
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Sun Art Retail Group Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers. This Composite Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

SUN ART
Retail Group Limited

SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

PARAGON SHINE LIMITED

(Incorporated in the Cayman Islands with limited liability) *(Incorporated in Hong Kong with limited liability)*

(Stock Code: 6808)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFERS BY
DEUTSCHE BANK AND UBS
FOR AND ON BEHALF OF PARAGON SHINE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SUN ART RETAIL GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
PARAGON SHINE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
SUN ART RETAIL GROUP LIMITED**

**Lead Financial Adviser
to Offeror**

Deutsche Bank 

**Joint Financial Adviser
to Offeror**

 **UBS**

**Financial Adviser to Alibaba
Group Holding Limited**

 **CICC
中金公司**

Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

Capitalized terms used on this cover shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

A letter from the Offeror Financial Advisers containing, among other things, the details of the terms and conditions of the Offers are set out on pages 19 to 38 of this Composite Document. A letter from the Board is set out on pages 39 to 47 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Shareholders and the Optionholders is set out on pages 48 to 49 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 50 to 96 of this Composite Document.

The procedures for acceptance and settlement of the Offers and related information are set out on pages I-1 to I-13 in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Share Offer must be received by the Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on March 27, 2025, or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code. Acceptances of the Option Offer must be received by the Company at Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong or by email to sunart_hk_legal@sunartretail.com by no later than 4:00 p.m. on March 27, 2025, or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the sub-sections headed "Notice to Overseas Shareholders and Optionholders" and "Notice to Taiwan Shareholder(s)" in the section headed "Important Notices" to this Composite Document before taking any action. It is the responsibility of the overseas Shareholders and Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers, including the obtaining of any governmental, exchange control or other consent and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due from such Shareholders and Optionholders in respect of such jurisdictions. Overseas Shareholders and Optionholders are advised to seek professional advice on deciding whether to accept the Offers. The overseas Shareholders and Optionholders should inform themselves of and observe any applicable legal, tax or regulatory requirements.

This Composite Document is issued jointly by the Offeror and the Company. The English texts of this Composite Document and the accompanying Form(s) of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

This Composite Document will remain on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunartretail.com) as long as the Offers remain open.

March 6, 2025

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All references to date and time contained in this Composite Document and the Form(s) of Acceptance refer to Hong Kong date and time.

Despatch date of this Composite Document and
the accompanying Form(s) of Acceptance and
commencement date of the Offers (*Note 1*) Thursday, March 6, 2025

Latest time and date for acceptance of the Offers (*Note 2*) 4:00 p.m. on
Thursday, March 27, 2025

Closing Date (*Note 2*) Thursday, March 27, 2025

Announcement of the results of the Offers as at
the Closing Date on the websites of the Stock
Exchange and the Company (*Note 2*) no later than 7:00 p.m.
on Thursday, March 27, 2025

Latest date for posting of remittances for
(i) the Full Upfront Alternative Price and/or
the Partial Deferred Alternative First Payment
Price due in respect of valid acceptances received
under the Share Offer and (ii) the amount due in
respect of valid acceptances received under the
Option Offer on the Closing Date (*Notes 3 and 4*) Tuesday, April 8, 2025

Latest date for the payment of the Partial
Deferred Alternative Second Payment Price
that has not been prepaid and the Base Interest
accruing on such Partial Deferred Alternative
Second Payment Price (*Note 5*) Saturday, May 27, 2028

Latest date for the payment of the Variable Interest (*Note 5*) Monday, June 30, 2028

Notes:

1. The Offers, which are unconditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.
2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days after the date on which this Composite Document was posted. The latest time and date for acceptance of the Offers will be at 4:00 p.m. on Thursday, March 27, 2025 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement no later than 7:00 p.m. on Thursday, March 27, 2025 stating whether the Offers have been extended, revised or have expired. In the event that the Offeror decides to extend the Offers, and the announcement regarding the extension of the Offers does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Offer Shareholders and Optionholders who have not accepted the Share Offer and the Option Offer, respectively.

EXPECTED TIMETABLE

All acceptances, instructions, authorizations and undertakings given by the Accepting Shareholders in the **WHITE** Form of the Share Offer Acceptance and by the Optionholders in the **PINK** Form of the Option Offer Acceptance shall be irrevocable except as permitted under the Takeovers Code. Please refer to the paragraph headed “7. *Right of Withdrawal*” in Appendix I to this Composite Document for further information of the circumstances where acceptances may be withdrawn.

3. Payment will be made as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt of complete and valid acceptance by the Share Registrar (in the case of the Share Offer) or the Company (in the case of the Option Offer) of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code.
4. If any severe weather condition is in force in Hong Kong:
 - (a) at any local time before 12:00 noon but no longer in force at or after 12:00 noon on the latest date for acceptance of the Offers and the latest date for despatch of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day and the latest date for despatch of remittances will remain on the same Business Day; or
 - (b) at any local time at or after 12:00 noon on the latest date for acceptance of the Offers and the latest date for despatch of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers will be rescheduled to 4:00 p.m. on the next Business Day and the latest date for despatch of remittances will be rescheduled to the next Business Day which does not have any of those warnings in force at 12:00 noon and/or thereafter (or another Business Day thereafter that does not have any severe weather condition at 12:00 noon or thereafter).

For the purpose of this Composite Document, “severe weather” refers to the scenario where typhoon signal No. 8 or above, a black rainstorm warning (as issued by the Hong Kong Observatory), or the “extreme conditions” warning (as announced by the Hong Kong Government) is in force in Hong Kong.

5. The Offeror has applied to the Executive for, and the Executive has granted a waiver from strict compliance with Rule 20.1(a) of the Takeovers Code for the Partial Deferred Settlement Alternative.

IMPORTANT NOTICES

NOTICE TO 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 and/or (if applicable) the Offeror Designated Entities 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.

Shareholders and Optionholders are encouraged to read this Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Shareholders and Optionholders (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers.

NOTICE TO TAIWAN SHAREHOLDER(S)

The Offers have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered, sold or issued within Taiwan through a public offering or in a circumstance which constitutes an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized by the Company, the Offeror or the Offeror Designated Entities to offer or sell the Shares in Taiwan.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would”, “may”, “might” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws and the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“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) <i>plus</i> depreciation cost of investment properties and other property, plant and equipment, (ii) <i>plus</i> amortization cost of intangible assets, (iii) <i>minus</i> interest income on financial assets measured at amortized cost, and (iv) <i>plus</i> 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)

DEFINITIONS

“Advanced Payment”	<p>(i) an early repayment by the SPA Initial Purchaser and/or the SPA Additional Purchaser of the then outstanding SPA Second Payment Price, together with Base Interest accruing thereon to the date of such repayment pursuant to the Supplemental SPA in the event of receipt by the SPA Initial Purchaser and/or the SPA Additional Purchaser of any dividends or other distributions declared, paid or made by the Company; and/or</p> <p>(ii) an early full or partial repayment of the then outstanding SPA Second Payment Price, together with Base Interest accruing thereon up to the date of such repayment which may otherwise be made by the SPA Initial Purchaser and/or the SPA Additional Purchaser from the SPA Completion Date at its respective discretion</p>
“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))
“associated company(ies)”	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(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“CCASS Holder(s)”	Offer Shareholders whose Offer Shares are deposited in CCASS and registered under the name of HKSCC Nominees

DEFINITIONS

“CCASS Participant(s)”	the CCASS Participant (or custodian/nominee) through which a CCASS Holder holds Offer Shares
“Change of Directors Announcement”	the announcement of the Company dated February 27, 2025 in relation to the change of non-executive directors, change of chairman and change of composition of board committees
“Closing Date”	Thursday, March 27, 2025, the date stated in this 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
“CMB Additional Security Providers”	the SPA Additional Purchaser, King Salmon and Cornflower Blue
“CMB Facilities Agreement”	the Facilities Agreement dated December 31, 2024 entered into among the Offeror, the Parent and China Merchants Bank Co., Ltd. Shanghai Branch for the financing of partial payment of the consideration and costs payable under the SPA and the Offers, as may be amended, supplemented and restated from time to time
“CMB Share Charge”	the first priority security to be granted by the Offeror (and as the context may require, the CMB Additional Security Providers) no later than the date falling 90 Share Charge Business Days after the initial utilization date pursuant to the CMB Facilities Agreement, in favour of China Merchants Bank Co., Ltd. Shanghai Branch, in respect of the Shares held by the Offeror (and as the context may require, the CMB Additional Security Providers) for the payment and discharge of the secured obligations of the Offeror under the CMB Facilities Agreement
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended from time to time)
“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)

DEFINITIONS

“Composite Document”	this composite document jointly issued by the Offeror and the Company to the Shareholders and Optionholders in connection with the Offers
“Compulsory Acquisition Entitlement Period”	the period commencing on the date of the Joint Announcement and ending on the date falling four (4) months after the date of this 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 and/or (if applicable) the Offeror Designated Entities to undertake compulsory acquisition)
“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
“Cornflower Blue”	Cornflower Blue Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is directly and wholly owned by Parent Holdco
“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 section headed “Information of the Offeror and the Offeror Designated Entities” in the “Letter from the Offeror Financial Advisers” to this Composite Document
“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

DEFINITIONS

“Director(s)”	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 section headed “Adjustment of the Adjusted EBITDA Low Limit and Adjusted EBITDA High Limit” in the “Letter from the Offeror Financial Advisers” to this Composite Document
“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
“Evidence of Title”	in respect of an Offer Shareholder, satisfactory evidence of title showing that the Offer Shareholder has title over their Offer Shares, being original share certificate(s), original transfer receipt(s), or satisfactory indemnity/indemnities, or a combination thereof
“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
“Forms of Acceptance”	the WHITE Form of the Share Offer Acceptance and the PINK Form of the Option Offer Acceptance (accompanying this Composite Document), and the “Form(s) of Acceptance” means either of them
“Full Upfront Alternative Price”	HK\$1.38 per Offer Share
“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 section headed “The Share Offer” in the “Letter from the Offeror Financial Advisers” to this Composite Document

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“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. YIH Lai Tak, Dieter 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”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser 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
“Initial Separate Announcement”	the announcement of the Company dated October 15, 2024 pursuant to Rule 3.7 of the Takeovers Code (which, for the avoidance of doubt, does not relate to the Offers)
“Interest”	the aggregate of the Base Interest and the Variable Interest
“Joint Announcement”	the joint announcement of the Company and the Offeror dated December 31, 2024 in relation to, among others, the SPA and the Offers

DEFINITIONS

“King Salmon”	King Salmon Limited, an exempted company incorporated in the Cayman Islands with limited liability and directly and wholly owned by Pearly White Limited, which is in turn directly and wholly owned by Parent Holdco
“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 the Joint Announcement
“Latest Practicable Date”	March 4, 2025, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“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
“Main Board”	the Main Board of the Stock Exchange
“Mainland China”	the People’s Republic of China, which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Maximum Share Offer Price”	HK\$1.58 per Offer Share, being the maximum consideration payable under the Partial Deferred Settlement Alternative (assuming the maximum Variable Interest is payable)
“MGO Advanced Payment Option”	the settlement alternative with respect to the Partial Deferred Settlement Alternative involving an advanced payment in the case of a potential Advanced Payment to the Seller(s), further details of which are set out in the section headed “The Share Offer” in the “Letter from the Offeror Financial Advisers” to this Composite Document

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“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
“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 Composite Document
“Offer Shareholders”	Shareholders other than the Sellers
“Offeror” or “SPA Initial Purchaser”	Paragon Shine Limited, an exempted company incorporated in the Cayman Islands with limited liability and directly and wholly owned by Parent, which is in turn directly and wholly owned by Parent Holdco
“Offeror Concert Party(ies)”	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 SPA Additional Purchaser, the Offeror Designated Entities, the Sellers, Alibaba Holding, DCP Capital Partners II, L.P., DCP General Partner II, Ltd., DCP Capital and the Offeror Financial Advisers)
“Offeror Designated Entities”	King Salmon and/or Cornflower Blue
“Offeror Financial Advisers”	Deutsche Bank and UBS
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the offer 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 Composite Document
“Option Offer Consideration”	the price at which the Option Offer is 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

DEFINITIONS

“Original Partial Deferred Settlement Option”	the settlement alternative with respect to the Partial Deferred Settlement Alternative involving payment of the Partial Deferred Alternative Second Payment in the manner as disclosed in the Joint Announcement in the case of a potential Advanced Payment to the Seller(s), further details of which are set out in the section headed “The Share Offer” in the “Letter from the Offeror Financial Advisers” to this Composite Document
“Parent”	Citrine Lime Limited, the sole shareholder of the SPA Purchasers and a company directly and wholly owned by the Parent Holdco, which is in turn directly and wholly owned by DCP Capital Partners II, L.P.
“Parent Holdco”	Peak Prosperity Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is ultimately controlled by DCP Capital Partners II, L.P., a fund of DCP Capital. DCP Capital Partners II, L.P. is managed and operated by its general partner, DCP General Partner II, Ltd.
“Parent Share Charge”	the share charge dated February 27, 2025 granted by Parent Holdco, 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 and/or (if applicable) the Offeror Designated Entities under the Partial Deferred Settlement Alternative

DEFINITIONS

“Partial Deferred Alternative Second Payment Date”	(i) with respect to the payment of the Partial Deferred Alternative Second Payment Price that has not been prepaid and the Base Interest accruing on such Partial Deferred Alternative Second Payment Price, May 27, 2028 (i.e. the earlier date of (a) June 30, 2028 and (b) May 27, 2028 (being 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 section headed “The Share Offer” in the “Letter from the Offeror Financial Advisers” to this Composite Document
“ PINK Form of the Option Offer Acceptance”	the PINK form of acceptance and cancellation of all outstanding Options in respect of the Option Offer
“PRC”	the People’s Republic of China
“public”	has the meaning ascribed thereto under Rule 8.24 of the Listing Rules (and “in public hands” shall be construed accordingly)
“Reference Exchange Rate”	HK\$1.0000: RMB0.92564
“Registered Holder(s)”	Offer Shareholders who hold Offer Shares directly in their name with Offer Shares registered on the Share Register
“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
“Relevant Period”	the period commencing on April 15, 2024 and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 Latest Practicable Date
“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
“Share Charge Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in the Cayman Islands, Hong Kong and Shanghai and (in relation to any date for payment in US\$) New York City
“Share Offer”	the unconditional mandatory cash offer made by the Offeror Financial Advisers for and on behalf of the Offeror and/or (if applicable) the Offeror Designated Entities 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

DEFINITIONS

“Share Offer Total Payment”	the aggregate amount payable by the Offeror and/or (if applicable) the Offeror Designated Entities 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
“Share Register”	the register of members of the Company kept by the Share Registrar
“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the share registrar and transfer office of the Company, whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Shareholder(s)”	registered holder(s) of the Share(s)
“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 Additional Purchaser”	Lavender Haze Limited, an exempted company incorporated in the Cayman Islands with limited liability and directly and wholly owned by Parent, which is in turn directly and wholly owned by Parent Holdco
“SPA Completion”	completion of the sale and purchase of the Sale Shares under the SPA
“SPA Completion Announcement”	the joint announcement of the Company and the Offeror dated February 27, 2025 in relation to the SPA Completion
“SPA Completion Date”	the date on which SPA Completion took place, being February 27, 2025
“SPA First Payment”	the payment of the SPA First Payment Price made by the SPA Purchasers 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

DEFINITIONS

“SPA Purchasers”	collectively, the SPA Initial Purchaser and the SPA Additional Purchaser
“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 SPA Purchasers to the Sellers in accordance with the terms and conditions of the SPA
“SPA Second Payment Price”	HK\$0.46 per Sale Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental SPA”	the supplemental agreement to the SPA dated February 27, 2025 entered into between the Sellers, as the sellers, and the SPA Purchasers, as the purchasers, in respect of, among other things, prepayment arrangement in relation to 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
“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

DEFINITIONS

“Undisturbed Date”	September 26, 2024, being the last full trading day prior to the issue of the Initial Separate Announcement by the Company on October 15, 2024
“Updated Variable Interest Determination Mechanism”	<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\$0.124 per Offer Share; or</p> <p>(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 Offer Share 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\$0.124 per Offer Share; 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>
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Variable Interest”	(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

DEFINITIONS

- (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:

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

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); 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

“**WHITE** Form of the Share Offer Acceptance”

the **WHITE** form of acceptance and transfer of the Offer Share(s) in respect of the Share Offer

“%”

per cent.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

Lead Financial Adviser
to Offeror

Deutsche Bank 

Joint Financial Adviser
to Offeror

 UBS

March 6, 2025

To Shareholders and Optionholders

Dear Sir/Madam,

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFERS BY
DEUTSCHE BANK AND UBS
FOR AND ON BEHALF OF PARAGON SHINE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SUN ART RETAIL GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
PARAGON SHINE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
SUN ART RETAIL GROUP LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement and the SPA Completion Announcement issued by the Company and the Offeror in relation to, among others, the SPA and the Offers.

On December 31, 2024, the Offeror entered into the SPA with the Sellers, pursuant to which the Offeror conditionally agreed to purchase (by itself and/or through an entity/entities which is/are wholly owned by the Parent), and the Sellers conditionally agreed to sell, the Sale Shares at a total consideration of HK\$10,360,579,882, equivalent to HK\$1.38 per Sale Share, together with the Interest. 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 Latest Practicable Date.

Immediately prior to the SPA Completion, neither the Offeror nor any of the Offeror Concert Parties (including the SPA Additional Purchaser but excluding the Sellers) held, owned, controlled or had direction over any Shares or voting rights of the Company or any other relevant securities.

As disclosed in the SPA Completion Announcement, the Offeror and the Company jointly announced that SPA Completion took place on February 27, 2025. Immediately after the SPA Completion, the Offeror and the SPA Additional Purchaser, being indirect wholly-owned subsidiaries of the Parent Holdco, became interested in 7,507,666,581 Shares, representing

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

approximately 78.70% of the entire issued share capital of the Company as at the Latest Practicable Date. Therefore, pursuant to Rule 26.1 of the Takeovers Code, a mandatory general offer is required to be made by DCP Capital Partners II, L.P. through the Offeror and/or (if applicable) the Offeror Designated Entities for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties. An appropriate offer is required to be made by DCP Capital Partners II, L.P. through the Offeror to the Optionholders to cancel all the outstanding Options in accordance with Rule 13 of the Takeovers Code.

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offers, together with the information of the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offers and procedures for acceptance are also set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Shareholders and Optionholders are advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" and the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

THE OFFERS

THE SHARE OFFER

The Offeror Financial Advisers are making the Share Offer for and on behalf of the Offeror and/or (if applicable) the Offeror Designated Entities to the 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 after 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 after the date of acceptance; and

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

- (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.

Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative are provided with the following two settlement options in relation to any potential Advanced Payment to the Sellers:

- 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 represent the early repayment of the relevant outstanding Partial Deferred Alternative Second Payment Price, and also comprise the Base Interest accruing on such relevant 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 and/or (if applicable) the Offeror Designated Entities shall make the MGO Advanced Payment at the same time as the Advanced Payment being made to the Sellers. If a MGO Advanced Payment is made, the Base Interest would not accrue on such amount of MGO Advanced Payment that have been prepaid, whilst the maximum Variable Interest of HK\$0.124 per Offer Share will continue to apply.

The Offeror and/or (if applicable) the Offeror Designated Entities will inform the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option) of an upcoming Advanced Payment to the Sellers and the MGO Advanced Payment no later than 3 Business Days prior to the making of such Advanced Payment and MGO Advanced Payment by post to those Accepting Shareholders at the correspondence addresses recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

- 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 Joint Announcement, which is also set out in the paragraph headed “*If the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers*” in the sub-section headed “Determination of the Variable Interest” below. 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 paragraph headed “*If the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers*” in the sub-section headed “Determination of the Variable Interest” below; (iii) the maximum Interest payable by the Offeror and/or (if applicable) the Offeror Designated Entities to the Accepting Shareholders under this option is HK\$0.20 per Offer Share; and (iv) no MGO Advanced Payment will be made.

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 Offeror reserves the right to designate King Salmon and/or Cornflower Blue (being the Offeror Designated Entities) to acquire and hold any Offer Share to be acquired under the Share Offer.

