party acting in concert with each of them;
- (h) save for the SPA and the Parent Share Mortgage, there is no other understanding, arrangement or agreement between the Offeror or any of the Offeror Concert Parties on the one hand, and the Sellers and any party acting in concert with each of them, on the other hand;
- (i) there is no special deal between the Offeror or any of the Offeror Concert Parties on the one hand, and the Sellers and any party acting in concert with each of them, on the other hand; and
- (j) save for the SPA, the Parent Share Mortgage and the Continuing Connected Transactions, there is no understanding, arrangement, agreement or special deal between (1) any Shareholder; and (2)(a) the Offeror and any of the Offeror Concert Parties; or (2)(b) the Company, its subsidiaries or associated companies.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this joint announcement, the issued share capital of the Company comprises 9,539,704,700 Shares.

Shareholding Structure of the Company

	As at the date of this joint announcement		Immediately following SPA Completion		Immediately following completion of the Offers, assuming no Options are exercised and none of the Offer Shares are tendered for acceptance under the Share Offer		Immediately following completion of the Offers, assuming all the 2025 Vested Options are exercised and all Offer Shares are tendered for acceptance under the Share Offer	
	Number of Shares	Approximate shareholding	Number of Shares	Approximate shareholding	Number of Shares	Approximate shareholding	Number of Shares	Approximate shareholding
		%		%		%		%
Offeror and its concert parties (excluding the Sellers)	0	0	7,507,666,581	78.70	7,507,666,581	78.70	9,555,954,700	100
Sellers								
A-RT Retail Holdings Limited	4,419,731,966	46.33	0	0	0	0	0	0
Taobao China Holding Limited	2,607,565,384	27.33	0	0	0	0	0	0
New Retail Strategic Opportunities Investments 1 Limited	480,369,231	5.04	0	0	0	0	0	0
Subtotal of the Offeror and its concert parties (including the Sellers)	7,507,666,581	78.70	7,507,666,581	78.70	7,507,666,581	78.70	9,555,954,700	100
Directors								
- HUANG Ming-Tuan	68,334,202	0.72	68,334,202	0.72	68,334,202	0.72	0	0
Other Shareholders	1,963,703,917	20.58	1,963,703,917	20.58	1,963,703,917	20.58	0	0
Total	9,539,704,700	100	9,539,704,700	100	9,539,704,700	100	9,555,954,700	100

Subject to vesting, Mr. SHEN Hui is interested in 25,000,000 Shares underlying 25,000,000 Options granted to him on March 27, 2024 in accordance with the Share Option Scheme. As at the date of this joint announcement, save as disclosed in this section, no other Director holds any Shares in the Company.

Outstanding Options

As at the date of this joint announcement, the Company has 45,000,000 outstanding Options. The respective exercise prices of the outstanding Options and the respective periods during which they are exercisable are as follows:

Exercise price (HK\$ per Share)	Number of outstanding Options	Exercisable period	Vesting period
1.54	25,000,000	Within ten years from March 27, 2024 subject to vesting	March 28, 2025, 2026, 2027 and 2028 in 4 equal tranches
2.18	20,000,000	Within ten years from August 18, 2023 subject to vesting	April 1, 2025 and April 1, 2027 in 2 equal tranches

Save as disclosed in this section, there are no other outstanding Shares, warrants, options, derivatives or securities that are convertible into Shares or other types of equity interest in the Company.

GENERAL

The Independent Board Committee and Independent Financial Adviser

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance.

An Independent Board Committee comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. HUANG Ming-Tuan, Ms. Karen Yifen CHANG, Mr. Dieter YIH and Mr. CHAN Charles Sheung Wai, has been established to consider and, if appropriate, give a recommendation to the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to its acceptance, and to the Optionholders as to its views on the Option Offer. Mr. HAN Liu and Ms. QIN Yuehong, two non-executive Directors, are nominated by Alibaba Holding, the holding company of two of the Sellers, and therefore would not be part of the Independent Board Committee.

In addition, an Independent Financial Adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in connection with the Offers. A further announcement will be made as soon as possible after the Independent Financial Adviser has been appointed.

