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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) SPA COMPLETION

(2) SUPPLEMENTAL SPA

(3) MANDATORY UNCONDITIONAL OFFERS FOR SUN ART RETAIL GROUP LIMITED

**Lead Financial Adviser
to Offeror**



**Joint Financial Adviser
to Offeror**



**Financial Adviser to Alibaba
Group Holding Limited**



Reference is made to the joint announcement dated December 31, 2024 issued by Paragon Shine Limited (the “**Offeror**”) and Sun Art Retail Group Limited (the “**Company**”) pursuant to Rule 3.5 of the Takeovers Code in relation to, among other things, the possible mandatory unconditional cash offers to be made by Deutsche Bank and UBS for and on behalf of the Offeror to acquire all the issued Shares of the Company (other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Options of the Company (the “**Rule 3.5 Announcement**”) and the joint announcement dated February 10, 2025 issued by the Offeror and the Company in relation to the update on SAMR filing. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Rule 3.5 Announcement.

SPA COMPLETION

The Offeror and the Company (as informed by the Sellers and the Offeror) are pleased to announce that the SPA Completion took place on February 27, 2025. The Offeror and Lavender Haze Limited (the “**Purchaser Designated Entity**”) acquired a total of 7,507,666,581 Shares (the “**Aggregate Sale Shares**”), representing approximately 78.70% of the entire issued share capital of the Company as at the date of this joint announcement, from the Sellers at a consideration paid or payable (as applicable) by the Offeror 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, was paid in cash on the SPA Completion Date (less applicable stamp duty payable by the Sellers); and
- (b) subject to any Advanced Payment (as defined below), the balance of HK\$3,453,526,627, equivalent to the SPA Second Payment Price of HK\$0.46 per Sale Share, together with a maximum Interest of HK\$0.20 per Sale Share, shall be deferred and paid in cash on the applicable SPA Second Payment Date.

Therefore, immediately following the SPA Completion, the Offeror, Purchaser Designated Entity and parties acting in concert with any of them became interested in an aggregate 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.

Designation of Lavender Haze Limited

Pursuant to the SPA, the Offeror may designate an entity wholly-owned by the Parent to hold some of the Sale Shares. On February 12, 2025, the Offeror designated the Purchaser Designated Entity to hold approximately 40% of the Aggregate Sale Shares. Therefore, upon the SPA Completion, each of the Offeror and the Purchaser Designated Entity holds 4,504,599,949 and 3,003,066,632 Sale Shares respectively, representing approximately 60% and 40% of the Aggregate Sale Shares and together 100% of the Aggregate Sale Shares.

The Purchaser Designated Entity is an exempted company incorporated in the Cayman Islands with limited liability and having its registered office at Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. It is wholly-owned by the Parent.

PARENT SHARE CHARGE

On even date of this joint announcement, share charge(s) in respect of 100% of the issued shares of the Parent (the “**Parent Share Charge**”) has been granted in favor of the Sellers.

SUPPLEMENTAL SPA

On even date of this joint announcement, the Offeror, the Purchaser Designated Entity and the Sellers (the “**Parties**”) have entered into a supplemental agreement to the SPA (the “**Supplemental SPA**”), pursuant to which the Parties have agreed on the following, among others:

- (a) a prepayment arrangement, whereby:
- (i) if the Offeror and/or the Purchaser Designated Entity receives any dividends or other distributions (the “**Dividends**”) declared, paid or made by the Company; and
 - (ii) the Offeror and/or the Purchaser Designated Entity holds surplus Dividends *after* (x) repayment of the external debt financing made available for financing or refinancing the consideration for the Sale Shares and related transaction costs and (y) payment to DCP Capital Partners II, L.P. of an amount to be calculated based on the aggregate shareholding of the Offeror and the Purchaser Designated Entity in the Company as at the Closing Date of the Offers,

then the Offeror and/or the Purchaser Designated Entity shall apply the Dividends towards the early repayment of the then outstanding SPA Second Payment Price, together with Base Interest accruing on the then outstanding SPA Second Payment Price up to the date of such repayment (the “**Dividend Advanced Payment**”). An early repayment of such outstanding SPA Second Payment Price and Base Interest may otherwise be made by the Offeror and/or the Purchaser Designated Entity in full or in part from the SPA Completion Date at its discretion (together with the Dividend Advanced Payment, the “**Advanced Payment**”).