The Partial Deferred Settlement Alternative is only available to Accepting Shareholders who are Registered Holders (other than HKSCC Nominees Limited). Accordingly, Accepting 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 as a Registered Holder, on or before the date that such Accepting Shareholder delivers its acceptance for the Share Offer where the Partial Deferred Settlement Alternative is elected. Please refer to the paragraph headed “1.4. Accepting the Share Offer and electing the Partial Deferred Settlement Alternative” in Appendix I to this Composite Document for further details.

If, after the date of the despatch of this Composite Document and up to the close of the Offers, any dividend or other distribution is made or paid to the Offer Shareholders (and not the Offeror or (if applicable) the Offeror Designated Entities) 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.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

The Company confirms that as at the Latest Practicable Date, the Company did not have outstanding dividends which have been declared but not yet paid. Except for the 2025 Final Dividend which the Company may potentially declare, the Company will not make, declare or pay any dividend or make other distributions after the date of this Composite Document 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 Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimal number of Offer Shares or other conditions.

Determination of the Variable Interest

If the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers

The amount of Variable Interest payable in respect of 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 Offer Share less the Base Interest per Offer Share;
- (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 Offer 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\$0.20 per Offer Share less the Base Interest per Offer Share; and

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

- (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 and/or (if applicable) the Offeror Designated Entities to the Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option) is HK\$0.20 per Offer Share.

If the MGO Advanced Payment Option is elected and Advanced Payment is made to the Sellers

The Variable Interest in respect of the Partial Deferred Settlement Alternative payable under the MGO Advanced Payment Option would be determined in accordance with the Updated Variable Interest Determination Mechanism 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\$0.124 per Offer Share; or
- (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 Offer 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 Offer Share; or

- (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.

If a MGO Advanced Payment is made, the Base Interest would not accrue on such amount of MGO Advanced Payment that has been prepaid, whilst the maximum Variable Interest of HK\$0.124 per Offer Share will continue to apply.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

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 SPA Purchasers 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.

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 and/or (if applicable) the Offeror Designated Entities 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 Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

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 SPA Purchasers 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 and/or (if applicable) the Offeror Designated Entities 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 Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

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

The closing price as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the last Business Day before the date of each of the Initial Separate Announcement and the Joint Announcement; and (iii) at the end of each calendar months during the period commencing six-months prior to the Offer Period and ending on the Latest Practicable Date, and the relative premium/(discount) of the Offer Price over such closing prices, are as follows:

Date	Closing Price per Share (HK\$)	Premium/ (Discount) of the Maximum Share Offer Price over closing price per Share	Premium/ (Discount) of the Full Upfront Alternative Price over closing price per Share
April 30, 2024	1.63	(3.07%)	(15.34%)
May 31, 2024	1.75	(9.71%)	(21.14%)
June 28, 2024	1.49	6.04%	(7.38%)
July 31, 2024	1.27	24.41%	8.66%
August 30, 2024	1.4	12.86%	(1.43%)
September 30, 2024	1.79	(11.73%)	(22.91%)
October 14, 2024 <i>(being the last Business Day before the date of the Initial Separate Announcement)</i>	1.79	(11.73%)	(22.91%)
October 31, 2024	2.29	(31.00%)	(39.74%)
November 29, 2024	2.59	(39.00%)	(46.72%)
December 30, 2024 <i>(being the last Business Day before the date of the Joint Announcement)</i>	2.47	(36.03%)	(44.13%)
December 31, 2024 <i>(being the Last Trading Date)</i>	2.48	(36.29%)	(44.35%)
January 28, 2025	1.70	(7.06%)	(18.82%)
February 28, 2025	1.78	(11.24%)	(22.47%)
March 4, 2025 <i>(being the Latest Practicable Date)</i>	1.92	(17.71%)	(28.13%)

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$2.71 on December 16, 2024 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.21 on August 15, 21, 22 and 23, 2024.

HK\$1.58 per Offer Share, being the Maximum Share Offer Price, 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 discount of approximately 2.35% over the average closing price of approximately HK\$1.62 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Undisturbed Date;
- (c) a premium of approximately 8.37% 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 10 trading days immediately prior to and including the Undisturbed Date;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) a discount of approximately 17.71% over the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (i) 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

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

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 Latest Practicable Date and the Reference Exchange Rate; and

- (j) 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 Latest Practicable Date and the Reference Exchange Rate.

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

- (k) 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;
- (l) a discount of approximately 14.71% over the average closing price of approximately HK\$1.62 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Undisturbed Date;
- (m) a discount of approximately 5.35% 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 10 trading days immediately prior to and including the Undisturbed Date;
- (n) 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;
- (o) 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;
- (p) 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;
- (q) 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;

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

- (r) a discount of approximately 28.13% over the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (s) 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 Latest Practicable Date and the Reference Exchange Rate; and
- (t) 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 Latest Practicable Date and the Reference Exchange Rate.

THE OPTION OFFER

The Offeror Financial Advisers are making appropriate offers for and on behalf of the Offeror 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 Latest Practicable Date, 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 is 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.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

Optionholders should note that the Board has confirmed that it will 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.

The Option Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimal number of Options to be cancelled or other conditions.

VALUE OF THE OFFERS

As at the Latest Practicable Date, there were 9,539,704,700 Shares in issue and 45,000,000 outstanding Options which are subject to the Offers.

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 holders 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 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. The Offeror has agreed to grant the CMB Share Charge for the external debt facilities. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to such external debt facilities will not depend to any significant extent on the business of the Company.

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

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.

Your attention is drawn to the details of the information of the Group as set out under the section headed “Information of the Group” in the “Letter from the Board” and information set out in Appendices II and III to this Composite Document.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

INFORMATION OF THE OFFEROR AND THE OFFEROR DESIGNATED ENTITIES

Each of the Offeror and the Offeror Designated Entities is an exempt company incorporated in the Cayman Islands with limited liability. The Offeror and the SPA Additional Purchaser are 100% directly owned by Parent, which is in turn 100% directly owned by Parent Holdco, which is in turn 100% directly owned by DCP Capital Partners II, L.P., a fund of DCP Capital with total fund commitments of approximately US\$2.6 billion. King Salmon is 100% directly owned by Pearly White Limited, which is in turn 100% directly owned by Parent Holdco. Cornflower Blue is 100% directly owned by Parent Holdco. 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.

INTENTIONS 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 Latest Practicable Date, the Offeror (a) 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), (b) does not expect there to be a significant redeployment of the fixed assets of the Group and (c) other than in the ordinary course of business, does not have any intention or has not entered into any agreement, arrangement, negotiation or undertaking (formal or informal; express or implied) to downsize or dispose of any of the Company's existing business and/or acquire any new businesses.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

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.

As at the Latest Practicable Date, save as disclosed herein, the Offeror has not finalized any material plans in relation to the future development of the Company's business.

CHANGES TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board was made up of five 5 Directors, namely SHEN Hui as an executive Director; HUANG Ming-Tuan as a non-executive Director; and Karen Yifen CHANG, Charles Sheung Wai CHAN and YIH Lai Tak, Dieter as independent non-executive Directors.

Appointment

As disclosed in the Change of Directors Announcement, the following appointments to the Board have been made: (a) Mr. Julian Juul WOLHARDT ("**Mr. Wolhardt**"), as the chairman of the Board and a non-executive director of the Company with effect immediately after the posting of this Composite Document; (b) Ms. Guannan WANG ("**Ms. Wang**") as a non-executive director of the Company with effect immediately after the posting of this Composite Document; and (c) Ms. Mengxue MEI ("**Ms. Mei**") as a non-executive director of the Company with effect from the first Closing Date. The biographies of Mr. Wolhardt, Ms. Wang and Ms. Mei are set out in the Change of Directors Announcement.

Resignation

As disclosed in the Change of Directors Announcement, Mr. HUANG Ming-Tuan ("**Mr. Huang**") will resign as the chairman of the Board with effect immediately after the posting of the Composite Document, but will remain as a non-executive Director until the publication of the closing announcement on the first Closing Date to comply with the requirements under Rule 7 of the Takeovers Code and to discharge his duties as a member of the Independent Board Committee. Mr. Huang will resign as a non-executive Director with effect after the publication of the closing announcement on the first Closing Date in compliance with Rule 7 of the Takeovers Code.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

POSSIBLE COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING OF SHARES

If the Offeror and/or (if applicable) the Offeror Designated Entities acquire 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 and/or (if applicable) the Offeror Designated Entities intend to privatize the Company by exercising the compulsory acquisition rights to which they are entitled under Rule 2.11 of the Takeovers Code and the Companies Ordinance to compulsorily acquire all those Shares not acquired by the Offeror and/or (if applicable) the Offeror Designated Entities under the Share Offer.

On completion of the compulsory acquisition process, the Company will be held as to 100% indirectly by Parent Holdco through the Offeror, the SPA Additional Purchaser and (if applicable) the Offeror Designated Entities 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(1) of the Listing Rules.

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer reaches the prescribed level under the Companies Ordinance required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares may be suspended on the ex-date to the entitlement of the compulsory acquisition consideration pursuant to Rule 6.15(1) of the Listing Rules.

PUBLIC FLOAT

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 19.38% of the issued Shares, are held by the public, or if the Stock Exchange believes that:-

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer does not reach the prescribed level under the Companies Ordinance required for compulsory acquisition or the requirements of Rule 2.11 of the Takeovers Code are not satisfied, the Shares will remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

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 and/or (if applicable) the Offeror Designated Entities 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.

Based on the Share Register as at the Latest Practicable Date, there was one overseas Shareholder with its registered address in Taiwan. Such overseas Shareholder holds a total of 200,000,000 Shares, representing approximately 2.10% of the entire issued share capital of the Company as at the Latest Practicable Date.

ACCEPTANCE OF THE OFFERS

Share Offer

You may only elect one method of settlement from the following: (a) the Full Upfront Settlement Alternative, (b) the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option in the case of a potential Advanced Payment to the Sellers) or (c) the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option in the case of a potential Advanced Payment to the Sellers) (and not a combination of any of the foregoing). Accepting 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.

Only Registered Holders (other than HKSCC Nominees Limited) may accept the Partial Deferred Settlement Alternative. You may not elect the Partial Deferred Settlement Alternative if you are a CCASS Holder.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

If you are a Registered Holder wishing to elect the Full Upfront Settlement Alternative or the Partial Deferred Settlement Alternative, you should complete, sign and lodge the **WHITE** Form of the Share Offer Acceptance, together with the relevant Evidence of Title, with the Share Registrar by 4:00 p.m. (Hong Kong time) on the Closing Date.

If you are a CCASS Holder wishing to elect the Full Upfront Settlement Alternative, you should contact your CCASS Participant(s) through which you hold your Offer Shares and follow their instructions.

Option Offer

The Option Offer is available to all Optionholders. An Option Offer letter, the form of which is set out in the “Form of Option Offer Letter” as contained in Appendix V of this Composite Document, is being sent to each Optionholder in connection with the Option Offer.

To accept the Option Offer, you should complete, sign and lodge the **PINK** Form of the Option Offer Acceptance with the Company at Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong or email to sunart_hk_legal@sunartretail.com by 4:00 p.m. (Hong Kong time) on the Closing Date.

Please refer to Appendix I – Further Terms and Procedures of Acceptance of the Offers to this Composite Document and the accompanying Forms of Acceptance for further information in relation to, among other things, the Offers and acceptance and settlement procedures of the Offers.

Effect of Accepting the Offers

Acceptance of the Share Offer by any person will be deemed to constitute a representation and warranty by such person(s) to the Offeror and the Offeror Designated Entities that: (a) the Offer Shares acquired under the Offers are fully paid and 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; and (b) additionally, where such person has elected the Partial Deferred Settlement Alternative, such person is a Registered Holder.

Acceptance of the Option Offer by any person will be deemed to constitute a representation and warranty by such person(s) to the Offeror that the Options and all rights attaching thereto are cancelled with effect from the date on which the Option Offer is closed.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

By signing and returning the Form of Acceptance, you represent and warrant to the Offeror, the Offeror Financial Advisers, the Company and (with respect to the Share Offer only) the Offeror Designated Entities that you: (a) are permitted under all applicable laws and regulations to receive and accept the relevant Offers (and any revision thereof) and, if applicable, elect the relevant settlement alternative, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations; and (b) you have not taken or omitted to take any action which will or may result in the Offeror, the Offeror Designated Entities, the Offeror Concert Parties, the Offeror Financial Advisers and the Company or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Offers or your acceptance thereof.

HONG KONG STAMP DUTY

In the case of the Share Offer, the seller's *ad valorem* stamp duty at a rate of 0.1% of the amount payable in respect of acceptances by the Shareholders under the Share Offer 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 (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded up to the nearest HK\$1.00). For the avoidance of doubt, the amount payable in respect of acceptances by the Shareholders under the Share Offer for the purpose of stamp duty will be calculated as follows:

- (a) in respect of the relevant acceptances of the Share Offer under the Full Upfront Settlement Alternative, the amount payable will be HK\$1.38 per Offer Share, representing the Full Upfront Alternative Price; and
- (b) in respect of the relevant acceptances of the Share Offer under the Partial Deferred Settlement Alternative, the amount payable will be HK\$1.58 per Offer Share, representing the sum of the Partial Deferred Alternative First Payment Price, the Partial Deferred Alternative Second Payment Price and the maximum Interest payable.

The Offeror and/or (if applicable) the Offeror Designated Entities 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.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

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 Designated Entities, 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.

GENERAL

No acknowledgement of receipt of any Form(s) of Acceptance, and/or relevant certificate(s), document(s) of title and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares or the Options will be given.

All communications, notices, the Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders and Optionholders at their addresses specified on the relevant Form of Acceptance, provided that any communications, notices, documents and remittances in connection with the Partial Deferred Alternative Second Payment to be delivered to the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative will be delivered to the correspondence addresses of those Accepting Shareholders as specified on the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or by email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such delivery. None of the Offeror, the Offeror Designated Entities, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, the Offeror Financial Advisers, the Independent Financial Adviser, the Share Registrar or any of their respective directors, officers, associates or advisers, or any other person involved in the Offers, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.

The attention of the Offer Shareholders and Optionholders is drawn to the “Further terms and procedures of acceptance of the Offers” as set out in Appendix I to this Composite Document.

LETTER FROM THE OFFEROR FINANCIAL ADVISERS

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board” as set out on pages 39 to 47 of this Composite Document, the “Letter from the Independent Board Committee” as set out on pages 48 to 49 of this Composite Document and the letter of advice by the Independent Financial Adviser to the Independent Board Committee as set out in the “Letter from the Independent Financial Adviser” on pages 50 to 96 of this Composite Document.

Yours faithfully,
For and on behalf of

Deutsche Bank AG, Hong Kong Branch

Rohit Satsangi
Managing Director

Clarence Kwok
Managing Director

David Xiong
Managing Director

UBS AG Hong Kong Branch

Samson Lo
Managing Director

Michael Wong
Executive Director

LETTER FROM THE BOARD

SUN ART
Retail Group Limited

SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6808)

Executive Director:

SHEN Hui (*Chief Executive Officer*)

Non-executive Director:

HUANG Ming-Tuan (*Chairman*)

Independent Non-executive Directors:

Karen Yifen CHANG

Charles Sheung Wai CHAN

YIH, Lai Tak, Dieter

Head office and Registered Office:

Room 1928, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

Place of Business in the PRC:

No. 255, Jiangchang Xi Road

Jing'an District

Shanghai, China

200436

March 6, 2025

To the Offer Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
DEUTSCHE BANK AND UBS
FOR AND ON BEHALF OF PARAGON SHINE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SUN ART RETAIL GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
PARAGON SHINE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
SUN ART RETAIL GROUP LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement and the SPA Completion Announcement.

As disclosed in the Joint Announcement, on December 31, 2024, the Offeror entered into the SPA with the Sellers, pursuant to which the Offeror conditionally agreed to purchase (by itself and/or through an entity/entities which is/are wholly owned by the Parent), and the Sellers conditionally agreed to sell, 7,507,666,581 Shares, representing approximately 78.70% of the total issued share capital of the Company as at the Latest Practicable Date, at a consideration of HK \$10,360,579,882, representing HK\$1.38 per Sale Share, together with the Interest.

LETTER FROM THE BOARD

As disclosed in the SPA Completion Announcement, the Offeror and the Company jointly announced that SPA Completion took place on February 27, 2025. Immediately after the SPA Completion, the Offeror and the SPA Additional Purchaser, being indirect wholly-owned subsidiaries of the Parent Holdco, became interested in 7,507,666,581 Shares, representing approximately 78.70% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, following SPA Completion, a mandatory general offer is required to be made by DCP Capital Partners II, L.P. through the Offeror and/or (if applicable) the Offeror Designated Entities for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties. An appropriate offer is required to be made by DCP Capital Partners II, L.P. through the Offeror to the Optionholders to cancel all the outstanding Options in accordance with Rule 13 of the Takeovers Code.

Details of the principal terms of the Offers together with information of the Offeror and the intentions of the Offeror in relation to the Group are set out in the “Letter from the Offeror Financial Advisers” in this Composite Document and further details on the terms of the Offers are set out in “Appendix I – Further Terms and Procedures of Acceptance of the Offers” of the Composite Document and in the accompanying Forms of Acceptance.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to each of the Group, the Offeror and the Offers; (ii) a letter from the Offeror Financial Advisers containing details of the Offers; (iii) a letter from the Independent Board Committee containing its recommendation and advice to the Offer Shareholders and Optionholders in respect of the Offers; and (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on whether the Offers are fair and reasonable so far as the Offer Shareholders and Optionholders are concerned and as to acceptance in respect of the Offers.

THE OFFERS

As at the Latest Practicable Date, there were 9,539,704,700 Shares in issue and 45,000,000 outstanding Options.

The Share Offer

As mentioned in the “Letter from the Offeror Financial Advisers” on pages 19 to 38 of this Composite Document, the Offeror Financial Advisers are making 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 after the date of acceptance; or

LETTER FROM THE BOARD

- (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 after 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.

Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative are provided with the following two settlement options in relation to any potential Advanced Payment to the Sellers:

- 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 represent the early repayment of the relevant outstanding Partial Deferred Alternative Second Payment Price and also comprise the Base Interest accruing on such relevant 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 and/or (if applicable) the Offeror Designated Entities shall make the MGO Advanced Payment at the same time as the Advanced Payment being made to the Sellers. If a MGO Advanced Payment is made, the Base Interest would not accrue on such amount of MGO Advanced Payment that have been prepaid, whilst the maximum Variable Interest of HK\$0.124 per Offer Share will continue to apply.

LETTER FROM THE BOARD

The Offeror and/or (if applicable) the Offeror Designated Entities will inform the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option) of an upcoming Advanced Payment and the MGO Advanced Payment to the Sellers no later than 3 Business Days prior to the making of such Advanced Payment and MGO Advanced Payment by post to those Accepting Shareholders at the correspondence addresses recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

- 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 Joint Announcement, which is also set out in the paragraph headed “*If the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers*” in the sub-section headed “Determination of the Variable Interest” in the “Letter from the Offeror Financial Advisers”. 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 paragraph headed “*If the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers*” in the sub-section headed “Determination of the Variable Interest” in the “Letter from the Offeror Financial Advisers”; (iii) the maximum Interest payable by the Offeror and/or (if applicable) the Offeror Designated Entities to the Accepting Shareholders under this option is HK\$0.20 per Offer Share; and (iv) no MGO Advanced Payment will be made.

The Offeror reserves the right to designate King Salmon and/or Cornflower Blue (being the Offeror Designated Entities) to acquire and hold any Offer Share to be acquired under the Share Offer.

The Company confirms that as at the Latest Practicable Date, the Company did not have outstanding dividends which have been declared but not yet paid. Except for the 2025 Final Dividend which the Company may potentially declare, the Company will not make, declare or pay any dividend or make other distribution after the date of this Composite Document and before the close of the Offers.

LETTER FROM THE BOARD

The Option Offer

As mentioned in the “Letter from the Offeror Financial Advisers” on pages 19 to 38 of this Composite Document, the Offeror Financial Advisers are making the Option Offer 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 Latest Practicable Date, 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.

Please refer to the “Letter from the Offeror Financial Advisers” and Appendix I – “Further Terms and Procedures of Acceptance of the Offers” to this Composite Document and the accompanying Forms of Acceptance for further information in relation to, among other things, the Offers and acceptance and settlement procedures of the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with Rule 2.1 of the Takeovers Code, the 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. YIH Lai Tak, Dieter 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 (the “**Former Directors**”), two former non-executive Directors, who resigned on February 27, 2025, were nominated by Alibaba Holding, the holding company of two of the Sellers, and therefore were not part of the Independent Board Committee.