Despatch of the Composite Document

It is the intention of the Offeror and the Company to combine the offer document with the offeree board circular from the Company into the Composite Document. The Composite Document setting out, inter alia, (i) details of the Offers (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders and the Optionholders; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offers, together with the relevant forms of acceptance and transfer, is normally required to be despatched to the Shareholders and the Optionholders no later than 21 days of the date of this joint announcement or such later date as the Executive may approve.

As the making of the Offers by the Offeror is conditional upon SPA Completion, pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Offeror will make an application to the Executive under Note 2 to Rule 8.2 of the Takeovers Code for consent to extend the deadline for the despatch of the Composite Document to a date falling no later than seven days after the SPA Completion or such other date as the Executive may approve. The expected timetable for the Offers will be set out in the Composite Document.

Further announcement(s) regarding the despatch of the Composite Document will be made by the Offeror and the Company as and when appropriate.

Dealings disclosure

In accordance with Rule 3.8 of the Takeovers Code, the associates of the Company and the Offeror (as defined under the Takeovers Code, including persons owning or controlling 5% or more of any class of relevant securities issued by the Company) are hereby reminded to disclose their dealings in any securities of the Company pursuant to Rule 22 of the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNING: Shareholders, Optionholders and/or potential investors of the Company should note that the making of the Offers is a possibility only. The SPA Completion is subject to the fulfilment or waiver of the conditions set out under the sub-section headed “Conditions to the SPA” in this joint announcement. Accordingly, the SPA Completion may or may not take place and the Offers may or may not be made. Shareholders, Optionholders and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.

Shareholders and Optionholders are reminded to read the Composite Document, including the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offers, before deciding whether or not to accept the Offers.

DEFINITIONS

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

- “2024 Interim Dividend” the interim dividend for the six months ended September 30, 2024 of HK\$0.17 per Share which the Board resolved to declare on December 10, 2024 and which will be paid by the Company on January 24, 2025
- “2025 Final Dividend” any final dividend that may (or may not) be declared by the Company for the financial year ending March 31, 2025
- “2025 Vested Options” 6,250,000 Options with an exercise price of HK\$1.54 per Share and 10,000,000 Options with an exercise price of HK\$2.18 per Share
- “2027/2028 Average Adjusted EBITDA” the average of the Adjusted EBITDA of the Group for the two financial years ending March 31, 2027 and March 31, 2028
- “Accepting Shareholder(s)” Offer Shareholder(s) accepting the Share Offer
- “acting in concert” has the meaning given to it in the Takeovers Code
- “Adjusted EBITDA” the operating profit (defined as gross profit minus selling and marketing expenses, minus administrative expenses, plus other income and other gains, net, as presented in the consolidated statement of profit or loss and other comprehensive income in the annual report of the Company for the financial year ended March 31, 2024), (i) *plus* depreciation cost of investment properties and other property, plant and equipment, (ii) *plus* amortization cost of intangible assets, (iii) *minus* interest income on financial assets measured at amortized cost, and (iv) *plus* impairment losses on investment properties and other property, plant and equipment

“Adjusted EBITDA High Limit”	initially, RMB4.4 billion, subject to EBITDA Limit Adjustment (if any)
“Adjusted EBITDA Low Limit”	initially, RMB3.9 billion, subject to EBITDA Limit Adjustment (if any)
“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))
“Another Potential Offeror”	the potential offeror as referred to in the announcement of the Company dated October 15, 2024
“associate(s)”	has the meaning given to it in the Takeovers Code
“Base Interest”	interest accruing on the SPA Second Payment Price or the Partial Deferred Alternative Second Payment Price (as applicable) at 4.8% per annum, compounded annually
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offers or (if so extended) any subsequent closing date as and may be announced by the Offeror in accordance with the Takeovers Code and approved by the Executive
“Company”	Sun Art Retail Group Limited, a limited liability company incorporated in Hong Kong, the issued Shares of which are listed on the Main Board (Stock Code: 6808)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time)
“Composite Document”	the composite offer and response document to be jointly issued by the Offeror and the Company to the Shareholders and Optionholders in connection with the Offers
“Completion Business Day(s)”	a day other than a Saturday or Sunday or public holiday in Hong Kong, Mainland China and the United States of America

