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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 TRANSACTIONS – 2021 MASTER PURCHASE AGREEMENT**

#### **2021 MASTER PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 12 April 2019 (the “**Announcement**”) in relation to, amongst others, the continuing connected transactions under the categories of Purchase of Goods and Services by the Group from Alibaba Affiliates.

As disclosed in the Announcement, since in 2017, the Group has been developing a long-term relationship with Alibaba Affiliates and carries out on-going transactions. On 11 April 2019, the Company entered into a number of master agreements with Taobao China for different categories of goods and services.

Under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates, the Company has entered into the 2019 Master Purchase Agreement with Taobao China (on behalf of and together with the Alibaba Affiliates) to govern certain transactions between the Group and Alibaba Affiliates, details of which were disclosed in the 12 April Announcement. Further Subsisting Purchase Agreements have also been entered into subsequent to the 12 April Announcement in relation to the Purchase of Goods and Services by the Group from Alibaba Affiliates.

As the current term of the 2019 Master Purchase Agreement will expire on 31 December 2021, and to continue the business transactions contemplated thereunder and for the purpose of aligning the annual caps under the categories of Purchase of Goods and Services by the Group from Alibaba Affiliates with the financial year end of the Group, the Board is pleased to announce that on 7 June 2021, the Company and Taobao China have entered into the 2021 Master Purchase Agreement under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates.

## 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. Accordingly, the 2021 Master Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In relation to the transactions between the Group and Alibaba Affiliates, i.e. Purchase of Goods and Services by the Group from Alibaba Affiliates, as one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the proposed annual caps exceed 0.1% but do not exceed 5%, the continuing connected transactions under the 2021 Master Purchase Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### I. INTRODUCTION

Reference is made to the announcement of the Company dated 12 April 2019 (the “**Announcement**”) in relation to, amongst others, the continuing connected transactions under the categories of Purchase of Goods and Services by the Group from Alibaba Affiliates.

As disclosed in the Announcement, since in 2017, the Group has been developing a long-term relationship with Alibaba Affiliates and carries out on-going transactions. On 11 April 2019, the Company entered into a number of master agreements with Taobao China for different categories of goods and services.

Under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates, the Company has entered into the 2019 Master Purchase Agreement with Taobao China (on behalf of and together with Alibaba Affiliates) to govern certain transactions between the Group and Alibaba Affiliates, details of which were disclosed in the 12 April Announcement. Further Subsisting Purchase Agreements have also been entered into subsequent to the 12 April Announcement in relation to the Purchase of Goods and Services by the Group from Alibaba Affiliates.

As the current term of the 2019 Master Purchase Agreement will expire on 31 December 2021, and to continue the business transactions contemplated thereunder and for the purpose of aligning the annual caps under the categories of Purchase of Goods and Services by the Group from Alibaba Affiliates with the financial year end of the Group, the Board is pleased to announce that on 7 June 2021, the Company and Taobao China have entered into the 2021 Master Purchase Agreement under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates.

**2021 MASTER PURCHASE AGREEMENT**

**(i) Key terms of the 2021 Master Purchase Agreement**

The principal terms of the 2021 Master Purchase Agreement are as follows:

- Date** : 7 June 2021 (after trading hours)
- Parties** : (i) The Company; and  
(ii) Taobao China (on behalf of and together with Alibaba Affiliates)
- Term** : The term shall commence from 7 June 2021 and end on 31 March 2024, unless at any time prior to the expiry of the 2021 Master Purchase Agreement either party gives the other party of not less than one (1) month’s prior notice to terminate the 2021 Master Purchase Agreement.
- Nature of transaction** : Pursuant to the 2021 Master Purchase Agreement, Taobao China (through members of Alibaba Affiliates) agreed to, and to procure the Alibaba Affiliates to, supply to the Group, and the Group agreed to purchase, the Relevant Products and/or Relevant Services (together with any other products and/or services as may be agreed in writing by the parties from time to time), which may be required by the Group in circumstances which are of commercial benefit to the Group.

Each of the Company and Taobao China shall, and shall procure the relevant entities within the Group or Alibaba Affiliates (as appropriate) to enter into relevant agreements (as applicable) setting out the terms and conditions of the supply and purchase of the Relevant Products and/or Relevant Services.

- Prices and fees** : The purchase price for the Relevant Products and/or Relevant Services (inclusive of any value-added tax, customs duties, other relevant taxes payable by the relevant Alibaba Affiliate, packaging and delivery costs) payable by the Group, will be determined at the time of the particular purchase based on arm’s-length negotiations with due regards to (i) the purchase price charged for the same category of products and/or services as the Relevant Products and/or Relevant Services offered by independent suppliers at the time of a particular transaction; (ii) the gross profit margin expected by the Group in respect of the Relevant Products and/or Relevant Services of the same categories; and (iii) the price of the same Relevant Products and/or Relevant Services generally offered on the market by independent third parties.