In addition, as approved by the Independent Board Committee, an independent financial adviser, Somerley Capital Limited, has been appointed on January 9, 2025 pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in connection with the Offers.

LETTER FROM THE BOARD

VALUE OF THE OFFERS

As at the Latest Practicable Date, 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 holders 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 and/or (if applicable) the Offeror Designated Entities acquire 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 and/or (if applicable) the Offeror Designated Entities intend 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 and/or (if applicable) the Offeror Designated Entities under the Share Offer.

On completion of the compulsory acquisition process, the Company will be held as to 100% indirectly by Parent Holdco through the Offeror, the SPA Additional Purchaser and (if applicable) the Offeror Designated Entities 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(1) of the Listing Rules.

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer reaches the prescribed level under the Companies Ordinance required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares may be suspended on the ex-date to the entitlement of the compulsory acquisition consideration pursuant to Rule 6.15(1) of the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 19.38% of the issued Shares, are held by the public, or if the Stock Exchange believes that:–

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM THE BOARD

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer does not reach the prescribed level under the Companies Ordinance required for compulsory acquisition or the requirements of Rule 2.11 of the Takeovers Code are not satisfied, the Shares will remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers.

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.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

	Immediately before the SPA Completion		Immediately after the SPA Completion and as at the Latest Practicable Date		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	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>shareholding %</i>	<i>Number of Shares</i>	<i>shareholding %</i>	<i>Number of Shares</i>	<i>shareholding %</i>	<i>Number of Shares</i>	<i>shareholding %</i>
Offeror	0	0	4,504,599,949	47.22	4,504,599,949	47.22	6,552,888,068	68.57
SPA Additional Purchaser	0	0	3,003,066,632	31.48	3,003,066,632	31.48	3,003,066,632	31.43
Offeror and its concert parties (including the SPA Additional Purchaser but 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

LETTER FROM THE BOARD

	Immediately before the SPA Completion		Immediately after the SPA Completion and as at the Latest Practicable Date		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 %
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 ⁽¹⁾	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

Note:

- Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 66,782,964 Shares through Unique Grand Trading Limited and 1,551,238 Shares under her name. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the shares held by Ms. LEE Chih-Lan.

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 Latest Practicable Date, save as disclosed in this section, no other Director nor any of the Former Directors holds any Shares in the Company.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror and the Offeror Designated Entities” in the “Letter from the Offeror Financial Advisers” contained in this Composite Document.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intentions of the Offeror in relation to the Group” in the “Letter from the Offeror Financial Advisers” as set out on pages 19 to 38 of this Composite Document.

LETTER FROM THE BOARD

The Board is pleased to note that the Offeror (i) 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, (ii) does not have any plans to make any material changes to the continued employment of the employees (other than in the ordinary course of business) as of the Latest Practicable Date, (iii) does not expect there to be a significant redeployment of the fixed assets of the Group as of the Latest Practicable Date and (iv) other than in the ordinary course of business, does not have any intention or has not entered into any agreement, arrangement, negotiation or undertaking (formal or informal; express or implied) to downsize or dispose of any of the Company's existing business and/or acquire any new businesses as of the Latest Practicable Date.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" as set out on pages 48 to 49 of this Composite Document, which contains its recommendation to the Offer Shareholders and the Optionholders in respect of the Offers, and (ii) the "Letter from the Independent Financial Adviser" as set out on pages 50 to 96 of this Composite Document, which contains, among other things, its advice in relation to the Offers and the principal factors considered by it before arriving at its recommendation. The Offer Shareholders and Optionholders are urged to read those letters carefully before taking any action in respect of the Offers.

ADDITIONAL INFORMATION

You are also advised to read the "Letter from the Offeror Financial Advisers", the appendices to the Composite Document and the Forms of Acceptances in respect of the terms and acceptance and settlement procedures of the Offers.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

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

SUN ART
Retail Group Limited

SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6808)

March 6, 2025

To the Offer Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
DEUTSCHE BANK AND UBS
FOR AND ON BEHALF OF PARAGON SHINE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SUN ART RETAIL GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
PARAGON SHINE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
SUN ART RETAIL GROUP LIMITED**

INTRODUCTION

We refer to the Composite Document dated March 6, 2025 issued jointly by the Offeror and the Company, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the Offers and their respective terms and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to acceptance of the Offers.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offers. Your attention is drawn to the “Letter from the Independent Financial Adviser” as set out on pages 50 to 96 of the Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We further draw your attention to the “Letter from the Offeror Financial Advisers” set out on pages 19 to 38 of the Composite Document which contains, among other things, information about the Offers. We also draw your attention to the “Letter from the Board” set out on pages 39 to 47 of the Composite Document and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and acceptance and settlement procedures for the Offers.

RECOMMENDATIONS

Having considered the terms of the Offers and the letter of advice and recommendations of the Independent Financial Adviser, we consider that the terms of (i) the Share Offer and (ii) the Option Offer are not fair and not reasonable so far as the Independent Shareholders and Optionholders are concerned, and accordingly, we recommend the Independent Shareholders and Optionholders not to accept the Share Offer or the Option Offer respectively.

Independent Shareholders should bear in mind the possibility of a suspension in trading in the Shares following the close of the Offers if a public float of 19.38% is not maintained but the threshold for privatisation is not reached. In such case, the Company and the Offeror have jointly and severally undertaken to take such steps as necessary to restore the public float.

Notwithstanding our recommendations, the Independent Shareholders and Optionholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
For and on behalf of
The Independent Board Committee of

Sun Art Retail Group Limited

**Mr. HUANG
Ming-Tuan**
Non-executive Director

**Ms. Karen Yifen
CHANG**
*Independent non-
executive Director*

**Mr. Charles Sheung
Wai CHAN**
*Independent non-
executive Director*

**Mr. YIH Lai
Tak, Dieter**
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter from the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of inclusion in the Composite Document.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

6 March 2025

To: the Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
DEUTSCHE BANK AND UBS
FOR AND ON BEHALF OF
PARAGON SHINE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SUN ART RETAIL GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY PARAGON SHINE
LIMITED AND
PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF SUN ART RETAIL
GROUP LIMITED**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with (i) the mandatory unconditional cash offer by the Offeror Financial Advisers for and on behalf of the Offeror and/or (if applicable) the Offeror Designated Entities to acquire all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and the Offeror Concert Parties) and (ii) the offer by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all outstanding Options. Details of the Offers are set out in the Composite Document dated 6 March 2025, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 31 December 2024, the Offeror and the Company jointly announced that the Offeror had entered into the SPA with the Sellers for the conditional sale and purchase of 7,507,666,581 Shares (representing approximately 78.7% of the Shares in issue as at the Latest Practicable Date) at a total consideration of approximately HK\$10,360.6 million, equivalent to HK\$1.38 per Sale Share, together with the Interest, further details of which are set out in the section headed "Background to the Offers".

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Following SPA Completion on 27 February 2025, and in accordance with Rule 26.1 of the Takeovers Code, a mandatory general offer is required to be made by DCP Capital Partners II, L.P. through the Offeror and/or (if applicable) the Offeror Designated Entities for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties). An appropriate offer is required to be made by DCP Capital Partners II, L.P. through the Offeror to the Optionholders to cancel all the outstanding Options in accordance with Rule 13 of the Takeovers Code.

In accordance with the Takeovers Code, the 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. YIH Lai Tak, Dieter and Mr. CHAN Charles Sheung Wai, has been established to make a recommendation to the Offer Shareholders and the Optionholders in respect of the Share Offer and the Option Offer, respectively. Mr. HAN Liu and Ms. QIN Yuehong, two former non-executive Directors who resigned on 27 February 2025, were nominated by Alibaba Holding, the holding company of two of the Sellers, and therefore would not be part of the Independent Board Committee. With the approval of the Independent Board Committee, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee as regards the Offers.

As a separate matter, Somerley acts as compliance adviser (“CA”) under the Listing Rules to Synagistics Limited (stock code: 2562) (“**Synagistics**”), which is ultimately controlled by Alibaba Holding (the “**Synagistics Engagement**”). Alibaba Holding was also the ultimate controlling shareholder of the Company as at the date of the Joint Announcement. It was agreed on 28 February 2022 that Somerley would act as CA to HK Acquisition Corporation (stock code: 7841), one of the first special purpose acquisition companies (“**SPAC**”) listed in Hong Kong. Somerley’s subsequent CA engagement with Synagistics (the successor company to HK Acquisition) commenced upon the completion of the de-SPAC transaction on 30 October 2024. The only two executive directors of Synagistics are the founders of the business. To our understanding, save for Mr. Jin Qin, a non-executive director of Synagistics nominated by Alibaba Holding, with whom we had no dealings, none of the directors of Synagistics or members of its senior management team hold any position in Alibaba Holding or its close associates, including the Company, and Synagistics is not consolidated as a subsidiary of Alibaba Holding in its financial accounts. Accordingly, we do not consider that the Synagistics Engagement creates a significant connection with the Sellers of a kind reasonably likely to create, or to create the perception of, a conflict of interest or is reasonably likely to affect the objectivity of our advice on the Offers.

Other than in relation to the Synagistics Engagement, we are not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Other than professional fees paid or payable to us under the Synagistics Engagement, which are not material, and apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any payment or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed, among other things, the Company's interim reports for the six months ended 30 September 2024 and 2023 and the Company's annual reports for the years ended 31 March 2023 and 2024, and the other information contained in the Composite Document. We have discussed with the Directors their statement set out in the section headed "Material Change" in Appendix II to the Composite Document that, save as disclosed in that section, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date. We have also reviewed the trading performance of the Shares on the Stock Exchange and reviewed certain comparable companies and precedent privatisation transactions, and conducted site visits to selected stores of the Group. We have sought and received confirmation from the Directors that, to the best of their knowledge, no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or the Offeror Concert Parties, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the publication date of the Composite Document and will continue to be true until the close of the Offers. Shareholders and Optionholders will be notified of any material changes to such representations as soon as possible during the Offer Period.

We have not considered the tax and regulatory implications on Offer Shareholders and Optionholders of acceptance or non-acceptance of the Share Offer and the Option Offer respectively, since these depend on their individual circumstances. In particular, Offer Shareholders and Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE OFFER

1. The Share Offer

The Offeror Financial Advisers, for and on behalf of the Offeror and/or (if applicable) the Offeror Designated Entities, are making the Share Offer to the Offer Shareholders to acquire all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and the Offeror Concert Parties) 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 after 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 after the date of acceptance; and
 - (ii) the Partial Deferred Alternative Second Payment Price of HK\$0.46 per Offer Share, together with (a) 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 (b) the Variable Interest, in cash on the applicable Partial Deferred Alternative Second Payment Date. Further details of the calculation of the Base Interest and the Variable Interest are set out below.

Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative are provided with the following two settlement options in relation to any potential Advanced Payment by the Offeror or the SPA Additional Purchaser to the Sellers:

- A. MGO Advanced Payment Option.** If any Advanced Payment is made to the Sellers, Accepting Shareholders electing this option would be entitled to receive the MGO Advanced Payment: (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 represents the early repayment of the relevant outstanding Partial Deferred Alternative Second Payment Price, and also comprise the Base Interest accruing on the then outstanding Partial Deferred Alternative Second Payment Price up to the date of such repayment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 30 June 2028 and be determined in accordance with the Updated Variable Interest Determination Mechanism. The Offeror and/or (if applicable) the Offeror Designated Entities shall make the MGO Advanced Payment at the same time as the Advanced Payment being made to the Sellers. If a MGO Advanced Payment is made, the Base Interest would not accrue on such amount of MGO Advanced Payment that have been prepaid, whilst the maximum Variable Interest of HK\$0.124 per Offer Share will continue to apply.

The Offeror and/or (if applicable) the Offeror Designated Entities will inform the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option) of an upcoming Advanced Payment and the MGO Advanced Payment to the Sellers no later than 3 Business Days prior to the making of such Advanced Payment and MGO Advanced Payment by post to those Accepting Shareholders at the correspondence addresses recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

- 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 Joint Announcement: (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 Joint Announcement, (iii) the maximum Interest payable by the Offeror and/or (if applicable) the Offeror Designated Entities to the Accepting Shareholders under this option is HK\$0.20 per Offer Share and (iv) no MGO Advanced Payment will be made. The maximum consideration payable under this option is HK\$1.58 per Offer Share, being the Maximum Share Offer Price, ie no more than an additional HK\$0.20 per Offer Share will be payable above the Full Upfront Settlement Alternative.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Offer Shareholders may only elect one method of settlement from the following: (a) the Full Upfront Settlement Alternative, (b) the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option in the case of a potential Advanced Payment to the Sellers) or (c) the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option in the case of a potential Advanced Payment to the Sellers) (and not a combination of any of the foregoing). Accepting 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 Accepting Shareholders who hold their Offer Shares to be tendered for acceptance as Registered Holders (other than HKSCC Nominees Limited). Accepting Shareholders may not elect the Partial Deferred Settlement Alternative if they are a CCASS Holder. Accordingly, Accepting Shareholders who are not Registered Holders but wish to elect the Partial Deferred Settlement Alternative are required, for example, to withdraw their Offer Shares to be tendered for acceptance deposited in CCASS, if any, from CCASS and enter into the Share Register as a Registered Holder, on or before the date that such Accepting Shareholder delivers its acceptance for the Share Offer where the Partial Deferred Settlement Alternative is elected. Please refer to Appendix I to the Composite Document for further details.

Settlement of the consideration payable to a Shareholder who accepts the Share Offer will be made in Hong Kong dollars by cheque to the relevant Shareholder in the following manner:

- (a) in respect of the Full Upfront Alternative Price and Partial Deferred Alternative First Payment Price, each cheque will be despatched by ordinary post to the address specified on the relevant Form of Acceptance at his/her/its own risk,
- (b) in respect of the Partial Deferred Alternative Second Payment that has not been prepaid, each cheque will be despatched by ordinary post to the Accepting Shareholders who have validly elected the Partial Deferred Settlement Alternative at the relevant address of such Accepting Shareholders recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the applicable Partial Deferred Alternative Second Payment Date, at his/her/its own risk, and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) in respect of any MGO Advanced Payment, each cheque will be despatched by ordinary post to the Accepting Shareholders who have validly elected the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option) at the relevant address of such Accepting Shareholders recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of the relevant Advanced Payment to the Sellers, at his/her/its own risk.

Advanced Payment

Offer Shareholders electing the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option) would be entitled to receive the MGO Advanced Payment if any Advanced Payment is made to the Sellers on the following basis:

- (i) an early repayment by the Offeror and/or the SPA Additional Purchaser of the then outstanding SPA Second Payment Price, together with Base Interest accruing thereon up to the date of such repayment pursuant to the Supplemental SPA in the event of receipt by the SPA Initial Purchaser and/or the SPA Additional Purchaser of any dividends or other distributions declared, paid or made by the Company; and/or
- (ii) an early full or partial repayment of the then outstanding SPA Second Payment Price, together with Base Interest accruing thereon up to the date of such repayment which may otherwise be made by the SPA Initial Purchaser and/or the SPA Additional Purchaser from the SPA Completion Date at its respective discretion.

Base Interest

The Base Interest accrues on the Partial Deferred Alternative Second Payment Price at 4.8% per annum, compounded annually.

Variable Interest

If the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers (the “Original Variable Interest Determination Mechanism”)

The amount of Variable Interest payable in respect of 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, ie initially RMB4.4 billion, subject to EBITDA Limit Adjustment (if any), the Variable Interest shall be HK\$0.20 per Offer Share less the Base Interest per Offer Share;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) if the 2027/2028 Average Adjusted EBITDA is higher than the Adjusted EBITDA Low Limit, ie initially RMB3.9 billion, subject to EBITDA Limit Adjustment (if any), but is lower than the Adjusted EBITDA High Limit, the Variable Interest shall be an amount in Hong Kong dollars per 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 Offer Share less the Base Interest per Offer Share; or

- (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 and/or (if applicable) the Offeror Designated Entities to the Accepting Shareholders who validly opt for the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option) is HK\$0.20 per Offer Share.

If the MGO Advanced Payment Option is elected and Advanced Payment is made to the Sellers, i.e. the Updated Variable Interest Determination Mechanism

As set out in the SPA Completion Announcement, given the SPA Completion took place on 27 February 2025, the Offeror, the Purchaser Designated Entity and the Sellers were 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 4.8% per annum, compounded annually, from the SPA Completion Date until the date falling 39 months thereafter (i.e. May 27, 2028), and based on such formulation, the maximum Variable Interest amount is approximately HK\$0.124 per Sale Share. On this basis, the Variable Interest in respect of the Partial Deferred Settlement Alternative payable under the MGO Advanced Payment Option would be determined in accordance with the Updated Variable Interest Determination Mechanism 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\$0.124 per Offer Share; or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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 Offer 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 Offer Share; or

- (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.

If a MGO Advanced Payment is made, the Base Interest would not accrue on such amount of MGO Advanced Payment that has been prepaid, whilst the maximum Variable Interest of HK\$0.124 per Offer Share will continue to apply.

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

The 2028 Financial Information is expected to be available by 31 May 2028. The Offeror and/or (if applicable) the Offeror Designated Entities will inform the Accepting Shareholders who validly elect the Partial Deferred Settlement Alternative of: (i) the 2027/2028 Average Adjusted EBITDA and the Variable Interest payable to those Accepting Shareholders after the 2028 Financial Information has been determined and (ii) 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 Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

Adjustments may be made to the Adjusted EBITDA Low Limit and Adjusted EBITDA High Limit in the event of occurrence of any EBITDA Limit Adjustment Event, which is any transaction by the Group from the SPA Completion Date until 31 March 2028 which: (a) is outside of the ordinary course of its business and (b) would constitute a discloseable

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

In the event of occurrence of any EBITDA Limit Adjustment Event, the Sellers and the SPA Purchasers shall, within one month after 31 March 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 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 31 March 2027 and 31 March 2028 of the Company and (ii) the gain or loss to be recognised by the Group as a result of that EBITDA Limit Adjustment Event for the two financial years ending 31 March 2027 and 31 March 2028.

For the avoidance of doubt, to the extent that any EBITDA Limit Adjustment is made by the SPA Purchasers 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 and/or (if applicable) the Offeror Designated Entities 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 Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such post.

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.

Other key terms

If, after the date of the despatch of the Composite Document and up to the close of the Offers, any dividend or other distribution is made or paid to the Offer Shareholders (and not the Offeror or (if applicable) the Offeror Designated Entities) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company confirms that as at the Latest Practicable Date, the Company did not have outstanding dividends which have been declared but not yet paid. Except for the 2025 Final Dividend which the Company may potentially declare, the Company will not make, declare or pay any dividend or make other distribution after the date of the Composite Document 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 Offeror reserves the right to designate King Salmon and/or Cornflower Blue (being the Offeror Designated Entities) to acquire and hold any Offer Share to be acquired under the Share Offer.

2. The Option Offer

The Offeror Financial Advisers, for and on behalf of the Offeror, are making 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 Offers are unconditional in all respects. Acceptances of the Offers will be irrevocable and shall not be capable of being withdrawn, except in the circumstances as set out in the section headed “Right of withdrawal” in Appendix I to the Composite Document. Further details of the Offers, including the expected timetable and the terms and procedures for acceptance of the Offers, are set out in the sections headed “Expected timetable”, “Letter from Offeror Financial Advisers”, “Letter from the Board”, Appendix I to the Composite Document and the Forms of Acceptance.

The Offeror has not stated in the Joint Announcement and the Composite Document that (i) it will not increase the price under the Offers and (ii) it does not reserve the right to increase the price under the Offers.

Offer Shareholders should read the relevant sections in the Composite Document in full. The latest time and date for acceptance of the Offers is 4:00 p.m. on 27 March 2025, unless the Offeror revises or extends the Offers in accordance with the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Background to the Offers

On 15 October 2024 the Company announced that on 27 September 2024 it had received an approach letter from an unnamed Another Potential Offeror who expressed an intention to make a pre-conditional voluntary conditional offer for all the issued shares of, and an option offer to cancel all outstanding share options issued by, the Company, subject to various matters. Subsequently, as set out in the Joint Announcement, the Sellers have ceased further discussions with Another Potential Offeror in relation to any possible offer for the Company.