“Compulsory Acquisition Entitlement Period”	the period commencing from the date of this joint announcement and ending on the date falling four (4) months after the date of the Composite Document (or such later date as the Executive may permit for the requisite level of acceptances to be reached in order for the Offeror to undertake compulsory acquisition)
“Condition(s)”	the conditions precedent to SPA Completion as set out under the sub-section headed “Conditions to the SPA” in this joint announcement
“Continuing Connected Transactions”	the continuing connected transactions under (i) the 10 master agreements all dated January 25, 2024 in relation to the Group’s supply or purchase of different types/nature of goods and services to or from Taobao China Holding Limited, Alibaba Group Holding Limited, subsidiaries and affiliates of Alibaba Group Holding Limited, details of which are disclosed in the announcement of the Company dated January 25, 2024; and (ii) the framework agreement dated March 28, 2024 entered into between the Company and Alibaba Group Holding Limited relating to equity-based compensation cost allocation and reimbursement, details of which are disclosed in the announcements of the Company dated March 28, 2024 and April 8, 2024
“DCP Capital”	a leading international private equity firm founded by experienced private equity investors, further details in relation to which are set out in the sub-section headed “Information of the Offeror” in this joint announcement
“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch, a registered institution under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, being the lead financial adviser to the Offeror in connection with the Offers
“Directors”	director(s) of the Company
“EBITDA Limit Adjustment”	adjustments which may be made to the Adjusted EBITDA Low Limit and Adjusted EBITDA High Limit in the manner set out under the sub-section headed “Adjustment of the Adjusted EBITDA Low Limit and Adjusted EBITDA High Limit” in this joint announcement
“EBITDA Limit Adjustment Event”	any transaction by the Group from the SPA Completion Date until March 31, 2028 which: (a) is outside of the ordinary course of its business; and (b) would constitute a discloseable transaction or a higher classification of notifiable transaction of the Company (irrespective of whether the Shares remain listed on the Main Board) under the provisions of Chapter 14 of the Listing Rules in force as at the date of the SPA

“Equity Commitment”	equity commitments provided from DCP Capital Partners II, L.P. to the Offeror for purposes of financing the SPA First Payment and Offers
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	the date on which the Offers close for acceptance
“Full Upfront Settlement Alternative”	the settlement alternative of the Share Offer which does not involve deferred payment, further details of which are set out in the sub-section headed “The Share Offer” of this joint announcement
“Full Upfront Alternative Price”	HK\$1.38 per Offer Share
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. HUANG Ming-Tuan, Ms. Karen Yifen CHANG, Mr. Dieter YIH and Mr. CHAN Charles Sheung Wai, established pursuant to Rule 2.1 of the Takeovers Code for the purpose of making a recommendation to the Independent Shareholders and the Optionholders in relation to the Offers
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in relation to the Offers
“Independent Share(s)”	all Shares held by the Independent Shareholders
“Independent Shareholder(s)”	Shareholders other than the Offeror and the Offeror Concert Parties
“Interest”	the aggregate of the Base Interest and the Variable Interest
“Last Trading Date”	December 31, 2024, being the last day on which the Shares were traded on the Stock Exchange as at the date of this joint announcement

“Law”	any law, common law, statute, directive, recommendation, rule, regulation, notice, code of practice, guidance note, guidance letter, practice note, decision, judgment, decree, order, instrument or subordinate legislation of or issued by any Relevant Authority (whether of Hong Kong or any other relevant jurisdiction)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	the date falling nine months from the date of the SPA, being September 30, 2025, or a later date as agreed by the Offeror and the Sellers
“Main Board”	the Main Board of the Stock Exchange
“Mainland China”	the People’s Republic of China, which, for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Offeror”	Paragon Shine Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Offeror Concert Parties”	any parties acting, or presumed to be acting, in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (including the Sellers, Alibaba Holding, DCP Capital Partners II, L.P., DCP General Partner II, Ltd., DCP Capital and the Offeror Financial Advisers)
“Offeror Financial Advisers”	Deutsche Bank and UBS
“Offers”	the Share Offer and the Option Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period from October 15, 2024 until the date on which the Offers close, lapse or are withdrawn
“Offer Share(s)”	Share(s) not already owned or agreed to be acquired by the Offeror and Offeror Concert Parties as at the date of this joint announcement
“Offer Shareholders”	Shareholders other than the Sellers
“Option Offer”	the offer proposed to be made by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in accordance with the terms and conditions set out in this joint announcement