<b>Payment arrangements</b>	:	The purchase price of the Relevant Products and/or Relevant Services will be settled in cash each half a month on the 5th day and 20th day of each calendar month (or where such date is not a Business Day, on the next Business Day thereafter), or any date as agreed by the parties, by the Group to the relevant Alibaba Affiliate by electronic transfer in immediately available funds to the bank account designated by the relevant Alibaba Affiliate.
<b>Relationship with Subsisting Purchase Agreements</b>	:	With effect from 7 June 2021, the parties agreed that the Subsisting Purchase Agreements that used to be governed by the 2019 Master Purchase Agreement shall instead be governed by and subject to the 2021 Master Purchase Agreement and the annual caps of the Subsisting Purchase Agreements have been incorporated into the annual caps of the 2021 Master Purchase Agreement.

**(ii) General transaction principles**

The transactions contemplated under the 2021 Master Purchase Agreement shall be conducted on a non-exclusive basis.

The Group will solicit at least two other quotations from unrelated third parties for the purchase of the Relevant Products and/or Relevant Services to determine if the purchase price quoted by the relevant Alibaba Affiliate is fair and reasonable and comparable to those offered by unrelated third parties. Where it is impracticable for the Group to solicit at least two other quotations from unrelated third parties for the purchase of the Relevant Products and/or Relevant Services, the Group will determine the purchase price of the Relevant Products and/or Relevant Services based on arm's-length negotiation taking into consideration the comparable price of the products/services of the similar category of products and/or services as the Relevant Products and/or Relevant Services (such as the purchase price charged by the relevant Alibaba Affiliate to unrelated third parties for products/services of the similar category of products and/or services as the Relevant Products and/or Relevant Services), the product and/or service specifications, cost structure, profit margin, transaction volume, transaction amount, freight terms, market condition and development strategy.

A dedicated team of the Group will monitor and review the purchase prices of the Relevant Products and/or Relevant Services regularly, in order to ensure that the transactions under the 2021 Master Purchase Agreement shall not, in any event, exceed the average market price for similar products and services to the Relevant Products and the Relevant Services respectively.

**(iii) Historical transaction amounts and the proposed annual caps**

The aggregate of the transaction amounts under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates, being the aggregate of the transaction amounts paid or payable by the Group to Alibaba Affiliates (i) for the years ended 31 December 2019 and 31 December 2020 were approximately RMB269.6 million and RMB347.6 million (audited) respectively; and (ii) for the three months ended 31 March 2021 was approximately RMB89.1 million (audited).

Accordingly, the proposed annual caps under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates for the following periods are set out as follows:

*Unit: RMB*

	<b>For the financial year ending 31 March 2022</b>	<b>For the financial year ending 31 March 2023</b>	<b>For the financial year ending 31 March 2024</b>
Proposed annual cap	1,500,000,000	1,800,000,000	2,100,000,000

The above proposed annual caps are not intended, and do not purport, to be an indication of the Group's future performance or profitability and investors should not rely on the proposed annual caps in deciding whether to invest in the Shares.

**(iv) Basis for the proposed annual caps**

In determining the proposed annual caps for transactions under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates, the Board has taken into account the following factors:

- (a) the historical amount of fees paid by the Group under the category of Purchase of Goods and Services by the Group from Alibaba Affiliates;
- (b) the wide range of the Relevant Products and/or Relevant Services offered and to be offered under the 2021 Master Purchase Agreement;
- (c) the quality of the Relevant Products and/or Relevant Services offered and to be offered under the 2021 Master Purchase Agreement;
- (d) the anticipated growth in the Relevant Products and/or Relevant Services that the Group will purchase based on customers' demand;
- (e) the anticipated number of the products and services that the Group will purchase from the Alibaba Affiliates under the Subsisting Purchase Agreements; and
- (f) the anticipated increase in the scale of operation of the Group.

**(v) Reasons for and benefits of entering into the 2021 Master Purchase Agreement**

The Company believes that the cooperation contemplated under the 2021 Master Purchase Agreement will enable the Group to further diversify and optimise the variety of products and/or services offered and to be offered in the Group's brick-and-mortar stores and online sales channels under the RT-Mart and/or Auchan banners operated by the Group. In light of the above as well as the categories and quality of the Relevant Products and/or Relevant Services offered and to be offered under the 2021 Master Purchase Agreement, the Directors believe that it is for the benefit of the Group to enter into the 2021 Master Purchase Agreement and consider that the transactions contemplated thereunder are in the usual and ordinary course of business of the Group.

The Directors (including the independent non-executive Directors) are of the view that (i) the entering of the 2021 Master Purchase Agreement and the proposed annual caps thereunder are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole; and (ii) the entering of the 2021 Master Purchase Agreement and the transactions contemplated thereunder were on normal commercial terms or better and in the ordinary and usual course of business of the Group.