In accordance with the SPA, on 31 December 2024, the Offeror entered into the SPA with the Sellers, pursuant to which A-RT Retail Holdings Limited, Taobao China Holding Limited and New Retail Strategic Opportunities Investments 1 Limited have conditionally agreed to sell the Sale Shares (representing approximately 78.7% of the Shares in issue as at the Latest Practicable Date) to the Offeror (and/or to an entity/entities which is/are wholly owned by the sole shareholder of the Offeror), for approximately HK\$10,360.6 million (equivalent to HK\$1.38 per Sale Share), together with the Interest.

As set out in the SPA Completion Announcement, SPA Completion took place on 27 February 2025. The Offeror and the SPA Additional Purchaser acquired a total of 7,507,666,581 Shares, representing approximately 78.7% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Sellers at a consideration paid or payable (as applicable) by the Offeror in the following manner:

- (a) a sum of approximately HK\$6,907.1 million, 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, the balance of approximately HK\$3,453.5 million, 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, pursuant to Rule 26.1 of the Takeovers Code, a mandatory general offer is required to be made by DCP Capital Partners II, L.P. through the Offeror and/or (if applicable) the Offeror Designated Entities for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties. An appropriate offer is required to be made by DCP Capital Partners II, L.P. through the Offeror to the Optionholders to cancel all the outstanding Options in accordance with Rule 13 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

On even date of SPA Completion Announcement, share charge(s) in respect of 100% of the issued shares of the Parent has been granted in favor of the Sellers.

Immediately following the SPA Completion the Sellers have divested all of their Shares. Certain continuing connected transactions between the Company and Alibaba Holding and its subsidiaries and affiliates, details of which are set out in the announcements of the Company dated 25 January 2024, 28 March 2024 and 8 April 2024, in relation to the Group's supply or purchase of different types/nature of goods and services and equity-based compensation cost allocation and reimbursement, remain in place following SPA Completion.

2. Information on the Group

The Company is incorporated in Hong Kong with limited liability and was listed on the Main Board of the Stock Exchange on 27 July 2011. For the year ended 31 March 2024, and for the six months ended 30 September 2024, the Group recorded revenue of approximately RMB72.6 billion and RMB34.7 billion, respectively. As the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$18,316.2 million. The Shares are eligible for Southbound trading under the Shanghai and Shenzhen "stock connect" schemes for mutual stock market access between Mainland China and Hong Kong.

The Group is a major consumer retailer in the PRC. It principally sells fresh food, fast moving consumer goods, textile products and general goods mainly in self-owned or leased hypermarkets and superstores and through an online business. The Group operates its stores under the "RT Mart" and "RT Super" brands and more recently has been developing "M-Club"-branded stores, membership-only shops that offer consumers a variety of products for an annual membership fee. As at 30 September 2024 the Group's stores covered 206 cities across 29 provinces, autonomous regions and municipalities in the PRC.

As at 30 September 2024, the Group operated 466 hypermarkets, 30 superstores and six membership stores, for a total of 502 bricks-and-mortar locations, with a total GFA of approximately 13.5 million square metres. The table below sets out an historical summary of the number of stores operated, under construction and opened and closed by the Group:

	As at 30 September 2024	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022
Number of stores	502	507	582	602
Hypermarkets and superstores under construction	1	0	6	17

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended 30 September 2024		For the year ended 31 March	
		2024	2023	2022
No of opened hypermarkets, superstores and membership stores	4	23	6	8
No of closed hypermarkets and superstores	7 <i>(Note 1)</i>	20 <i>(Note 2)</i>	7	5

Notes:

- (1) Of which one closed hypermarket was to be converted into a membership store*
- (2) Of which four closed hypermarkets were to be converted into membership stores*

As set out above, the Group has gradually closed some underperforming stores and the number of stores operated by the Group has decreased in recent periods, with a limited number of stores under construction. As at 30 September 2024, the Group has one superstore under construction, has identified and secured three sites to open hypermarkets, and has signed contracts for four superstores. Of the four new stores opened during the six months ended 30 September 2024, three were membership stores located in Eastern China. One of the hypermarkets closed during the same period was to be converted into a membership store. The Group expects to focus on multi-format store expansion across hypermarkets, superstores and membership stores.

The Group has recently focused on low-price strategies and optimisation of its product structure. For example, its “RT-Mart” and “RT-Super” stores introduced a series of products such as the “Super Saver” series, which was developed specifically by the Group’s private label team to meet customers’ needs while benchmarking competitors’ lowest-priced products in many categories. The Group’s “M-Club”-branded membership stores offer over 4,000 stock keeping units from around 30 countries and regions and launch more than 200 new products per month. Members of “M-Club” stores also have the option of placing orders online for dedicated global products in categories such as beauty and skincare, personal care, baby care and health supplements, with shipments dispatched directly from cross-border warehouses. “M-Club” also provides home delivery services with the fastest delivery within one hour. The Group also developed new online sales channels alongside its focus on bricks-and-mortar stores, achieving a mid-single-digit growth in same-store-sales of its business-to-consumer (“B2C”) online business during the six months ended 30 September 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Financial information and prospects of the Group

(a) Financial results

Set out below is a summary of the consolidated financial results of the Group for the six months ended 30 September 2024 and 2023, and for each of the two years ended 31 March 2024 and 2023. Details of the financial information of the Group are set out in Appendix II to the Composite Document:

	For the six months ended		For the year ended	
	30 September		31 March	
	2024	2023	2024	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	34,708	35,768	72,567	83,662
Cost	<u>(26,182)</u>	<u>(26,879)</u>	<u>(54,609)</u>	<u>(63,081)</u>
Gross profit	8,526	8,889	17,958	20,581
<i>Gross profit margin</i>	<i>24.6%</i>	<i>24.9%</i>	<i>24.7%</i>	<i>24.6%</i>
Selling and marketing expenses	(7,667)	(8,718)	(18,178)	(18,510)
Administrative expenses	(859)	(898)	(2,251)	(2,369)
Other income and other gains, net	<u>621</u>	<u>746</u>	<u>1,462</u>	<u>1,475</u>
Operating profit/(loss)	621	19	(1,009)	1,177
Finance costs	(211)	(213)	(425)	(454)
Share of results of associates and joint ventures	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1)</u>
Profit/(loss) before income tax	410	(194)	(1,434)	722
Income tax expense	<u>(224)</u>	<u>(184)</u>	<u>(234)</u>	<u>(644)</u>
Profit/(loss) for the period/year	186	(378)	(1,668)	78
<i>Net profit margin</i>	<i>0.5%</i>	<i>N/M</i>	<i>N/M</i>	<i>0.1%</i>
Profit/(loss) attributable to the Shareholders	206	(359)	(1,605)	109

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended		For the year ended	
	30 September		31 March	
	2024	2023	2024	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Earnings/(loss) per Share (basic and diluted) (RMB)	0.02	(0.04)	(0.17)	0.01
Dividend per Share				
(RMB)	0.158	–	0.018	0.040
(HK\$)	0.170	–	0.020	0.045

(i) Revenue

Revenue of the Group is primarily derived from the sales of food, groceries and other goods through bricks-and-mortar stores, mainly hypermarkets, and online sales channels. A smaller portion of revenue is generated from leasing retail space in hypermarket buildings to third parties and from membership fees generated from the Group’s membership stores, which was a new revenue generator in the year ended 31 March 2024. For the year ended 31 March 2024, the Group recorded revenue of approximately RMB72,567 million, of which approximately 29% was generated from online sales, a decrease of approximately 13.3% when compared with revenue of approximately RMB83,662 million for the year ended 31 March 2023. For the year ended 31 March 2024, approximately 95.7% of the Group’s total revenue of approximately RMB69,431 million was generated from sales of goods, a decrease of approximately 13.8% when compared to the year ended 31 March 2023. The decrease was primarily due to (i) the closing down of long-term loss-making stores, (ii) reduced demand for essential daily supplies and epidemic prevention materials provided to the community in response to government initiatives and (iii) the decrease in average ticket size, despite a slight recovery in offline traffic at stores. For the year ended 31 March 2024, the same store sales growth (the “SSSG”) calculated based on the sales of goods from stores that operated in both the financial year ended 31 March 2023 and 31 March 2024 (excluding the sale of electronic appliances and the sales to Alibaba Holding on certain online platforms) was a negative 6.6%, the impact of which was partly offset by an increase in average daily orders per store for the Group’s online B2C business. For the year ended 31 March 2024, revenue from rental income was approximately RMB3,120 million, representing a decrease of approximately 0.2% compared to the year ended 31 March 2023. Revenue from membership fees amounted to approximately RMB16 million for the year ended 31 March 2024.

For the six months ended 30 September 2024, the Group recorded revenue of approximately RMB34,708 million, representing a decrease of approximately 3.0% compared to the same period in 2023. For the six months ended 30 September 2024, approximately 95.6% of the Group’s total revenue of approximately RMB33,186 million was generated from sales of goods, representing a decrease of approximately 3.0% compared to the same period in 2023. The decrease was mainly driven by (i) the closing down of loss-making stores and (ii) the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

scaling down of group purchase and inventory sharing programmes on Alibaba Holding online platforms. For the six months ended 30 September 2024, the SSSG was approximately 0.3%, primarily due to an increase in ticket size as a result of a low price strategy. Offline revenue showed signs of recovery and stabilisation, supported by new online channels, which drove SSSG. The Group did not report revenue generated from online sales for the period. Rental income decreased by approximately 2.3% to approximately RMB1,508 million for the six months ended 30 September 2024, mainly due to a reduction in gallery areas as stores were closed and tenant mix adjustments. For the six months ended 30 September 2024, revenue from membership fees was approximately RMB14 million.

(ii) Gross profit

For the year ended 31 March 2024, the Group recorded a gross profit of approximately RMB17,958 million, representing a decrease of approximately 12.7% compared to the year ended 31 March 2023, mainly as a result of a decrease in offline sales and price reductions to maintain price competitiveness. The Group recorded a gross profit margin of approximately 24.7% in the year ended 31 March 2024, comparable to the previous year.

For the six months ended 30 September 2024, gross profit was approximately RMB8,526 million, representing a decrease of approximately 4.1% compared to the same period in 2023 principally due to the Group's implementation of a low price strategy to enhance price competitiveness. The gross profit margin for the six months ended 30 September 2024 decreased by approximately 0.3 percentage points to 24.6% compared to the same period in 2024.

(iii) Selling and marketing expenses

Selling and marketing expenses mainly consisted of personnel expenses, operating lease charges, utility expenses, maintenance, advertising, miscellaneous expenses and the depreciation of property, plant and equipment. For the year ended 31 March 2024, the Group recorded selling and marketing expenses of approximately RMB18,178 million, an approximately 1.8% decrease as compared to the year ended 31 March 2023, mainly as a result of a reduction in personnel costs and lower variable costs due to the decrease in revenue from sales of goods, offset by an increase in impairment charges for stores with negative cash flows and those that were either closed or marked for closure, which related to properties leased for own-use, store and other equipment, decoration and leasehold improvements and investment properties, of approximately RMB1,208 million as compared to impairment charges of approximately RMB384 million for the year ended 31 March 2023.

Selling and marketing expenses recorded by the Group for the six months ended 30 September 2024 of approximately RMB7,667 million represented an approximately 12.1% decrease as compared to the same period in 2023, mainly due to (i) a decrease of approximately RMB456 million in personnel costs, (ii) a decrease of approximately RMB141 million in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

impairment losses accrued for stores with negative cash flows relating to building and leasehold improvements, equipment and right-of-use assets and (iii) reduced marketing expenses and a reduction in rental costs.

(iv) Administrative expenses

Administrative expenses of the Group mainly included personnel expenses, travelling expenses, depreciation of property, plant and equipment and other expenses for administrative departments. For the year ended 31 March 2024, the Group recorded approximately RMB2,251 million of administrative expenses, an approximately 5.0% decrease as compared to the year ended 31 March 2023, mainly attributable to the reversal of a special loss allowance related to trade receivables from certain retail customers and a reduction in personnel costs. Administrative expenses declined by approximately 4.3% to approximately RMB859 million for the six-month period ended 30 September 2024, primarily due to cost savings during the period.

(v) Other income and other gains, net

Net other income and other gains consisted of interest income, other miscellaneous income, government grants, net gain or loss on disposals and reassessment of investment properties and other property, plant and equipment, gains on financial assets and income from disposal of packaging materials.

The Group recorded net other income and other gains of approximately RMB1,462 million for the year ended 31 March 2024, which represented a decrease of approximately 0.9% as compared to the year ended 31 March 2023. This was primarily related to a reduction in government grants and miscellaneous income, partially offset by an increase in one-off net gains from the disposal and reassessment of investment properties and other property, plant, and equipment.

For the six months ended 30 September 2024 the Group recorded net other income and other gains of approximately RMB621 million, a decrease of approximately 16.8% compared to RMB746 million recorded in the same period in 2023, mainly related to a reduction in miscellaneous income, government grants and interest income, partially offset by an increase in one-off net gains from the disposal and reassessment of investment properties and other property, plant and equipment.

(vi) Profit/loss for the period/year

The Group recorded a loss of approximately RMB1,668 million for the year ended 31 March 2024 as compared to a profit of approximately RMB78 million for the year ended 31 March 2023, mainly due to a decline in revenue and increased impairment charges, as set out above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 September 2024, the Group recorded a profit of approximately RMB186 million compared with a loss of approximately RMB378 million for the corresponding period in 2023. The return to profitability as compared to the six months ended 30 September 2023 was mainly due to a reduction in selling, marketing and administrative expenses, including lower personnel costs, other cost savings, a reduction in impairment charges and positive SSSG.

(vii) Dividends paid to Shareholders

The dividends paid to Shareholders decreased from HK\$0.045 in the year ended 31 March 2023 to HK\$0.02 per Share in the year ended 31 March 2024. On 10 December 2024, the Directors resolved to approve the declaration and payment of an Interim Dividend of HK\$0.17 (equivalent to approximately RMB0.158) per Share for the six months ended 30 September 2024, which was paid on 24 January 2025. No interim dividend was declared by the Company for the six months ended 30 September 2023.

(b) Financial position

Set out below is a summary of the consolidated financial position of the Group as at 30 September 2024 and 31 March 2024, details of which are set out in Appendix II to the Composite Document:

	As at 30 September 2024	As at 31 March 2024
	<i>RMB million (Unaudited)</i>	<i>RMB million (Audited)</i>
Investment properties	5,246	5,302
Other property, plant and equipment	20,058	20,969
Other non-current assets	4,221	4,084
Total non-current assets	29,525	30,355
Inventories	8,065	7,691
Trade and other receivables	1,867	2,133
Restricted and time deposits	8,191	5,025
Financial assets at fair value through profit or loss	4,741	3,474
Cash and cash equivalents	9,500	11,908
Assets of disposal groups classified as held for sale	112	129
Total current assets	32,476	30,360
Total assets	62,001	60,715

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 September 2024	As at 31 March 2024
	<i>RMB million (Unaudited)</i>	<i>RMB million (Audited)</i>
Trade and other payables	17,677	16,840
Borrowings	2,983	1,749
Lease liabilities	6,390	6,628
Contract liabilities	12,218	12,675
Other liabilities	935	1,029
Total liabilities	40,203	38,921
Net assets	21,798	21,794
Equity attributable to the Shareholders	21,431	21,403
Net asset value (“NAV”) per Share (RMB)	2.25	2.24
NAV per Share (HK\$) (Note 1)	2.43	2.42

Note:

(1) *The translation of RMB into HK\$ is based on the Reference Exchange Rate of HK\$: 1.0000: RMB0.92564 for illustration purposes only*

(i) *Investment properties, other property, plant and equipment and other non-current assets*

The Group’s stores are either operated on lease or are self-owned. As at 30 September 2024, approximately 66.0% of the total GFA of its stores was operated as leased space and approximately 34.0% of the GFA was located in self-owned properties. Investment properties represented the portion of the Group’s stores containing retail galleries that are leased to third parties, and are stated at cost less accumulated depreciation and impairment losses, the carrying amount of which was approximately RMB5,246 million as at 30 September 2024.

As at 30 September 2024, the Group recorded approximately RMB20,058 million of other property, plant and equipment, which mainly consisted of the Group’s self-owned stores and associated items, including buildings, land use rights, store and other equipment, as well as other properties leased for own use (primarily the Group’s leased stores).

While the Group’s investment properties, other property, plant and equipment and land use rights are carried at cost, for the year ending 31 March 2024 an independent professional valuer has been engaged to value the properties owned by the Group or leased by the Group which were recognised as right-of-use assets. As at 31 March 2024, the total fair value of such properties was RMB50,450 million, among which, the fair value of investment properties was RMB20,251 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 September 2024 the Group recorded approximately RMB4,221 million of other non-current assets, which mainly consisted of time and restricted deposits, deferred tax assets and trade and other receivables.

(ii) Other assets

The Group recorded other assets of approximately RMB32,476 million as at 30 September 2024, which mainly comprised (i) cash and cash equivalents of approximately RMB9,500 million, (ii) restricted and time deposits of approximately RMB8,191 million (iii) inventories, consisting primarily of store merchandise, of approximately RMB8,065 million, (iv) structured deposits, money market funds and certificates of deposit, held at fair value through profit or loss of approximately RMB4,741 million, (v) trade and other receivables of approximately RMB1,867 million, which consisted of amounts due from related and third parties, rental prepayments, other debtors and value-added tax receivables and (vi) assets of disposal groups classified as held for sale, being certain stores that are in the process of being sold, of approximately RMB112 million.

(iii) Liabilities

The Group recorded total liabilities of approximately RMB40,203 million as at 30 September 2024, which mainly comprised (i) approximately RMB17,677 million of trade and other payables, (ii) approximately RMB12,218 million of contract liabilities, primarily comprising advance receipts from customers in respect of unutilised balances of prepaid cards issued by the Group, (iii) approximately RMB6,390 million of lease liabilities, representing the present value of future minimum lease payments mainly on the Group's leased stores and (iv) approximately RMB2,983 million of current bank borrowings.

(iv) Equity attributable to Shareholders

The Group recorded equity attributable to Shareholders of approximately RMB21,431 million as at 30 September 2024 (approximately RMB2.25 per Share, equivalent to approximately HK\$2.43 per Share), comparable to that recorded by the Group as at 31 March 2024.

(v) Commitments and contingencies

The Group recorded capital commitments outstanding of approximately RMB760 million as at 30 September 2024, which mainly related to future expansion and renovation of hypermarkets. As set out in the Company's 2024 interim report, legal actions have commenced against the Group by certain customers, suppliers and landlords in respect of disputes on purchase agreements and property lease arrangements, which were ongoing as at 30 September 2024, with a total amount claimed of approximately RMB476 million. Management of the Group does not consider the above claims to have a material effect on the Group. A provision of RMB158 million, which the Directors believed to be adequate, was made within trade and other payables as at 30 September 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Prospects of the Group

As set out in the section headed “Financial results”, the Group recorded an approximately RMB1.7 billion loss for the year ended 31 March 2024, compared to a small profit of RMB78 million for the year ended 31 March 2023, principally affected by reduced revenue and impairments related to loss-making stores. The Group’s financial performance improved in the first half of the financial year ending 31 March 2025, with a profit of approximately RMB186 million, as compared to a loss of approximately RMB378 million in the six months ended 30 September 2024, mainly driven by a reduction in selling, marketing and administrative expenses, including impairment charges and positive SSSG. SSSG in the six months ended 30 September 2024 was 0.3% as compared to minus 5.9% in the six months ended 30 September 2023.

As a major operator of consumer-centric retail stores in the PRC with a focus on bricks-and-mortar outlets and serving its customers daily consumption necessities, we consider it reasonable to view the operating environment of the Group against broader economic indicators, including the gross domestic product (“GDP”) of the PRC and consumer spending data. The GDP of the PRC grew by approximately 3.0%, 5.2%, 5.0% and the national disposable income per capita increased by approximately 5.0%, 6.3%, 5.3% in 2022, 2023 and 2024 respectively, according to the National Bureau of Statistics of the PRC (the “NBS”). Both indicators appear to show a recovery, with growth having slowed somewhat more recently. Retail sales of consumer goods decreased by approximately 0.2% in 2022 and increased by approximately 7.2% and 3.5% in 2023 and 2024, respectively. The above statistics indicate a moderate improvement in the macroeconomic indicators which affect the broader retail environment including the market in which the Group operates. We consider this trend is reflected to some degree in the recent financial results of the Group. The Group recorded a net profit in three of the last five completed financial years with a net loss recorded in the year ended 31 March 2022 due to a challenging operating environment and strong competition, and a net loss in the year ended 31 March 2024 as stated above.