“Option Offer Consideration”	the price at which the Option Offer will be made, being (i) HK\$0.0001 in respect of Options with an exercise price of HK\$1.54 per Share; and (ii) HK\$0.0001 in respect of Options with an exercise price of HK\$2.18 per Share
“Optionholders”	the holders of the Options
“Options”	the 45,000,000 outstanding share options granted by the Company pursuant to the Share Option Scheme
“Parent”	Citrine Lime Limited, the sole shareholder of the Offeror and a company wholly owned by DCP Capital Partners II, L.P.
“Parent Share Mortgage”	the share mortgage(s) in form(s) satisfactory to the Sellers to be granted by the holder(s) of such shares, in favor of the Sellers, in respect of 100% of the issued shares of the Parent
“Partial Deferred Alternative First Payment Price”	HK\$0.92 per Offer Share
“Partial Deferred Alternative Second Payment”	the payment of the Partial Deferred Alternative Second Payment Price, together with the Base Interest accruing on the Partial Deferred Alternative Second Payment Price from the Final Closing Date until the date on which the Partial Deferred Alternative Second Payment Price is paid and the Variable Interest, to be made by the Offeror under the Partial Deferred Settlement Alternative
“Partial Deferred Alternative Second Payment Date”	(i) with respect to the payment of the Partial Deferred Alternative Second Payment Price and the Base Interest accruing on the Partial Deferred Alternative Second Payment Price, the earlier date of (a) June 30, 2028 and (b) the date falling 39 months after the SPA Completion Date; and (ii) with respect to the payment of the Variable Interest, June 30, 2028
“Partial Deferred Alternative Second Payment Price”	HK\$0.46 per Offer Share
“Partial Deferred Settlement Alternative”	the settlement alternative of the Share Offer involving deferred payment, further details of which are set out in the sub-section headed “The Share Offer” in this joint announcement
“PRC”	the People’s Republic of China

“Reference Exchange Rate”	HK\$:1.0000: RMB0.92564
“Relevant Authorities”	any government, administrative or regulatory body, or court, tribunal, arbitrator, governmental agency or authority or department, securities exchange or body or authority regulating such securities exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	a total of 7,507,666,581 Shares, representing approximately 78.70% of the entire issued share capital of the Company as at the date of this joint announcement
“SAMR”	State Administration for Market Regulation of the PRC
“Sellers”	<p>(a) A-RT Retail Holdings Limited, a company incorporated in Hong Kong and a subsidiary of Alibaba Holding;</p> <p>(b) Taobao China Holding Limited, a company incorporated in Hong Kong and a subsidiary of Alibaba Holding; and</p> <p>(c) New Retail Strategic Opportunities Investments 1 Limited, an investment vehicle wholly owned by an investment fund in respect of which Alibaba Holding is able to exercise significant influence over its investment decisions,</p> <p>each, a “Seller”</p>
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Share Offer”	the unconditional mandatory cash offer to be made by the Offeror Financial Advisers for and on behalf of the Offeror to acquire all of the outstanding issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code
“Share Offer Total Payment”	the aggregate amount payable by the Offeror for the Offer Shares under the Share Offer
“Share Option Scheme”	the share option scheme adopted by the Company on August 16, 2023, as amended from time to time