**(vi) 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. Accordingly, the 2021 Master Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps exceed 0.1% but do not exceed 5%, the continuing connected transactions under the 2021 Master Purchase Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

### **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 and Alibaba Group**

Alibaba Holding is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988). 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 Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

### **Taobao China**

Taobao China is a limited liability company incorporated in Hong Kong and an indirect wholly-owned Subsidiary of Alibaba Holding. Taobao China is the direct holding company of certain PRC Subsidiaries of Alibaba Holding relating to Taobao Marketplace, China's leading mobile commerce destination with a large and growing social community, and Tmall, the world's leading third-party online and mobile commerce platform for brands and retailers, in each case in terms of GMV in the twelve months ended March 31, 2020.



#### IV. BOARD CONFIRMATION

As Mr. Lin Xiaohai is currently the vice-president of Alibaba Holding, Mr. Li Yonghe is currently the vice-president of Alibaba Holding, and Mr. Xu Hong is currently the deputy chief financial officer of Alibaba Holding, they are considered to have material interests in respect of the relevant board resolutions in connection with the 2021 Master Purchase Agreement and the proposed annual caps thereunder. For good corporate governance, Mr. Lin Xiaohai, Mr. Li Yonghe and Mr. Xu Hong had voluntarily abstained from voting on the relevant board resolution in connection with the 2021 Master Purchase Agreement and the proposed annual caps thereunder.

Save for the aforesaid and to the best knowledge, information and belief of the Company, none of the Directors have any material interest in the 2021 Master Purchase Agreement for which they would be required to abstain from voting on the relevant board resolution approving such documents and proposed annual caps pursuant to the articles of association of the Company.

#### V. DEFINITIONS

In this announcement, unless the context otherwise requires, the capitalised terms shall have the meanings as set out below:

“12 April Announcement”	the announcement published by the Company on 12 April 2019 in relation to the entering of various agreements entered into for the purpose of governing different categories of connected transactions, including the 2019 Master Purchase Agreement
“2019 Master Purchase Agreement”	the master purchase agreement entered into between the Group and Taobao China (on behalf of and together with Alibaba Affiliates) on 11 April 2019
“2021 Master Purchase Agreement”	the master purchase agreement entered into between the Group and Taobao China (on behalf of and together with Alibaba Affiliates) on 7 June 2021 in relation to the purchase of Relevant Products and/or Relevant Services from Alibaba Affiliates
“affiliates”	has the meaning of “associate” ascribed to it under the Listing Rules
“Alibaba Affiliates”	Taobao China, Alibaba Holding, subsidiaries and affiliates of Alibaba Holding, and for the purpose of this announcement, excluding members of the Group other than any subsidiaries which are connected subsidiaries of the Company
“Alibaba Group”	Alibaba Holding and its associates and for the purpose of this announcement, it excludes the Group

“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 depository 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)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auchan China”	歐尚(中國)投資有限公司(Auchan (China) Investment Co., Ltd.*), a company incorporated in the PRC and a subsidiary of the Company
“Board”	The board of Directors
“Business Day”	means a day on which banks are open for businesses in the PRC and Hong Kong
“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 to it under the Listing Rules
“connected subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, it excludes Taiwan, the Hong Kong and Macau Special Administrative Regions of the PRC



“Relevant Product(s)”	home furnishing, personal care products, travel and accessories, electronics, mothercare products and other household products under the label named “Taobao Xinxuan”, imported fast moving consumer goods, household products and computer, communication and consumer electrical appliances, packaged food, poultry products, processed meat, edible oil, grains, vegetables, fresh and preserved fruits, groceries, agricultural products, fruit products, meat and aquatic products and any other merchandise customarily sold in hypermarkets which may be required by the Group and which the relevant Alibaba Affiliate may be able to supply in circumstances which are of commercial benefit to the Group, for selling in retail outlets operated by the Group, and any other products to be agreed by the Group and the relevant Alibaba Affiliate in writing from time to time
“Relevant Service(s)”	logistic distribution such as operating central warehouse which may then arrange for delivery of goods according to online purchase made and any other services to be confirmed and agreed by the Group and the relevant Alibaba Affiliate in writing from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“RT-Mart China”	康成投資(中國)有限公司(Concord Investment (China) Co., Ltd.*), a limited liability joint venture company incorporated in the PRC and a subsidiary of the Company
“Share(s)”	ordinary share(s) of the Company in issue
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Subsisting Purchase Agreements”	the agreements for the purchase of the Relevant Products and/or the Relevant Services entered into by the Group and Alibaba Affiliates under the Master Purchase Agreement. Please refer to the announcement published by the Company on 12 April 2019 for further details
“substantial shareholder(s)”	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

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

Hong Kong, 7 June 2021

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

*Executive Director:*

LIN Xiaohai (*Chief Executive Officer*)

*Non-executive Directors:*

HUANG Ming-Tuan (*Chairman*)

LI Yonghe

XU Hong

*Independent Non-executive Directors:*

Karen Yifen CHANG

Dieter YIH

Charles Sheung Wai CHAN

\* *For identification purpose only*