As set out in the interim report of the Group for the six months ended 30 September 2024, the Group is driving traffic growth at its stores with a focus on a competitive pricing of its products and by adjusting its product mix. For example, the Group has been developing several product ranges to appeal to price conscious consumers, under labels such as “Must-Buy” and “Every Day Low Price”. This in turn has led to a certain stabilisation of footfall to the Group’s stores, with growing ticket size driven by a slight increase in the average number of items purchased per order. The Group has also been developing its “RT-Super”-branded stores which offer a selected range of products with a focus on low price offerings. As set out in the interim report of the Group for the six months ended 30 September 2024, management of the Group believes that “RT-Super”-branded stores will become a significant driving force for the Group’s future expansion, and that they present an opportunity for the Group to strengthen its presence in top-tier cities. Another emphasis of the Group is the continued development of its “M-Club”-branded membership stores. As set out in the Group’s results presentation for the six months ended 30 September 2024, the Group intends to continue its multi-format and omni-channel development, which also includes increasing online B2C sales by growing average ticket size, including through the Group’s own app, and developing new online sales

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

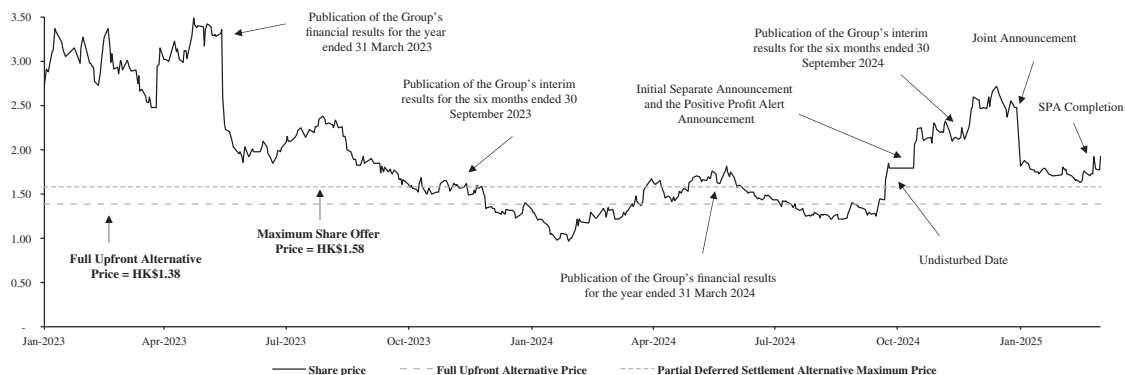
channels. According to the NBS, online retail sales have grown by approximately 7.2% in 2024 to reach approximately RMB15.5 trillion, and online retail sales of physical commodities accounted for approximately 26.8% of total consumer goods retail sales in 2024. We note that the Group achieved mid-single-digit growth in B2C online business on a same-store-sales basis in the six months ended 30 September 2024.

The Group's operating environment has been challenging in recent periods, as evidenced by the financial performance of the Group in recent financial periods. In the six months ended 30 September 2024 revenue declined by approximately 3.0%, with positive SSSG of approximately 0.3% and a decrease in rental income from third-party gallery spaces of approximately 2.3%. However, recent relevant statistics by the PRC government indicate a somewhat positive momentum, the Group has turned profitable in the six months ended 30 September 2024 and the rate of store closures appears to be easing.

4. Analysis of price performance and trading liquidity

(a) Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from 2 January 2023 to the Latest Practicable Date, being a period of around two years prior to the Latest Practicable Date to illustrate the general trend of movement of the closing prices of the Shares (the "Review Period"):



Source: Bloomberg

During the Review Period the Shares closed above the Full Upfront Alternative Price on more than 77.8% of trading days. The first quarter of 2023 was generally characterised by a period of Share price volatility, with a high of HK\$3.37 on each of 11 January 2023 and 20 February 2023 and a low of HK\$2.47 on each of 24 and 27 March 2023. Following the publication of the Company's financial results for the year ended 31 March 2023 on 16 May 2023, the Share price decreased by approximately 22.7% to HK\$2.59 on 17 May 2023, before declining further to a low of HK\$1.85 on 23 June 2023. The closing price of the Shares subsequently broadly increased to a high of HK\$2.38 on 31 July 2023, followed by a downward trajectory for the rest of 2023 and into January 2024, with a Review Period low of HK\$0.96 on 31 January 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Share price climbed generally thereafter, with a high of HK\$1.81 on 28 May 2024. The Share price trended downward subsequently to a low of HK\$1.21 in mid-August 2024. The Shares closed at HK\$1.84 on 26 September 2024, the Undisturbed Date and the last full day of trading prior to publication of the Initial Separate Announcement. On 27 September 2024 trading was halted at 9.39 a.m. with Shares closing at HK\$1.79.

Following the publication of the Initial Separate Announcement and the positive profit alert announcement in respect of the six months ended 30 September 2024 (the “**Positive Profit Alert Announcement**”) on 15 October 2024, the Shares resumed trading the following day and increased by approximately 15.1% to close at HK\$2.06. This was followed by a period of relatively volatile Share prices with a general upward trend. The Shares closed at a 52-week high of HK\$2.71 on 16 December 2024.

Following publication of the Joint Announcement on 1 January 2025 the Share price decreased by approximately 20.2% to close at HK\$1.98 the following day. The Shares continued to trade at premia over the Full Upfront Alternative Price and the Maximum Share Offer Price thereafter, and closed at HK\$1.92, an approximately 39.1% and 21.5% premium over the Full Upfront Alternative Price and the Maximum Share Offer Price, respectively, on the Latest Practicable Date.

(b) Trading liquidity

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

	Monthly total trading volume of the Shares <i>(Note 1)</i>	Percentage of the monthly total trading volume of the Shares to the total issued Shares <i>(Note 2)</i>	Percentage of the monthly total trading volume of the Shares to public float of the Company <i>(Note 3)</i>
2023			
January	188,950,442	2.0%	9.6%
February	197,367,063	2.1%	10.1%
March	202,538,802	2.1%	10.3%
April	179,742,334	1.9%	9.2%
May	301,290,719	3.2%	15.3%
June	138,315,064	1.4%	7.0%
July	81,645,794	0.9%	4.2%
August	118,801,783	1.2%	6.0%
September	81,363,138	0.9%	4.1%
October	88,575,656	0.9%	4.5%
November	79,733,016	0.8%	4.1%
December	69,738,187	0.7%	3.6%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 3)
2024			
January	169,425,647	1.8%	8.6%
February	337,077,953	3.5%	17.2%
March	205,832,628	2.2%	10.5%
April	220,770,000	2.3%	11.2%
May	150,664,483	1.6%	7.7%
June	77,431,924	0.8%	3.9%
July	59,427,132	0.6%	3.0%
August	54,517,770	0.6%	2.8%
September	155,110,565	1.6%	7.9%
October	298,191,284	3.1%	15.2%
November	228,256,256	2.4%	11.6%
December	271,131,046	2.8%	13.8%
2025			
January	519,351,652	5.4%	26.4%
February	356,731,380	3.7%	18.2%
From 3 March 2025 to the Latest Practicable Date	51,239,321	0.5%	2.6%

Notes:

- (1) *Source: Bloomberg*
- (2) *The calculation is based on the monthly total trading volumes of the Shares divided by all the issued Shares at the end of each month or at the Latest Practicable Date, as applicable*
- (3) *The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public at the end of each month or at the Latest Practicable Date, as applicable*

As shown in the above table, in 2023 and 2024 the monthly trading volumes of the Shares represented approximately 0.7% to 3.2% and 0.6% to 3.5% of the total issued Shares, respectively, which equated to approximately 3.6% to 15.3% and 2.8% to 17.2% of the Shares constituting the public float of the Company, respectively. Monthly trading volumes increased in early 2024 and again since September 2024, indicating relatively active trading in the Shares as compared to 2023.

We note that monthly trading volumes have exceeded 11.6% of the public float for October to December 2024, and that monthly trading volumes have further increased in January and February 2025. On this basis we consider the Shares to be relatively actively traded in general since October 2024, as compared to May to September 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) *Comparisons of value*

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

- (i) a discount of approximately 25.0% to the closing price of HK\$1.84 per Share on the Undisturbed Date;
- (ii) a discount of approximately 14.8% to the average closing price of approximately HK\$1.62 per Share for the last five trading days up to and including the Undisturbed Date;
- (iii) a premium of approximately 3.0% over the average closing price of approximately HK\$1.34 per Share for the last 30 trading days up to and including the Undisturbed Date;
- (iv) a discount of approximately 2.1% to the average closing price of approximately HK\$1.41 per Share for the last 90 trading days up to and including the Undisturbed Date;
- (v) a discount of approximately 28.1% to the closing price of approximately HK\$1.92 per Share on the Latest Practicable Date;
- (vi) a discount of approximately 21.6% to approximately HK\$1.76, the average closing price of Shares as quoted on the Stock Exchange from the first trading day following publication of the Joint Announcement to the Latest Practicable Date;
- (vii) a discount of approximately 43.0% to the audited NAV attributable to equity holders per Share of approximately RMB2.24 per Share (equivalent to approximately HK\$2.42 per Share) as at 31 March 2024; and
- (viii) a discount of approximately 43.2% to the unaudited NAV attributable to equity holders per Share of approximately RMB2.25 per Share (equivalent to approximately HK\$2.43 per Share) as at 30 September 2024.

HK\$1.58 per Offer Share, being the Maximum Share Offer Price, represents:

- (i) a discount of approximately 14.1% to the closing price of HK\$1.84 per Share on the Undisturbed Date;
- (ii) a discount of approximately 2.5% to the average closing price of approximately HK\$1.62 per Share for the last five trading days up to and including the Undisturbed Date;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) a premium of approximately 17.9% over the average closing price of approximately HK\$1.34 per Share for the last 30 trading days up to and including the Undisturbed Date;
- (iv) a premium of approximately 12.1% over the average closing price of approximately HK\$1.41 per Share for the last 90 trading days up to and including the Undisturbed Date;
- (v) a discount of approximately 17.7% to the closing price of approximately HK\$1.92 per Share on the Latest Practicable Date;
- (vi) a discount of approximately 10.2% to approximately HK\$1.76, the average closing price of Shares as quoted on the Stock Exchange from the first trading day following publication of the Joint Announcement to the Latest Practicable Date;
- (vii) a discount of approximately 34.7% to the audited NAV attributable to equity holders per Share of approximately RMB2.24 per Share (equivalent to approximately HK\$2.42 per Share) as at 31 March 2024; and
- (viii) a discount of approximately 35.0% to the unaudited NAV attributable to equity holders per Share of approximately RMB2.25 per Share (equivalent to approximately HK\$2.43 per Share) as at 30 September 2024.

As set out in the sections headed “Historical price performance of the Shares”, the Shares mostly traded above the Full Upfront Alternative Price during the Review Period. As set out above, the Full Upfront Alternative Price represents a discount to (i) the closing price of the Shares on the Undisturbed Date and (ii) the average of the last 5 and 90 trading days up to and including the Undisturbed Date. The Full Upfront Alternative Price represents a premium over the average closing price of the Shares for the last 30 trading days up to and including the Undisturbed Date. The Maximum Share Offer Price represents a discount to (i) the closing price of the Shares on the Undisturbed Date and (ii) the average of the last 5 trading days up to and including the Undisturbed Date, and a premium over the average closing price of the Shares for the last 30 and the last 90 trading days up to and including the Undisturbed Date.

Following publication of the Joint Announcement and up to the Latest Practicable Date, the Shares traded at a premium of between approximately 18.1% and 43.5% over the Full Upfront Alternative Price and between approximately 3.2% and 25.3% over the Maximum Share Offer Price, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Peer comparison

The Group principally operates hypermarkets in the PRC which mainly sell food, groceries, textiles and general goods to consumers through its stores and online sales channels. For the purpose of this peer comparison we have reviewed comparable listed companies with similar characteristics as the Group. Due to the nature of the Group's business, its closest peers in terms of market capitalisation and business nature are listed in Mainland China, not Hong Kong. We have analysed comparable companies listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange that principally engage in sales of merchandise to customers through hypermarket and supermarket convenience retail chains in the PRC, according to their latest published annual reports (the "Comparable Companies"). Based on our criteria, we have identified the Comparable Companies as set out below. We consider the list of Comparable Companies represents an exhaustive list based on publicly available information, on the basis of their principal activities:

Company name and stock code	Principal activities	Market capitalisation as at the Latest Practicable Date		Enterprise value as at the Latest Practicable Date	Consolidated NAV	EBITDA	EV to EBITDA ("EV/EBITDA") multiple	Price to book ("P/B") multiple
		(million)	(million)					
		(A)	(B)	(C)	(D)	(B/D)	(A/C)	
			(Note 1)	(Note 2)	(Note 3)			
<i>Comparable companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange (in RMB where applicable)</i>								
Yonghui Superstores Co. Ltd. (stock code: 601933)	Operation of supermarkets	45,103	64,502	5,795	3,231	20.0	7.8	
Shanghai Bailian Group Co. Ltd. (stock code: 600827)	Operation of hypermarkets, supermarkets and other retailers	15,816	8,758	19,350	3,059	2.9	0.8	
Chengdu Hongqi Chain Co. Ltd. (stock code: 002697)	Operation of convenience stores	7,643	6,776	4,332	1,489	4.6	1.8	
Zhongbai Holdings Group Co. Ltd. (stock code: 000759)	Operation of supermarkets and department stores	6,103	8,649	1,958	581	14.9	3.1	
Jiajiayue Group Co. Ltd. (stock code: 603708)	Operation of supermarkets	6,415	8,582	2,521	1,386	6.2	2.5	
Sanjiang Shopping Club Co. Ltd. (stock code: 601116)	Operation of supermarkets	6,309	7,478	3,189	296	25.2	2.0	
New Huadu Supercenter Co. Ltd. (stock code: 002264)	Operation of supermarkets and online retailers	4,334	3,610	1,786	291	12.4	2.4	
Yinchuan Xinhua Commercial (Group) Co., Ltd. (stock code: 600785)	Operation of supermarkets and department stores	2,611	5,265	2,223	823	6.4	1.2	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name and stock code	Principal activities	Market	Enterprise value		EV to EBITDA	Price to book	
		capitalisation as at the Latest Practicable Date	as at the Latest Practicable Date	Consolidated NAV	(“EV/EBITDA”)	(“P/B”)	
		(million)	(million)	(million)	multiple	multiple	
		(A)	(B)	(C)	(B/D)	(A/C)	
			(Note 1)	(Note 2)	(Note 3)		
					<i>Mean</i>	11.6	2.7
					<i>Median</i>	9.4	2.2
					<i>Maximum</i>	25.2	7.8
					<i>Minimum</i>	2.9	0.8
<i>Comparable companies listed on the Stock Exchange (in HK\$ where applicable)</i>							
Lianhua Supermarket Holdings Co., Ltd. (“Lianhua”) (stock code: 980)	Operation of hypermarkets, supermarkets and convenience stores	592	3,705	19	727	5.1	31.6
China Shun Ke Long Holdings Limited (stock code: 974)	Operation of supermarkets	276	345	141	9	39.2	2.0
Beijing Jingkelong Company Limited (“Jingkelong”) (stock code: 814)	Operation of supermarkets and wholesale distribution of food products	134	3,611	1,507	350	10.3	0.1
The Company on the basis of HK\$1.38 per Offer Share (Note 4)		HK\$13,165 RMB12,186 <i>(Note 5)</i>	HK\$13,424 RMB12,426 <i>(Note 6)</i>	HK\$23,153 RMB21,431	HK\$2,574 RMB2,383	5.2	0.6
<i>For illustrative purposes:</i>							
The Company on the basis of HK\$1.58 per Offer Share (Note 7)		HK\$15,073 RMB13,952 <i>(Note 8)</i>	HK\$15,332 RMB14,192 <i>(Note 9)</i>	HK\$23,153 RMB21,431	HK\$2,574 RMB2,383	6.0	0.7

Source: Bloomberg and websites of the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange

Notes:

- (1) For each company represents the sum of its market capitalisation as at the Latest Practicable Date, borrowings, lease liabilities and non-controlling interests, minus cash and cash equivalents, as set out in the most recently published financial statements
- (2) Being the respective consolidated NAV attributable to the equity holders as extracted from the latest published financial statements
- (3) For each company represents the earnings before net interest expense, taxes, depreciation and amortisation for the latest available trailing twelve-month period as set out in the relevant published financial statements
- (4) Being the Full Upfront Alternative Price

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (5) *Being the Full Upfront Alternative Price of HK\$1.38 per Offer Share times 9,539,704,700 Shares in issue as at the Latest Practicable Date*
 - (6) *Being the sum of the implied market capitalisation of the Company as described in note 5, borrowings, lease liabilities and non-controlling interests, minus cash and cash equivalents of the Group as set out in the interim report of the Company for the six months ended 30 September 2024*
 - (7) *Being the Maximum Share Offer Price*
 - (8) *Being the Maximum Share Offer Price of HK\$1.58 per Offer Share times 9,539,704,700 Shares in issue as at the Latest Practicable Date*
 - (9) *Being the sum of the implied market capitalisation of the Company as described in note 8, borrowings, lease liabilities and non-controlling interests, minus cash and cash equivalents of the Group as set out in the interim report of the Company for the six months ended 30 September 2024*
 - (10) *The translation of RMB into HK\$ is based on the Reference Exchange Rate of HK\$: 1.0000: RMB0.92564 for illustration purposes only*
- (i) ***EV/EBITDA multiple***

The Group recorded a loss of approximately RMB1,668 million for the year ended 31 March 2024 and a loss of approximately RMB1,104 million for the trailing twelve months ended 30 September 2024, which means a recent price-to-earnings multiple cannot be derived for the Group. On this basis we consider it more appropriate to have regard to the EV/EBITDA multiple in analysing the Comparable Companies, a commonly used metric in evaluating and comparing such entities.

As set out in the table above, the EV/EBITDA multiples of the Comparable Companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange have a mean and median of approximately 11.6 times and 9.4 times respectively. The EV/EBITDA multiple as represented by the Full Upfront Settlement Alternative Price of HK\$1.38 per Offer Share is approximately 5.2 times, which is substantially lower than each of the above mean and median, and towards the minimum of the range of the EV/EBITDA multiples of the Comparable Companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which we consider not to be beneficial to Independent Shareholders. The EV/EBITDA multiple as represented by the Full Upfront Settlement Alternative Price of HK\$1.38 per Offer Share is higher than the EV/EBITDA multiple of Lianhua but lower than the EV/EBITDA multiples of the other two Comparable Companies listed on the Stock Exchange, which we consider somewhat less comparable to the Company in part due to their relatively small market capitalisation.

For illustrative purposes, we have also set out in the table above the implied EV/EBITDA multiple on the basis of the Maximum Share Offer Price of HK\$1.58 per Offer Share. The EV/EBITDA multiple of approximately 6.0 times on this basis is below the mean and median EV/EBITDA multiples of the Comparable Companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, higher than the EV/EBITDA multiple of Lianhua but lower than the EV/EBITDA multiples of the other two Comparable Companies listed on Stock Exchange. Independent Shareholders should note that the Maximum Share Offer Price of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$1.58 per Offer Share is not directly comparable to the Full Upfront Settlement Alternative Price of HK\$1.38 per Offer Share, as under the Partial Deferred Settlement Alternative the Offer Shareholders will receive a total consideration of between HK\$1.38 and HK\$1.58 per Offer Share, respectively, with HK\$0.92 per Offer Share payable no later than seven Business Days after the date of acceptance and an additional HK\$0.46 per Offer Share, plus Interest, in May and June 2028, with an alternative option of receiving an earlier part repayment of the HK\$0.46 per Offer Share (including relevant Base Interest) if the Offeror makes an Advance Payment. Further details are set out in the section headed “The Partial Deferred Settlement Alternative”.

(ii) P/B multiple

The P/B multiples of the Comparable Companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange have a mean and median of approximately 2.7 times and 2.2 times respectively, which are higher than the P/B multiple as represented by the Full Upfront Settlement Alternative Price of HK\$1.38 per Offer Share of approximately 0.6 times and the P/B multiple as represented by the Maximum Share Offer Price of HK\$1.58 per Offer Share of approximately 0.7 times. Except for the implied P/B multiple of Jingkelong of approximately 0.1 times, the implied P/B multiples under the Share Offer are lower than those of the Comparable Companies listed on the Stock Exchange. On this basis alone, the Share Offer is not attractive to Independent Shareholders.