“SPA”	the sale and purchase agreement dated December 31, 2024 entered into between the Sellers, as the sellers, and the Offeror, as the purchaser, in respect of the sale and purchase of the Sale Shares
“SPA Completion”	completion of the sale and purchase of the Sale Shares under the SPA
“SPA Completion Date”	the date on which SPA Completion takes place
“SPA First Payment”	the payment of the SPA First Payment Price to be made by the Offeror to the Sellers in cash upon the SPA Completion in accordance with the terms and conditions of the SPA
“SPA First Payment Price”	HK\$0.92 per Sale Share
“SPA Second Payment”	the payment of the SPA Second Payment Price, together with the Base Interest accruing on the SPA Second Payment Price from the SPA Completion Date until the date on which the SPA Second Payment Price is paid and the Variable Interest, to be made by the Offeror to the Sellers in accordance with the terms and conditions of the SPA
“SPA Second Payment Price”	HK\$0.46 per Sale Share
“SPA Second Payment Date”	(i) with respect to the payment of the SPA Second Payment Price and the Base Interest accruing on the SPA Second Payment Price, the earlier date of (a) June 30, 2028 and (b) the date falling 39 months after the SPA Completion Date; and (ii) with respect to the payment of the Variable Interest, the later date of (a) June 30, 2028 and (b) such other date as determined in accordance with the SPA
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Adjusted EBITDA”	with respect to an EBITDA Limit Adjustment Event, the amount of the Adjusted EBITDA of the assets or businesses that are the subject matter of that EBITDA Limit Adjustment Event recorded during the two financial years ending March 31, 2027 and March 31, 2028 of the Company

“UBS”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the joint financial adviser to the Offeror in connection with the Offers. UBS AG is incorporated in Switzerland with limited liability
“Undisturbed Date”	September 26, 2024, being the last full trading day prior to the issue of the announcement by the Company pursuant to Rule 3.7 of the Takeovers Code on October 15, 2024
“US\$”	United States Dollars, the lawful currency of the United States of America
“Variable Interest”	<p>(i) if the 2027/2028 Average Adjusted EBITDA is higher than or equal to the Adjusted EBITDA High Limit, the Variable Interest shall be HK\$0.20 per Sale Share and/or Offer Share (as applicable) less the Base Interest per Sale Share and/or Offer Share (as applicable); or</p> <p>(ii) if the 2027/2028 Average Adjusted EBITDA is higher than the Adjusted EBITDA Low Limit but is lower than the Adjusted EBITDA High Limit, the Variable Interest shall be an amount in Hong Kong dollars per Sale Share and/or Offer Share (as applicable) equal to:</p> $\frac{(E-X)}{(Y-X)} \times Z$ <p>where:</p> <p>E = 2027/2028 Average Adjusted EBITDA</p> <p>X = Adjusted EBITDA Low Limit</p> <p>Y = Adjusted EBITDA High Limit</p> <p>Z = HK\$0.20 per Sale Share and/or Offer Share (as applicable) less the Base Interest per Sale Share and/or Offer Share (as applicable); or</p> <p>(iii) if the 2027/2028 Average Adjusted EBITDA is lower than or equal to the Adjusted EBITDA Low Limit, the Variable Interest shall be nil</p>
%	per cent.

In this joint announcement, the Reference Exchange Rate of HK\$: 1.0000: RMB0.92564 is used for illustration purposes only. There is no assurance that any sum in RMB can be converted to Hong Kong dollars at the Reference Exchange Rate or at all.

By order of the board of directors of
Paragon Shine Limited
Guannan Wang
Director

By order of the Board of
Sun Art Retail Group Limited
Shen Hui
Executive Director and Chief Executive Officer

Hong Kong, December 31, 2024

As at the date of this joint announcement, the Board comprises SHEN Hui as an executive Director, HUANG Ming-Tuan, HAN Liu and QIN Yuehong as non-executive Directors, and Karen Yifen CHANG, Charles Sheung Wai CHAN and Dieter YIH as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than any information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the board of the Offeror comprises Guannan WANG, WONG Ngai Sze and Samit GHOSH and the board of DCP General Partner II, Ltd. comprises Haifeng David LIU, Julian Juul WOLHARDT, Allan Keh WOLHARDT, Kim Guan LOH and Samit GHOSH.

The directors of the Offeror and DCP General Partner II, Ltd. jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than any information relating to the Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and that there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.