- (b) Notwithstanding any Advanced Payment, the Variable Interest shall remain payable on the applicable SPA Second Payment Date.

As disclosed in the Rule 3.5 Announcement, the maximum Variable Interest shall be HK\$0.20 per Sale Share *less* the Base Interest per Sale Share. Given the SPA Completion took place on February 27, 2025, the Parties are able to ascertain that the Base Interest payable on the SPA Second Payment Date is approximately HK\$0.076 per Sale Share, representing the interest accruing on the SPA Second Payment Price at 4.80% per annum, compounded annually, from the SPA Completion Date until the date falling 39 months thereafter (i.e. May 27, 2028). Based on such formulation, the maximum Variable Interest amount is approximately HK\$0.124 per Sale Share. The Parties have agreed to clarify the determination mechanism of the Variable Interest (the “**Updated Variable Interest Determination Mechanism**”) as follows. This Updated Variable Interest Determination Mechanism shall continue to apply notwithstanding an Advanced Payment.

- (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\$0.124 per Sale Share; or
- (ii) if the 2027/2028 Average Adjusted EBITDA is higher than the Adjusted EBITDA Low Limit but is lower than Adjusted EBITDA High Limit, the Variable Interest shall be an amount in Hong Kong dollars per Sale Share 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\$0.124 per Sale Share; or

- (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.

Settlement Options for Offer Shareholders

In order to ensure fair and equal treatment for the Offer Shareholders, the Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative are provided with the following two settlement options:

- (a) **MGO Advanced Payment Option.** If any Advanced Payment is made to the Sellers, Accepting Shareholders electing this option would be entitled to also receive an advanced payment (the “**MGO Advanced Payment**”) in a manner corresponding to the Advanced Payment mechanism, such that:
 - (i) the MGO Advanced Payment shall be made in the same proportion that the Sellers receive any Advanced Payment relative to the total SPA Second Payment Price and the Base Interest accruing on such total SPA Second Payment Price; and
 - (ii) such proportional MGO Advanced Payment would also comprise the early repayment of the then outstanding Partial Deferred Alternative Second Payment Price, together with Base Interest accruing on the then outstanding Partial Deferred Alternative Second Payment Price up to the date of such repayment.

The Variable Interest in respect of the Partial Deferred Settlement Alternative payable under the MGO Advanced Payment Option would remain payable on the applicable Partial Deferred Alternative Second Payment Date of June 30, 2028 and be determined in accordance with the Updated Variable Interest Determination Mechanism.

The Offeror endeavors to make the MGO Advanced Payment at the same time as making the Advanced Payment.

If an Advanced Payment and a MGO Advanced Payment are made, the Base Interest would not accrue on such amount of Advanced Payment and MGO Advanced Payment that have been prepaid, whilst the maximum Variable Interest of HK\$0.124 per Sale Share and Offer Share (as applicable) will continue to apply.

- (b) **Original Partial Deferred Settlement Option.** Notwithstanding any Advanced Payment made to the Sellers, the Partial Deferred Alternative Second Payment will be paid to the Accepting Shareholders electing this option in the manner as disclosed in the Rule 3.5 Announcement. For the avoidance of doubt, this shall mean that:
- (i) 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, will be paid in cash on the applicable Partial Deferred Alternative Second Payment Date;
 - (ii) the Variable Interest will be determined in accordance with the mechanism set out in the Rule 3.5 Announcement;
 - (iii) the maximum Interest payable by the Offeror to the Accepting Shareholders under this option is HK\$0.20 per Offer Share; and
 - (iv) no MGO Advanced Payment will be made.

MANDATORY UNCONDITIONAL CASH OFFERS

As the SPA Completion has taken place, the Offeror is required to make the Offers on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code.

DESPATCH OF THE COMPOSITE DOCUMENT

As the SPA Completion Date is February 27, 2025, the Composite Document will be jointly despatched by the Offeror and the Company to the Shareholders on or before March 6, 2025.

Further announcement(s) will be made upon despatch of the Composite Document.

WARNING

Shareholders, Optionholders and/or potential investors are advised to exercise caution when dealing in the securities of the Company. If Shareholders, Optionholders and/or potential investors are in any doubt about their position, they should consult their professional advisers.

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, February 27, 2025

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