6. Privatisation precedents

As set out in the section headed “Possible compulsory acquisition and withdrawal of listing of Shares”, the Offeror and/or (if applicable) the Offeror Designated Entities intend to privatise the Company by exercising the compulsory acquisition rights if the Offeror and/or (if applicable) the Offeror Designated Entities acquire 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. Against this backdrop, we have compared the Share Offer to privatisation proposals of companies listed on the Main Board of the Stock Exchange announced and completed since 1 January 2023 and up to the Latest Practicable Date, which have been approved by disinterested shareholders or declared unconditional and involve a cash consideration only (the “**Privatisation Precedents**”). The Privatisation Precedents represent an exhaustive, fair and representative list that we were able to identify from the website of the Stock Exchange, based on the above selection criteria. Although the companies listed below may have different principal activities, market capitalisations and financial fundamentals as compared to those of the Company, the reasons behind the privatisation proposals may vary, and some aspects of pricing may be industry-specific, we consider that the Privatisation Precedents provide a meaningful analysis of the overall market trend of the pricing of this type of transaction in the Hong Kong equity capital market as well as a meaningful additional benchmark for the Offer Shareholders to evaluate the premium and discount provided in the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below illustrates the premia or discounts of the cancellation consideration/offer price over or to the respective last full trading day price and respective last 10, 30, 60, 90 and 120 trading days average share prices as well as the respective NAV per share, in respect of the Privatisation Precedents:

Date of the first Rule 3.5/3.7 announcement	Company name (stock code)	Premia/(discount) of the cancellation consideration/offer price over/(to) the closing price/average closing price per share						Premia/(discount) of the cancellation consideration/offer price over/(to) the latest NAV attributable to owners of the company per share
		on the last full trading day <i>(Notes 1 and 2)</i>	for the last 10 trading days <i>(Notes 1 and 2)</i>	for the last 30 trading days <i>(Notes 1 and 2)</i>	for the last 60 trading days <i>(Notes 1 and 2)</i>	for the last 90 trading days <i>(Notes 1 and 2)</i>	for the last 120 trading days <i>(Notes 1 and 2)</i>	
22 November 2024	Ronshine Service Holding Co., Ltd (2207)	15.4%	1.7%	(6.3)%	1.7%	(6.3)%	(13.0)%	(53.5)%
6 November 2024	Hang Chi Holdings Limited (8405)	14.8%	16.7%	16.7%	20.7%	20.7%	14.80%	45.8%
28 October 2024	Beijing Capital Grand Limited (1329)	46.5%	55.1%	41.8%	47.9%	65.4%	80.9%	(52.9)%
14 October 2024	CM Hi-Tech Cleanroom Limited (2115)	25.0%	26.9%	30.2%	39.7%	42.0%	41.2%	(4.8)%
2 September 2024	Doxen Energy Group Limited (668)	78.6%	82.3%	81.3%	86.2%	113.4%	131.8%	(41.6)%
29 August 2024	Eggriculture Foods Ltd. (8609)	141.8%	142.3%	146.9%	180.8%	207.8%	232.9%	50.6%
16 July 2024	Samson Holding Ltd. (531)	77.8%	105.4%	150.1%	186.7%	184.5%	172.8%	(40.3)%
19 June 2024	Asia Standard Hotel Group Limited (292) (“ASH”)	52.8%	41.0%	57.1%	71.9%	71.9%	64.2%	(85.4)% <i>(Note 3)</i>
12 June 2024	A8 New Media Group Limited (800)	162.8%	168.7%	185.7%	185.7%	174.8%	155.3%	(41.4)%
27 May 2024	Huafa Property Services Group Company Limited (982)	30.6%	40.1%	70.6%	82.4%	88.3%	89.5%	970.1% <i>(Note 4)</i>
29 April 2024	L’Occitane International S.A. (973)	30.8%	40.6%	49.9%	60.8%	60.5%	52.4%	598.5% <i>(Note 4)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company name (stock code)	Premia/(discount) of the cancellation consideration/offer price over/(to) the closing price/average closing price per share						Premia/(discount) of the cancellation consideration/offer price over/(to) the latest NAV attributable to owners of the company per share
		on the last full trading day <i>(Notes 1 and 2)</i>	for the last 10 trading days <i>(Notes 1 and 2)</i>	for the last 30 trading days <i>(Notes 1 and 2)</i>	for the last 60 trading days <i>(Notes 1 and 2)</i>	for the last 90 trading days <i>(Notes 1 and 2)</i>	for the last 120 trading days <i>(Notes 1 and 2)</i>	
18 April 2024	Kin Yat Holdings Limited (638)	33.3%	47.3%	51.5%	53.6%	55.9%	63.5%	(63.1)%
28 March 2024	SciClone Pharmaceuticals (Holdings) Limited (6600)	33.9%	36.2%	47.5%	47.9%	48.7%	58.1%	228.4%
26 January 2024	Bank of Jinzhou Co., Ltd. (416)	0.0%	(1.0)%	0.3%	15.4%	34.8%	43.0%	(71.9)%
14 December 2023	Sinosoft Technology Group Limited (1297)	29.4%	31.2%	31.1%	22.5%	15.0%	11.4%	(78.9)%
4 December 2023	Weiqiao Textile Company Limited (2698)	104.7%	102.7%	111.1%	142.9%	147.5%	143.6%	(77.1)%
28 November 2023	CIMC Vehicles (Group) Co., Ltd. (1839)	16.5%	21.0%	25.4%	19.1%	15.9%	15.2%	(7.0)%
20 November 2023	Vinda International Holdings Limited (3331)	20.1%	21.4%	21.3%	25.7%	29.2%	26.9%	145.2%
6 October 2023	Haitong International Securities Group Limited (665)	114.1%	108.2%	126.5%	122.2%	124.5%	125.2%	(39.3)%
6 October 2023	Pine Care Group Limited (1989)	(1.1)%	0.9%	1.5%	8.9%	22.9%	29.9%	485.5% <i>(Note 4)</i>
15 September 2023	Lansen Pharmaceutical Holdings Limited (503)	26.8%	22.5%	20.0%	15.4%	20.8%	21.6%	(22.1)%
1 September 2023	CST Group Limited (985)	61.3%	21.4%	36.6%	(1.4)%	(14.9)%	(24.0)%	(60.7)%
27 June 2023	Dali Foods Group Company Limited (3799)	37.9%	39.4%	30.2%	21.8%	18.7%	14.7%	151.7%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of the first Rule 3.5/3.7 announcement	Company name (stock code)	Premia/(discount) of the cancellation consideration/offer price over/(to) the closing price/average closing price per share						Premia/(discount) of the cancellation consideration/offer price over/(to) the latest NAV attributable to owners of the company per share
		on the last full trading day <i>(Notes 1 and 2)</i>	for the last 10 trading days <i>(Notes 1 and 2)</i>	for the last 30 trading days <i>(Notes 1 and 2)</i>	for the last 60 trading days <i>(Notes 1 and 2)</i>	for the last 90 trading days <i>(Notes 1 and 2)</i>	for the last 120 trading days <i>(Notes 1 and 2)</i>	
27 June 2023	Poly Culture Group Corporation Limited (3636)	77.6%	125.2%	133.1%	129.8%	129.0%	126.0%	(30.9)%
23 June 2023	Yongsheng Advanced Materials Company Limited (3608)	58.7%	61.0%	52.9%	38.5%	34.4%	29.9%	(42.9)%
11 June 2023	Mason Group Holdings Limited (273)	20.7%	19.4%	19.0%	16.2%	12.7%	13.9%	(60.1)%
28 May 2023	Golden Eagle Retail Group Limited (3308)	63.4%	61.5%	55.3%	49.9%	54.6%	49.2%	4.2%
8 May 2023	Hailan Holdings Limited (2278)	5.0%	5.0%	5.0%	5.0%	8.7%	14.7%	(3.2)%
29 March 2023	Inner Mongolia Yitai Coal Co., Ltd. (3948)	54.9%	63.7%	67.3%	64.2%	65.1%	66.2%	(6.0)%
21 February 2023	Jiangnan Group Limited (1366)	83.5%	106.2%	107.3%	102.0%	91.4%	83.5%	(63.8)%
17 February 2023	AAG Energy Holdings Limited (2686)	10.1%	9.3%	10.8%	24.2%	27.2%	25.9%	(27.5)%
	<i>Mean</i>	49.3%	52.4%	57.3%	60.9%	63.4%	63.3%	(12.4)%
	<i>Median</i>	33.9%	40.1%	47.5%	47.9%	48.7%	49.2%	(39.8)%
	<i>Maximum</i>	162.8%	168.7%	185.7%	186.7%	207.8%	232.9%	228.4%
	<i>Minimum</i>	(1.1)%	(1.0)%	(6.3)%	(1.4)%	(14.9)%	(24.0)%	(85.4)%
	On the basis of HK\$1.38 per Offer Share <i>(Note 5)</i>	(25.0)%	(5.5)%	3.0%	3.8%	(2.1)%	(5.5)%	(43.2)%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

		Premia/(discount) of the cancellation consideration/offer price over/(to) the closing price/average closing price per share						Premia/(discount) of the cancellation consideration/ offer price over/(to) the latest NAV attributable to owners of the company per share
Date of the first Rule 3.5/3.7 announcement	Company name (stock code)	on the last full trading day <i>(Notes 1 and 2)</i>	for the last 10 trading days <i>(Notes 1 and 2)</i>	for the last 30 trading days <i>(Notes 1 and 2)</i>	for the last 60 trading days <i>(Notes 1 and 2)</i>	for the last 90 trading days <i>(Notes 1 and 2)</i>	for the last 120 trading days <i>(Notes 1 and 2)</i>	<i>(Note 2)</i>
<i>For illustrative purposes:</i>								
	<i>On the basis of HK\$1.58 per Offer Share (Note 6)</i>	(14.1)%	8.2%	17.9%	18.8%	12.1%	8.2%	(35.0)%

Source: Bloomberg and the website of the Stock Exchange

Notes:

- (1) Up to and including the last undisturbed full trading day as disclosed in the respective offer/scheme document or last full trading day prior to the publication of the Rule 3.5 announcement or the initial Rule 3.7 announcement (where applicable)*
- (2) Subject to rounding differences*
- (3) The NAV per share of ASH on an undiluted basis as disclosed in its scheme document dated 29 August 2024*
- (4) We consider this P/B multiple an outlier given that it is substantially higher than other Privatisation Precedents. Therefore it was excluded in our analysis*
- (5) Being the Full Upfront Alternative Price*
- (6) Being the Maximum Share Offer Price*

As set out above, the mean and median premia of the Privatisation Precedents over the mean closing price on the last trading day and for last 10, 30, 60, 90 and 120 trading days range from approximately 49.3% to 63.4% and approximately 33.9% to 49.2%, respectively. The Full Upfront Alternative Price of HK\$1.38 per Offer Share represents (i) a premium of 3.0% over the average closing price for the last 30 trading days, substantially below the mean and median of the Privatisation Precedents of 57.3% and 47.5%, respectively, (ii) a premium of 3.8% over the average closing price for the last 60 trading days, substantially below the mean and median of the Privatisation Precedents of approximately 60.9% and 47.9%, respectively and (iii) discounts of between 2.1% and 25.0% to the other date ranges of the Privatisation Precedents, which we consider not to be advantageous to the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Full Upfront Alternative Price of HK\$1.38 per Offer Share represents a discount of approximately 43.2% to the unaudited NAV attributable to equity holders per Share of approximately HK\$2.43 as at 30 September 2024, which is greater than the average discount of approximately 12.4% and the median discount of approximately 39.8% of the Privatisation Precedents.

For illustrative purposes, we have performed the above analysis on the basis the Maximum Share Offer Price of HK\$1.58 per Offer Share. It represents (i) a discount of approximately 14.1% on the last full trading day, as compared to mean and median premia of the Privatisation Precedents of approximately 49.3% and 33.9%, respectively and (ii) premia of between approximately 8.2% and 18.8% to the other date ranges, which are below the respective mean and median premia as represented by the Privatisation Precedents. The Maximum Share Offer Price represents a discount of approximately 35.0% to the unaudited NAV attributable to equity holders per Share of approximately HK\$2.43 as at 30 September 2024, greater than the mean but lower than the median discount under the Privatisation Precedents.

7. The Partial Deferred Settlement Alternative

As set out in the section headed “The Share Offer”, Offer Shareholders have the option of accepting (a) the Full Upfront Settlement Alternative, (b) the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option in the case of a potential Advanced Payment to the Sellers) or (c) the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option in the case of a potential Advanced Payment to the Sellers) (and not a combination of any of the foregoing).

Under the Partial Deferred Settlement Alternative, the Accepting Shareholders will receive payments of the consideration in stages as summarised below, on an indicative basis:

Settlement option chosen by the Accepting Shareholder	Date of payment of consideration to Accepting Shareholders			
	No later than seven Business Days after the date of acceptance	At the same time as the Advanced Payment is made to the Sellers (if any) <i>(Note 1)</i>	27 May 2028	30 June 2028
Original Partial Deferred Settlement Option	HK\$0.92 per Offer Share		HK\$0.46 per Offer Share, plus applicable Base Interest <i>(Note 3)</i>	Variable Interest (if applicable) <i>(Note 5)</i> <i>(Note 6)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Settlement option chosen by the Accepting Shareholder	Date of payment of consideration to Accepting Shareholders			
	No later than seven Business Days after the date of acceptance	At the same time as the Advanced Payment is made to the Sellers (if any) (Note 1)	27 May 2028	30 June 2028
MGO Advanced Payment Option	HK\$0.92 per Offer Share	MGO Advanced Payment (if any) (Note 2)	Outstanding Partial Deferred Alternative Second Payment Price, plus applicable Base Interest (Note 4)	Variable Interest (if applicable) (Note 5) (Note 7)

Notes:

- (1) *The Offeror and/or (if applicable) the Offeror Designated Entities shall make the MGO Advanced Payment at the same time as the Advanced Payment being made to the Sellers*
- (2) *(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 represent the early repayment of the relevant outstanding Partial Deferred Alternative Second Payment Price and comprise the Interest accruing on the relevant outstanding Partial Deferred Alternative Second Payment Price up to the date of such repayment*
- (3) *Base Interest accruing from the Final Closing Date until 27 May 2028*
- (4) *Base Interest accruing on the then outstanding Partial Deferred Alternative Second Payment Price from the Final Closing Date up to the date of any repayments. If a MGO Advanced Payment is made, the Base Interest would not accrue on such amount of Advanced Payment and MGO Advanced Payment that have been prepaid*
- (5) *Variable Interest is only applicable if the 2027/2028 Average Adjusted EBITDA is higher than the Adjusted EBITDA Low Limit of initially RMB3.9 billion, subject to EBITDA Limit Adjustment (if any)*
- (6) *Variable interest is determined in accordance with the Original Variable Interest Determination Mechanism*
- (7) *Variable interest is determined in accordance with the Updated Variable Interest Determination Mechanism (if Advanced Payment is made) or the Original Variable Interest Determination Mechanism (if no Advanced Payment is made)*

As set out above, under the Original Partial Deferred Settlement Option, the Accepting Shareholders will receive HK\$0.92 per Offer Share no later than seven Business Days after the date of acceptance and subsequently (i) on 27 May 2028, HK\$0.46 per Offer Share together with the Base Interest, which will accrue at 4.8% per annum, compounded annually, from the Final Closing Date until 27 May 2028 and (ii) on 30 June 2028, the Variable Interest (if applicable), determined in accordance with the Original Variable Interest Determination Mechanism.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Under MGO Advanced Payment Option, the Accepting Shareholders will receive HK\$0.92 per Offer Share no later than seven Business Days after the date of acceptance and subsequently (i) if the Advanced Payment is made, the MGO Advanced Payment which would include the Base Interest accruing on the then outstanding Partial Deferred Alternative Second Payment Price up to the date of such repayment, (ii) on 27 May 2028, the remaining outstanding Partial Deferred Alternative Second Payment Price together with the Base Interest accruing thereon, from the Final Closing Date until 27 May 2028 and (ii) on 30 June 2028, the Variable Interest (if applicable), determined in accordance with the Original Variable Interest Determination Mechanism (if no Advanced payment has been made) or the Updated Variable Interest Determination Mechanism (if an Advanced Payment has been made).

Under MGO Advanced Payment Option, the Accepting Shareholders may receive a payment of consideration earlier than on 27 May 2028 (as is the case under the Original Partial Deferred Settlement Option), but only if the Advanced Payment is made.

Base Interest

The Hong Kong Association of Banks publishes the Hong Kong Dollar Interest Settlement Rates daily for maturities ranging from overnight to 12 months, which is a generally accepted yardstick for lending rates available in the Hong Kong market. For additional reference, the Airport Authority Hong Kong on 6 February 2024 issued a 2.5-year retail bond with a 4.25% coupon rate, maturing on 5 August 2026, with a yield to maturity of 3.70% as at the Latest Practicable Date. Commercial lending rates published by certain banks in Hong Kong offer longer maturities more closely aligned with the implied tenure under the Base Interest of potentially over three years. However, terms can vary considerably depending on the type of borrower and short-term promotions in place. On this basis we note that the 12-month Hong Kong Dollar Interest Settlement Rate available at <https://www.hkab.org.hk/en/rates/hibor> as at the Latest Practicable Date is approximately 4.1% (the “**12-month HIBOR Rate**”). The Base Interest carries an interest rate of 4.8% per annum, which implies a premium over the 12-month HIBOR Rate which we consider advantageous to Independent Shareholders. However, a lender would generally expect a higher interest rate on a three-year loan as compared to a 12-month loan, although this may be offset by other factors. Conversely, the 12-month HIBOR Rate is generally regarded as a floor to commercial lending rates rather than an interest rate available to retail investors. Independent Shareholders should therefore consider whether the interest rate under the Base Interest compares favourably to relevant lending rates they may obtain in the market, after taking into account the specific circumstances such as its tenure and characteristics of a counterparty.

Variable interest

The amount of Variable Interest payable is subject to a formula which depends on the 2027/2028 Average Adjusted EBITDA, as set out in the section headed “Variable Interest”. Under each of the Original Variable Interest Determination Mechanism and the Updated Variable Interest Determination Mechanism the maximum amount of Variable Interest payable is HK\$0.20 per Offer Share and HK\$0.124 per Offer Share, respectively. As set out in the section headed “Variable Interest”, the Offeror, the Purchaser Designated Entity and the Sellers

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

were 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 4.8% per annum, compounded annually, from the SPA Completion Date until the date falling 39 months thereafter (i.e. May 27, 2028), and based on such formulation, the maximum Variable Interest amount is approximately HK\$0.124 per Sale Share under the Updated Variable Interest Determination Mechanism.

The minimum and maximum consideration payable under the Partial Deferred Settlement Alternative, if the Original Partial Deferred Settlement Option is elected or no Advanced Payment has been made to the Sellers, is as follows:

- (i) **minimum consideration payable:** HK\$1.38 per Offer Share, plus the Base Interest, if the 2027/2028 Average Adjusted EBITDA is lower than or equal to the Adjusted EBITDA Low Limit of initially RMB3.9 billion, subject to EBITDA Limit Adjustment (if any); and
- (ii) **maximum consideration payable:** HK\$1.58 per Offer Share, if the 2027/2028 Average Adjusted EBITDA is higher than or equal to the Adjusted EBITDA High Limit of initially RMB4.4 billion, subject to EBITDA Limit Adjustment (if any).

The minimum and maximum consideration payable under the Partial Deferred Settlement Alternative, if the MGO Advanced Payment Option is elected and the Advanced Payment has been made to the Sellers, is as follows:

- (i) **minimum consideration payable:** HK\$1.38 per Offer Share, plus the Base Interest, if the 2027/2028 Average Adjusted EBITDA is lower than or equal to the Adjusted EBITDA Low Limit of initially RMB3.9 billion, subject to EBITDA Limit Adjustment (if any); and
- (ii) **maximum consideration payable:** HK\$1.38 per Offer Share, plus the Base Interest and plus HK\$0.124 per Offer Share, if the 2027/2028 Average Adjusted EBITDA is higher than or equal to the Adjusted EBITDA High Limit of initially RMB4.4 billion, subject to EBITDA Limit Adjustment (if any).

For reference, the Adjusted EBITDA of the Group for the year ended 31 March 2024 was approximately RMB3.1 billion. As set out above, the amount of Variable Interest payable depends on the financial performance of the Group in the financial years ending 31 March 2027 and 31 March 2028. Each of the EBITDA Low Limit and the EBITDA High Limit is subject to the EBITDA Limit Adjustment, which may affect the Variable Interest payable under the Partial Deferred Settlement Alternative. We consider the EBITDA Limit Adjustment acceptable given that (i) it applies in the same manner to the Variable Interest payable under the SPA, which was agreed between the Sellers and the Offeror, (ii) it is triggered only in case of a transaction by the Group which 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

force as at the date of the SPA, and such transaction would be outside of the ordinary course of the Group's business and (iii) any adjustment made will be with reference to the Adjusted EBITDA of the assets or business that are the subject matter of that EBITDA Limit Adjustment Event.

As set out in the sections headed "Peer comparison" and "Privatisation precedents", for illustrative purposes we have reviewed the Maximum Share Offer Price of HK\$1.58 per Offer Share with reference to Comparable Companies and Privatisation Precedents. On this basis the Maximum Share Offer Price is not favourable to Independent Shareholders. Independent Shareholders who accept the Full Upfront Settlement Alternative will have funds which they can immediately deploy into other investments. They should therefore consider whether (i) the Base Interest offered presents a reasonable rate of return as compared to alternative investment opportunities that may be available to them and (ii) based on the prospects of the Group, whether a 2027/2028 Average Adjusted EBITDA of at least RMB3.9 billion, subject to EBITDA Limit Adjustment (if any), is likely to be achieved.

The Offeror intends to finance the consideration payable under the Offers (including costs and expenses relating to the Offers payable by the Offeror) with a combination of (i) equity commitments provided by DCP Capital Partners II, L.P. to the Offeror for purposes of financing the SPA First Payment and Offers 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. The Offeror has agreed to grant the CMB Share Charge for the external debt facilities. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to such external debt facilities will not depend to any significant extent on the business of the Company.

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, as set out in the letter from the Offeror Financial Advisers in the Composite Document. However, Independent Shareholders should note that the Partial Deferred Alternative Second Payment is due in approximately three years and three months (in case of the Original Partial Deferred Settlement Option or no Advanced Payment has been made to the Sellers) and the payment at that time is not covered by the statement above. Depending on business and economic conditions during this period, there could be some credit risk attached to the MGO Advanced Payment (if applicable) and the Partial Deferred Alternative Second Payment, given the time that will have elapsed between the close of the Offers and future payment dates.

Independent Shareholders should also note that the Partial Deferred Settlement Alternative is only available to Offer Shareholders who hold their Offer Shares to be tendered for acceptance with the election of the Partial Deferred Settlement Alternative as Registered Holders. As such, Independent Shareholders who wish to choose the Partial Deferred Settlement Alternative but are not Registered Holders should consult their CCASS Participant for further information and assistance on the withdrawal process and to determine the time it may take and the related cost in case of withdrawing their Offer Shares from CCASS and entering them into the Share Register prior to accepting the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. Information of the Offeror and the Offeror Designated Entities

Each of the Offeror and the Offeror Designated Entities is an exempt company incorporated in the Cayman Islands with limited liability. The Offeror and the SPA Additional Purchaser are 100% directly owned by Parent, which is in turn 100% directly owned by Parent Holdco, which is in turn 100% directly owned by DCP Capital Partners II, L.P., a fund of DCP Capital, an alternative asset management company focused on private equity investments. DCP Capital Partners II, L.P. has total fund commitments of approximately US\$2.6 billion. King Salmon is 100% directly owned by Pearly White Limited, which is in turn 100% directly owned by Parent Holdco. Cornflower Blue is 100% directly owned by Parent Holdco. 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.

Intention of the Offeror and the Offeror Designated Entities relating to the Group

As set out in the letter from the Offeror Financial Advisers in the Composite Document, 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 Latest Practicable Date, the Offeror (a) 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) (b) does not expect there to be a significant redeployment of the fixed assets of the Group and (c) other than in the ordinary course of business, does not have any intention or has not entered into any agreement, arrangement, negotiation or undertaking (formal or informal, express or implied) to downsize or dispose of any of the Company's existing business and/or acquire any new businesses. The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, 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 optimising 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.

As set out in the letter from the Offeror Financial Advisers in the Composite Document, 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.

As at the date of the Latest Practicable Date, save as disclosed in the Composite Document, the Offeror has not finalised any material plans in relation to the future development of the Company's business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Composition of the Board

As at the Latest Practicable Date, the Board was made up of five Directors, namely SHEN Hui as an executive Director; HUANG Ming-Tuan as a non-executive Director; and Karen Yifen CHANG, Charles Sheung Wai CHAN and YIH Lai Tak, Dieter as independent non-executive Directors.

As disclosed in the Change of Directors Announcement dated 27 February 2025, (i) Ms. QIN Yuehong has resigned as a non-executive Director and a member of each of the Audit Committee, Nomination Committee and the Remuneration Committee of the Company with effect from the SPA Completion Date, (ii) Mr. HAN Liu has resigned as a non-executive Director with effect from the SPA Completion Date and (iii) Mr. HUANG Ming-Tuan will resign as the chairman of the Board with effect immediately after the posting of the Composite Document, but will remain as a non-executive Director until the publication of the closing announcement on the first Closing Date to comply with the requirements under Rule 7 of the Takeovers Code and to discharge his duties as a member of the Independent Board Committee. Mr. Huang will resign as a non-executive Director with effect after the publication of the closing announcement on the first Closing Date in compliance with Rule 7 of the Takeovers Code.

As further disclosed in the Change of Directors Announcement, the following appointments to the Board have been made: (i) Mr. Julian Juul WOLHARDT, as the chairman of the Board and a non-executive director of the Company with effect immediately after the posting of the Composite Document, (ii) Ms. Guannan WANG as a non-executive director of the Company with effect immediately after the posting of the Composite Document and (iii) Ms. Mengxue MEI as a non-executive director of the Company with effect from the first Closing Date. The biographies of Mr. Wolhardt, Ms. Wang and Ms. Mei are set out in the Change of Directors Announcement. We consider the above Directors to be affiliated with the Offeror, who is permitted to appoint members to the Board upon despatch of the Composite Document. The above Directors are not members of the Independent Board Committee.

Possible compulsory acquisition and withdrawal of listing of Shares

As stated in the letter from the Offeror Financial Advisers in the Composite Document, if the Offeror and/or (if applicable) the Offeror Designated Entities acquire 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 and/or (if applicable) the Offeror Designated Entities acquire intend to privatise the Company by exercising the compulsory acquisition rights to which they are entitled under Rule 2.11 of the Takeovers Code and the Companies Ordinance to compulsorily acquire all those Shares not acquired by the Offeror and/or (if applicable) the Offeror Designated Entities under the Share Offer. On completion of the compulsory acquisition process, the Company will be held as to 100% indirectly by Parent Holdco through the Offeror, the SPA Additional Purchaser and (if applicable) the Offeror Designated Entities 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(1) of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer reaches the prescribed level under the Companies Ordinance required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, dealings in the Shares may be suspended from the entitlement date of compulsory acquisition rights up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15(1) of the Listing Rules.

As set out above, the Offeror and/or (if applicable) the Offeror Designated Entities intend to privatise the Company, conditional on acquiring 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. Against this backdrop we consider it reasonable to evaluate the Share Offer with reference to recent privatisations, as an additional yardstick. As set out in the section headed “Privatisation precedents”, the Share Offer is not attractive on this basis.

As stated in the letter from the Offeror Financial Advisers in the Composite Document, the Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 19.38% 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) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

Upon the closing of the Offers, if the level of acceptances in respect of the Share Offer does not reach the prescribed level under the Companies Ordinance required for compulsory acquisition or the requirements of Rule 2.11 of the Takeovers Code are not satisfied, the Shares will remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers.

As at the Latest Practicable Date, approximately 20.6% of the issued Shares were in the hands of the public. Based on the above, an acceptance level higher than approximately 1.2% of the issued Shares would lead to an insufficient public float of the Company and it is possible that dealings in the Shares could be suspended.

9. The Option Offer

As at the Latest Practicable Date, details of the Options, pursuant to the share option scheme of the Company adopted on 16 August 2023, were as follows:

Option exercise price (HK\$)	“See through” price (HK\$)	Number of outstanding Options (vested)	Number of outstanding Options (unvested)	Total number of outstanding Options
1.54	0.0001	6,250,000	18,750,000	25,000,000
2.18	0.0001	10,000,000	10,000,000	20,000,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the Option Offer is accepted, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced. However, the Options shall remain if the Optionholders choose not to accept the Option Offer.

Optionholders should note that the Board has confirmed that it will 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.

As set out in the letter from the Offeror Financial Advisers in the Composite Document, the consideration for the cancellation of each Option has been set on a conventional basis in Hong Kong representing the “see-through” price, which compares the Full Upfront Alternative Price with the exercise price of each Option. As the exercise prices for those Options are higher than the Full Upfront Alternative Price under the Share Offer, the Options are “out-of-the-money”. On this basis, the Option Offer will be made at the purely nominal amount of HK\$0.0001 in cash for the cancellation of each such outstanding Option.

We consider that the consideration offered on this basis under the Option Offer is conventional but not acceptable. Optionholders should note that the Shares have closed at HK\$1.92 on the Latest Practicable Date, a premium of approximately 24.7% over the option exercise price of HK\$1.54 per Share for certain options as set out above. Such Optionholder may consider exercising his vested Options in accordance with their terms and disposing some or all of the resultant Shares in the market instead of accepting the Option Offer. As set out in Appendix III to the Composite Document, as at the Latest Practicable Date, Mr. SHEN Hui, an executive Director holding 25,000,000 Options, has indicated his intention to reject the Option Offer in respect of the Options which he is holding.

The Options exercisable at HK\$2.18 per Share have limited intrinsic value at the moment. However, the Share price has exceeded this level in the recent past and if it does so again in future, not accepting the Option Offer would allow the Optionholders to capture potential gains should the price of the Shares increase above HK\$2.18 per Share. Conversely, if the price of the Shares remains below HK\$2.18, the Optionholders’ position will not worsen, as their loss will be limited to the nominal amount of HK\$0.0001 per Option, representing the opportunity cost for not accepting the Option Offer.

On the basis of 45,000,000 total Options outstanding and a price of HK\$0.0001 per Option, the total value of the Option Offer is HK\$4,500 which we consider is not a material amount for Optionholders.

DISCUSSION

The mandatory offer in this case has been triggered by the completion of the SPA, which was agreed after arm’s length negotiations between two independent parties. Alibaba Holding has controlled the Company for more than four years, and is also able to deliver a majority interest to the buyer. We note that in this case, since the publication of the Joint Announcement, the Shares have traded, and continue to trade up to the Latest Practicable Date, consistently and quite actively, above the Full Upfront Alternative Price and the Maximum Share Offer Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In reaching our recommendation as regards the Offers, we have taken into account the factors and reasons set out above, and in particular the following:

(i) The Offers

The Sellers, which are two subsidiaries of Alibaba Holding and an investment fund over which Alibaba Holding exercises significant influence, have sold their approximately 78.7% interest in the Company to a fund managed by DCP Capital, an alternative asset manager. The consideration under the SPA is payable in two tranches with a prepayment arrangement. Upon settlement of the SPA First Payment the SPA Completion occurred, which triggered the Share Offer and the Option Offer on a see-through basis. Offer Shareholders can choose between an upfront consideration (HK\$1.38 per Offer Share) or a consideration split in tranches (for a maximum consideration of HK\$1.58 per Offer Share).

(ii) Recent results and prospects

The Group made a loss of about RMB1.7 billion for the year ended 31 March 2024, with lower revenues, store closures and related impairment charges affecting the results. However, in the six months ended 30 September 2024 the Group achieved a turnaround and recorded a profit of about RMB186 million, on similar revenue year-on-year but lower operating expenses. The Group placed an emphasis on a competitive pricing structure for its products, adjusting its product mix through new product lines and store concepts to appeal to a wide consumer base.

The prospects of the Group appear somewhat positive against the backdrop of the Group's latest interim performance, although it remains to be seen whether strategic changes undertaken will translate into a sustained growth in sales and improvement in profitability.

(iii) Share price and trading liquidity

The Shares have been trading above the Full Upfront Settlement Alternative Price of HK\$1.38 for most of 2023. In 2024 prior to the Initial Separate Announcement, the Shares traded between a discount of 30.4% to and a premium of 33.3% over HK\$1.38 per Share. After publication of the Initial Separate Announcement and prior to the publication of the Joint Announcement, the Shares peaked at HK\$2.71. The Shares dropped by 20.2% the day after publication of the Joint Announcement but continued trading at a premium of between 18.1% and 43.5% over HK\$1.38 subsequently until the Latest Practicable Date. The Shares closed at HK\$1.92 on the Latest Practicable Date, above the Full Upfront Settlement Alternative Price and also the Maximum Share Offer Price.

Trading in the Shares has been relatively active since October 2024 as compared to previous months. If this continues Independent Shareholders who wish to sell part or all of their Shares should be able to dispose of some or all of their holding in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Peer comparison

We have identified companies which are engaged in business comparable to that of the Group and reviewed their EV/EBITDA and P/B trading multiples on a trailing-twelve months basis. The EV/EBITDA multiple as implied by the Full Upfront Settlement Alternative Price of HK\$1.38 per Offer Share is approximately 5.2 times, lower than the mean and median of the EV/EBITDA multiples of the Comparable Companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, and lower than the EV/EBITDA multiples of two of the three Comparable Companies listed on the Stock Exchange. An analysis based on the implied P/B multiple is also not favourable to Independent Shareholders.

(v) Possible privatisation

The Offeror and/or (if applicable) the Offeror Designated Entities have stated that they would privatise the Company if they acquire 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. On this basis we reviewed the Share Offer against the Privatisation Precedents. We consider the premia implied by the Share Offer with reference to recent Privatisation Precedents are not attractive to Independent Shareholders.

(vi) The Partial Deferred Settlement Alternative

Under the Share Offer the Offer Shareholders may choose to receive either HK\$1.38 per Offer Share within seven days of acceptance, or HK\$0.92 per Offer Share within seven days of acceptance and an additional HK\$0.46 per Offer Share, plus Interest, in May and June 2028, with an alternative option of receiving an earlier part repayment of the HK\$0.46 per Offer Share (including relevant Base Interest) if the Offeror makes an early repayment of the outstanding SPA Second Payment Price. The maximum Interest payable is HK\$0.20 per Offer Share under the Original Partial Deferred Settlement Option or under the MGO Advanced Payment Option (if no Advanced Payment has been made to the Sellers). The majority of the potential Interest relates to the Company's performance over approximately the next three years, for which no forecast is available to Shareholders. In addition, as explained above, the deferred payments involve an element of credit risk.

For illustrative purposes we have reviewed the Maximum Share Offer Price of HK\$1.58 per Offer Share with reference to Comparable Companies and Privatisation Precedents. On this basis the Maximum Share Offer Price, even without adjustment for the deferred payment element, is not favourable to Independent Shareholders. Independent Shareholders who nevertheless wish to consider the Share Offer may bear in mind the Partial Deferred Settlement Alternative if the interest rate on HK\$0.46 per Offer Share of 4.8% per annum, which is slightly higher than the 12-month HIBOR Rate as at the Latest Practicable Date, together with the prospects of the Group achieving certain EBITDA targets in the financial years 2027 and 2028, seem to them sufficiently attractive to offset receiving a portion of the consideration in May and June 2028, rather than upfront. The MGO Advanced Payment Option may offer an earlier repayment while retaining a Variable Interest element. Independent Shareholders who are considering accepting the Partial Deferred Settlement Alternative and who are not Registered Holders would first need to move their Shares onto the Share Register, which may take time, incur costs and limit marketability during the transfer period. Independent Shareholders should consult their CCASS Participant for further information and assistance on the withdrawal process.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vii) The Option Offer

Since the outstanding Options are “out of the money” compared to the Full Upfront Alternative Price, the Option Offer is priced at a purely nominal consideration per Option. We consider this conventional but not acceptable. The relevant Optionholder may instead consider exercising his vested Options at HK\$1.54 per Share and selling the resultant Shares in the market, if the Shares continue to trade at a premium to the option exercise price. Holders of Options at HK\$2.18 are advised to retain them as the future price of the Shares may be quite volatile and the amount receivable from acceptance of the Option Offer is not material.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of (i) the Share Offer and (ii) the Option Offer are not fair and not reasonable so far as the Independent Shareholders and Optionholders are concerned, and accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and Optionholders not to accept the Share Offer or the Option Offer respectively.

The Shares have consistently traded above the Full Upfront Alternative Price of HK\$1.38 per Offer Share and the Maximum Share Offer Price of HK\$1.58 per Offer Share since publication of the Joint Announcement, closing at HK\$1.92 on the Latest Practicable Date. Independent Shareholders who might consider taking the opportunity of the Full Upfront Alternative Price setting a floor to the market price of the Shares to realise their investment should monitor the market price and the trading liquidity of the Shares with a view to disposing of some or all of their Shares in the market instead of accepting the Share Offer.

The Optionholder of Options with an exercise price of HK\$1.54 per Share whose Options have vested and are exercisable in accordance with their terms may consider exercising his Options and disposing some or all of the resultant Shares in the market. Holders of Options with an exercise price of HK\$2.18 per Share should consider retaining their Options in view of the volatility of the prices of the Shares and the minimal amount of consideration payable under the Option Offer.

Independent Shareholders should bear in mind the possibility of a suspension in trading in the Shares following the close of the Offers if a public float of 19.38% is not maintained but the threshold for privatisation is not reached. In such case, the Company and the Offeror have jointly and severally undertaken to take such steps as necessary to restore the public float.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jakob Fabian Hesse
Director

Mr. Jakob Fabian Hesse is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. ACCEPTANCE PROCEDURES FOR THE SHARE OFFER**IMPORTANT NOTICE:**

- **You may only elect one method of settlement from the following: (i) the Full Upfront Settlement Alternative, (ii) the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option in the case of a potential Advanced Payment to the Sellers) or (iii) the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option in the case of a potential Advanced Payment to the Sellers) (and not a combination of any of the foregoing).**
- **Accepting 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.**
- **Only Registered Holders (other than HKSCC Nominees Limited) may accept the Partial Deferred Settlement Alternative. You may not elect the Partial Deferred Settlement Alternative if you are a CCASS Holder.**
- **If you are a Registered Holder wishing to elect the Full Upfront Settlement Alternative or the Partial Deferred Settlement Alternative, you should complete, sign and lodge the “WHITE Form of the Share Offer Acceptance”, together with the relevant Evidence of Title, with the Share Registrar by 4:00 p.m. (Hong Kong time) on the Closing Date.**
- **If you are a CCASS Holder wishing to elect the Full Upfront Settlement Alternative, you should contact your CCASS Participant(s) through which you hold your Offer Shares and follow their instructions.**

1.1. Eligibility For The Full Upfront Settlement Alternative

- (a) The Full Upfront Settlement Alternative is available to all Offer Shareholders. This includes Registered Holders and CCASS Holders.
- (b) For the avoidance of doubt, Offer Shareholders who have deposited all or part of their Offer Shares in CCASS do not need to withdraw these Offer Shares from CCASS in order to accept the Full Upfront Settlement Alternative.

1.2. Eligibility for The Partial Deferred Settlement Alternative

- (a) The Partial Deferred Settlement Alternative is only available to Offer Shareholders who hold their Offer Shares to be tendered for acceptance as Registered Holders (i.e., it is not available to CCASS Holders).

- (b) CCASS Holders will need to first withdraw their Offer Shares from CCASS before accepting and electing the Partial Deferred Settlement Alternative.
- (c) CCASS Holders are not offered the option to elect the Partial Deferred Settlement Alternative for the following reasons: (i) once the CCASS Holders tender their Offer Shares for acceptance under the Share Offer, such CCASS Holders will cease to be Shareholders; (ii) the Offeror needs to maintain a proper record of the contact details of the Accepting Shareholders electing the Partial Deferred Settlement Alternative to facilitate the payment of the Partial Deferred Alternative Second Payment and delivery of relevant communications and documents to those Accepting Shareholders; and (iii) this eligibility requirement serves to mitigate the risk of any frauds in respect of the Partial Deferred Alternative Second Payment and delivery of relevant communications and documents. Given that CCASS Holders have been provided with advanced notice of such eligibility requirement for the Partial Deferred Settlement Alternative through the Joint Announcement and the Share Offer will remain open for at least 21 days after the date on which this Composite Document is posted, the Offeror believes that CCASS Holders should have sufficient time to make the necessary arrangements if they are minded to accept the Partial Deferred Settlement Alternative.

1.3. Accepting the Share Offer and electing the Full Upfront Settlement Alternative

To accept the Full Upfront Settlement Alternative, you should:

- (a) **if you are a Registered Holder:** follow the relevant instructions on the **WHITE** Form of the Share Offer Acceptance to complete, sign and lodge your election of the Full Upfront Settlement Alternative, together with the relevant Evidence of Title, with the Share Registrar by **4:00 p.m. (Hong Kong time) on the Closing Date.**
- (b) **if you are a CCASS Holder:** please contact your CCASS Participant(s) through which you hold your Offer Shares and follow their instructions.

1.4. Accepting the Share Offer and electing the Partial Deferred Settlement Alternative

- (a) To accept the Partial Deferred Settlement Alternative, you must ensure that you hold all your Offer Shares to be tendered for acceptance with the election of the Partial Deferred Settlement Alternative as a Registered Holder. If all or part of such Offer Shares are currently held through CCASS, all such Offer Shares must first be withdrawn from CCASS and registered in your name on the Share Register. Thereafter, you should follow the instructions on the **WHITE** Form of the Share Offer Acceptance to complete, sign and lodge your election of (i) the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option in the case of a potential Advanced Payment to the Sellers) or (ii) the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option in the case of a potential Advanced Payment to the Sellers), together with the relevant Evidence of Title, with the Share Registrar by **4:00 p.m. (Hong Kong time) on the Closing Date.**

(b) **Procedure for withdrawal of Offer Shares from CCASS**

For Offer Shareholders who hold all or part of their Offer Shares in CCASS and wish to accept the Partial Deferred Settlement Alternative with respect to those Offer Shares held in CCASS, such Offer Shares must first be withdrawn from CCASS by:

- (i) contacting their CCASS Participant(s) and making the withdrawal request; physical share certificate(s) in the name of HKSCC Nominees Limited will be withdrawn with accompanying transfer form(s). The transfer form(s) should be duly completed, signed and stamped by the Hong Kong Stamp Duty Office at the Hong Kong Inland Revenue Department;
- (ii) following step (i) above, arranging delivery of the original duly completed, signed and stamped transfer form(s), together with the original share certificate(s) in the name of HKSCC Nominees Limited and associated fees to the Share Registrar (at address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; between the office hours: 9:00 a.m. to 4:30 p.m., Hong Kong time, on a business day) for re-registration to the name of the relevant Offer Shareholder; and
- (iii) in 10 Business Days after receipt by the Share Registrar of the documents as referred to in step (ii) above, arranging collection from the Share Registrar of the original share certificate(s) in the name of the relevant Offer Shareholder.

PLEASE NOTE: The above procedure is for guidance only and Offer Shareholders who wish to withdraw their Offer Shares from CCASS should consult their CCASS Participant(s) for further information and assistance on the withdrawal process.

1.5. Evidence of Title

- (a) To accept the Share Offer and elect either of the Full Upfront Settlement Alternative or the Partial Deferred Settlement Alternative, you will need to provide Evidence of Title over your Offer Shares:
 - (i) **Registered Holders who have Evidence of Title:** If you have the Evidence of Title for your Offer Shares, you will need to deliver the originals of these to the Share Registrar at the same time as lodging your **WHITE** Form of the Share Offer Acceptance.
 - (ii) **Registered Holders who do not have the original share certificate(s) or transfer receipt(s):** If you do not have, or have lost, the Evidence of Title for all or part of your Offer Shares, for the outstanding Evidence of Title, you will need to deliver an original signed letter stating that one or more of your (x) original share certificate(s); (y) transfer receipt(s); and/or (z) satisfactory indemnity/indemnities, has been lost or is not readily available, at the same time as lodging your **WHITE** Form of the Share Offer Acceptance.

If you have lost your Evidence of Title in respect of your Offer Shares, you should also write to the Share Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Share Registrar. If you subsequently find the missing Evidence of Title, you should deliver this to the Share Registrar as soon as possible.

- (iii) **Offer Shareholders who have lodged a transfer of Offer Shares for registration but not yet received the underlying share certificate(s):** If you have lodged a transfer of Offer Shares for registration (e.g. you have withdrawn your Offer Shares from CCASS or you are the transferee of Offer Shares) but have not yet received the underlying share certificate(s), you should deliver your transfer receipt(s) duly signed by yourself to the Share Registrar at the same time as lodging your **WHITE** Form of the Share Offer Acceptance. This act will be deemed to be an irrevocable authorization to the Offeror, the Offeror Financial Advisers, the Company and/or their respective agent(s) to collect the share certificate(s) underlying your registration and to deliver this to the Share Registrar on your behalf.
- (iv) **Offer Shareholders who are CCASS Holders and wish to elect the Full Upfront Settlement Alternative:** You should contact your CCASS Participant(s). If your CCASS Participant(s) does not have the Evidence of Title for all or part of your Offer Shares, you will need to deliver the outstanding Evidence of Title to them and instruct/authorize them to complete the **WHITE** Form of the Share Offer Acceptance on your behalf, as further advised by your CCASS Participant(s).

2. You may only elect one method of settlement from the following: (i) the Full Upfront Settlement Alternative, (ii) the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option in the case of a potential Advanced Payment to the Sellers) or (iii) the Partial Deferred Settlement Alternative (with the Original Partial Deferred Settlement Option in the case of a potential Advanced Payment to the Sellers) (but not a combination of any of the foregoing).

2.1. 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.

2.2. Acceptance of the Share Offer will be treated valid only if the duly completed and signed **WHITE** Form of the Share Offer Acceptance is received by the Share Registrar by no later than **4:00 p.m. on the Closing Date** or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Share Registrar has recorded that the **WHITE** Form of the Share Offer Acceptance and any relevant documents required have been so received and is:

- (a) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s)

and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favor executed by the Registered Holder) in order to establish your right to become the Registered Holder of the relevant Shares; or

- (b) from a Registered Holder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph 1.7); or
- (c) certified by the Share Registrar or the Stock Exchange.

2.3. If the **WHITE** Form of the Share Offer Acceptance is executed by a person other than the Registered Holder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be produced.

2.4. No acknowledgement of receipt of any **WHITE** Form of the Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

3. ACCEPTANCE PROCEDURES FOR THE OPTION OFFER

3.1. Eligibility For Option Offer

The Option Offer is available to all Optionholders. An Option Offer letter, the form of which is set out in the “Form of Option Offer Letter” as contained in Appendix V of this Composite Document, is being sent to each Optionholder in connection with the Option Offer.

3.2. Accepting the Option Offer

To accept the Option Offer, you should follow the instructions on the **PINK** Form of the Option Offer Acceptance to complete, sign and return your acceptance of the Option Offer, together with the relevant certificate(s), document(s) of title or entitlement in respect of the Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of the Options or if applicable, for not less than the number of the Options in respect of which you intend to accept the Option Offer, to the Company at Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong or by email to sunart_hk_legal@sunartretail.com by **4:00 p.m. (Hong Kong time) on the Closing Date.**

PLEASE NOTE: 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.

- 3.3.** If the **PINK** Form of the Option Offer Acceptance is executed by a person other than the registered Optionholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Company must be produced.
- 3.4.** No acknowledgement of receipt of any **PINK** Form of the Option Offer Acceptance, and/or the relevant certificate(s), document(s) of title in respect of the Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

4. SETTLEMENT

4.1. Settlement for the Full Upfront Settlement Alternative

Settlement of the Full Upfront Alternative Price in respect of valid acceptances of the Share Offer which have elected the Full Upfront Settlement Alternative 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 completed and valid acceptance in respect of the Share Offer which has elected the Full Upfront Settlement Alternative. Relevant documents evidencing title must be received by the Share Registrar on behalf of the Offeror to render the acceptance of the Share Offer by Accepting Shareholders who have elected the Full Upfront Settlement Alternative complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

4.2. Settlement for the Partial Deferred Settlement Alternative

(a) Partial Deferred Alternative First Payment Price

Settlement of the Partial Deferred Alternative First Payment Price in respect of valid acceptances of the Share Offer which have elected the Partial Deferred Settlement Alternative 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 completed and valid acceptance in respect of the Share Offer which has elected the Partial Deferred Settlement Alternative. Relevant documents evidencing title must be received by the Share Registrar on behalf of the Offeror to render the acceptance of the Share Offer by Offer Shareholders who have elected the Partial Deferred Settlement Alternative complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

(b) Partial Deferred Alternative Second Payment

Settlement of the Partial Deferred Alternative Second Payment in respect of valid acceptances of the Share Offer which have elected the Partial Deferred Settlement Alternative will be made as follows:

- (i) with respect to the payment of the Partial Deferred Alternative Second Payment Price that has not been prepaid and the Base Interest accruing on such Partial Deferred Alternative Second Payment Price from the Final Closing Date until the date on which such Partial Deferred Alternative Second Payment Price is paid,

settlement of such amount will be made as soon as possible on May 27, 2028 (i.e. the earlier date of (a) June 30, 2028 and (b) May 27, 2028 (being the date falling 39 months after the SPA Completion Date));

- (ii) with respect to any MGO Advanced Payment, the Offeror and/or (if applicable) the Offeror Designated Entities shall make the relevant MGO Advanced Payment at the same time as the relevant Advanced Payment being made to the Sellers; and
- (iii) with respect to the payment of the Variable Interest, settlement of such amount (taking into account any EBITDA Limit Adjustment) will be made as soon as possible on June 30, 2028.

For the avoidance of doubt, settlement of the Partial Deferred Alternative Second Payment will only be made provided that the Offeror has received a completed and valid acceptance in respect of the Share Offer which has elected the Partial Deferred Settlement Alternative. Relevant documents evidencing title must be received by the Share Registrar on behalf of the Offeror to render the acceptance of the Share Offer by Offer Shareholders who have elected the Partial Deferred Settlement Alternative complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

4.3. Settlement for the Option Offer

Settlement of the Option Offer Consideration payable by the Offeror in respect of valid 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 completed and valid acceptance in respect of the Option Offer.

4.4. Means of Payment

Settlement of the consideration payable to a Shareholder or an Optionholder (as the case may be) who accepts the Share Offer or the Option Offer will be made in Hong Kong dollars by cheque to the relevant Shareholder or Optionholder in the following manner:

- (a) In respect of the Full Upfront Alternative Price and Partial Deferred Alternative First Payment Price, each cheque will be despatched by ordinary post to the address specified on the relevant Form of Acceptance at his/her/its own risk;
- (b) In respect of the Partial Deferred Alternative Second Payment that has not been prepaid, each cheque will be despatched by ordinary post to the Accepting Shareholders who have validly elected the Partial Deferred Settlement Alternative at the relevant address of such Accepting Shareholders recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the applicable Partial Deferred Alternative Second Payment Date, at his/her/its own risk;

(c) In respect of any MGO Advanced Payment, each cheque will be despatched by ordinary post to the Accepting Shareholders who have validly elected the Partial Deferred Settlement Alternative (with the MGO Advanced Payment Option) at the relevant address of such Accepting Shareholders recorded in the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of the relevant Advanced Payment to the Sellers, at his/her/its own risk; and

(d) In respect of the Option Offer Consideration, each cheque will be despatched by ordinary post to the address specified on the relevant Form of Acceptance at his/her/its own risk.

4.5. 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.

5. ACCEPTANCE PERIOD AND REVISIONS

5.1. Pursuant to Rule 15.1 of the Takeovers Code, the Offers will remain open for acceptance for at least 21 days after the date on which this Composite Document is posted. Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the **WHITE** Form of the Share Offer Acceptance must be received by the Share Registrar and the **PINK** Form of the Option Offer Acceptance must be received by the Company in accordance with the instructions printed thereon by **4:00 p.m. on the Closing Date.**

5.2. If the Offers are revised or extended, the Offeror and the Company will issue a joint announcement in relation to such revision or extension of the Offers, which announcement will state the next Closing Date. There is no obligation on the Offeror to extend the Offers.

5.3. If, in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders and Optionholders, whether or not they have already accepted the Offers will be entitled to accept the revised Offers under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.

5.4. If the Closing Date is extended, any references in this Composite Document and the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

6. ANNOUNCEMENT ON LEVEL OF ACCEPTANCES

- 6.1.** The Offeror and the Company will make an announcement by 7:00 p.m. (Hong Kong time) on the first Closing Date, stating: (a) whether the Offers are extended, revised or expired; (b) the level of acceptances received as of 4:00 p.m. (Hong Kong time) on such date; (c) the total number of Shares (and voting percentage) controlled by the Offeror and/or Offeror Concert Parties before the Offer Period; (d) the total number of Shares (and voting percentage) acquired or agreed to be acquired by the Offeror and/or the Offeror Concert Parties during the Offer Period; and (e) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company in which the Offeror or any Offeror Concert Parties have borrowed or lent (other than securities that have been on-lent or sold) (“**Results Announcement Content**”).
- 6.2.** Similarly, if the Offers are extended past the first Closing Date, the Offeror and the Company will make an announcement by 7:00 p.m. (Hong Kong time) on each next Closing Date containing the Results Announcement Content.
- 6.3.** Level of acceptances will be as of 4:00 p.m. (Hong Kong time) on the date of each such results announcement.
- 6.4.** As required under the Takeovers Code, all announcements in relation to the Offers will be made in accordance with the requirements of the Listing Rules.

7. RIGHT OF WITHDRAWAL

- 7.1.** As the Offers are unconditional, acceptance of the Offers tendered by Offer Shareholders and Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraphs.
- 7.2.** Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with the requirements of making announcements relating to the Offers as set out in paragraph 6 (“*6. Announcement on Level of Acceptances*”) of this Appendix I, the Executive may require that Accepting Shareholders and Optionholders be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.
- 7.3.** If acceptances are withdrawn, the Offeror and/or (if applicable) the Offeror Designated Entities shall, as soon as possible and no later than seven (7) Business Days after receipt of a withdrawal request, return by ordinary post the relevant share certificate(s), option certificate(s) (if applicable) and/or other document(s) or evidence of title (and/or satisfactory indemnity or indemnities required in respect thereof) lodged with the Forms of Acceptance to the relevant Offer Shareholders and Optionholders who have exercised their right to withdraw.
- 7.4.** Save as aforesaid, acceptances of the Offers shall be irrevocable and not capable of being withdrawn.

8. EFFECT OF ACCEPTANCE OF THE OFFERS

- 8.1.** Acceptance of the Share Offer by any person will be deemed to constitute a representation and warranty by such person(s) to the Offeror and the Offeror Designated Entities that: (a) the Offer Shares acquired under the Offers are fully paid and 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; and (b) additionally, where such person has elected the Partial Deferred Settlement Alternative, such person is a Registered Holder.
- 8.2.** Acceptance of the Option Offer by any person will be deemed to constitute a representation and warranty by such person(s) to the Offeror that the Options and all rights attaching thereto are cancelled with effect from the date on which the Option Offer is closed.
- 8.3.** By signing and returning the Form of Acceptance, you represent and warrant to the Offeror, the Offeror Financial Advisers, the Company and (with respect to the Share Offer only) the Offeror Designated Entities that you: (a) are permitted under all applicable laws and regulations to receive and accept the relevant Offer (and any revision thereof) and, if applicable, elect the relevant settlement alternative, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations; and (b) you have not taken or omitted to take any action which will or may result in the Offeror and the Offeror Concert Parties, the Offeror Financial Advisers and the Company or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Offers or your acceptance thereof.

9. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

Please refer to the section headed “Important Notices” of this Composite Document for more information on overseas Shareholders and Optionholders.

10. HONG KONG STAMP DUTY

- 10.1.** In the case of the Share Offer, the seller’s *ad valorem* stamp duty at a rate of 0.1% of the amount payable in respect of acceptances by the Shareholders under the Share Offer 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 (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded up to the nearest HK\$1.00). For the avoidance of doubt, the amount payable in respect of acceptances by the Shareholders under the Share Offer for the purpose of stamp duty will be calculated as follows:
- (a) in respect of the relevant acceptances of the Share Offer under the Full Upfront Settlement Alternative, the amount payable will be HK\$1.38 per Offer Share, representing the Full Upfront Alternative Price; and

- (b) in respect of the relevant acceptances of the Share Offer under the Partial Deferred Settlement Alternative, the amount payable will be HK\$1.58 per Offer Share, representing the sum of the Partial Deferred Alternative First Payment Price, the Partial Deferred Alternative Second Payment Price and the maximum Interest payable.

10.2. The Offeror and/or (if applicable) the Offeror Designated Entities 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.

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

11. NO DIVIDENDS OR DISTRIBUTIONS

11.1. The Company confirms that as at the Latest Practicable Date, the Company does not have outstanding dividends which have been declared but not yet paid. Except for the 2025 Final Dividend which the Company may potentially declare, the Company will not make, declare or pay any dividend or make other distributions after the date of this Composite Document and before the close of the Offers.

11.2. If, after the date of the despatch of this Composite Document and up to the close of the Offers, any dividend or other distribution is made or paid to the Offer Shareholders (and not the Offeror and/or (if applicable) the Offeror Designated Entities) 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.

12. NO SET-OFF

Save as set out in this Appendix I (under the paragraphs "*10. Hong Kong Stamp Duty*" and "*11. No Dividends or Distributions*"), settlement of the consideration for acceptances of the Offers will be implemented in full in accordance with the terms and conditions of the Offers set out in this Composite Document and the Forms of Acceptance (in respect of the Share Offer and the Option Offer), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror and (if applicable) the Offeror Designated Entities may otherwise be, or claim to be, entitled against such Offer Shareholder or Optionholder.

13. 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.

14. GENERAL

- 14.1.** All communications, notices, the Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders and Optionholders at their addresses specified on the relevant Form of Acceptance, except that communications, notice and payments in connection with the Partial Deferred Alternative Second Payment will be sent to the Accepting Shareholders who have validly elected the Partial Deferred Settlement Alternative at their correspondence addresses specified on the Share Register as of the Closing Date, unless an updated correspondence address is otherwise notified by the relevant Accepting Shareholder to the Offeror by post to Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong or by email to SunArtRetailCashOfferAcceptance@dcpcapital.com (with a copy of the identity document of such relevant Accepting Shareholder) no later than 10 Business Days prior to the date of such delivery. None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, the Offeror Financial Advisers, the Independent Financial Adviser, the Share Registrar or any of their respective directors, officers, associates or advisers, or any other person involved in the Offers, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.
- 14.2.** The provisions set out in the Forms of Acceptance form part of the terms of the Offers.
- 14.3.** The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- 14.4.** The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- 14.5.** Due execution of the Forms of Acceptance will constitute an irrevocable authority to the Offeror, the Offeror Designated Entities, the Offeror Financial Advisers, the Company and/or the Share Registrar (or such person or persons as any of them may direct) to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror and/or the Offeror Designated Entities (or such person or persons as any of them may direct) the Offer Shares or cancelling the Options in respect of which such person has accepted the Offers.

- 14.6.** Any Offer Shareholders or Optionholders accepting the Offers will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- 14.7.** The Offers are made in accordance with the Takeovers Code.
- 14.8.** References to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension and/or revision thereof.
- 14.9.** In making their decision, Shareholders and Optionholders must rely on their own examination of the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Offeror Designated Entities, the Company, the Offeror Financial Advisers, the Independent Financial Adviser, or their respective professional advisers. Shareholders and Optionholders should consult their own professional advisers for professional advice.
- 14.10.** The English text of this Composite Document and of the accompanying Forms of Acceptance shall prevail over the Chinese text for the purpose of interpretation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of certain audited consolidated financial information of the Group for each of the three years ended March 31, 2022, 2023 and 2024 as extracted from the annual reports of the Company for the years ended March 31, 2022, 2023 and 2024, and certain unaudited consolidated financial information of the Group for the six months ended September 30, 2024 as extracted from the interim report of the Company for the six months ended September 30, 2024.

	For the year ended March 31,			For the six months ended September 30,
	2022	2023	2024	2024
	(audited)	(audited)	(audited)	(unaudited)
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Revenue	88,134	83,662	72,567	34,708
(Loss)/profit before income tax				
Income tax expense	(503)	722	(1,434)	410
(Loss)/profit is attributable to:				
Owners of the Company	(739)	109	(1,605)	206
Non-controlling interests	(87)	(31)	(63)	(20)
Total comprehensive income/(expenses) attributable to:				
Owners of the Company	(739)	109	(1,605)	206
Non-controlling interests	(87)	(31)	(63)	(20)
(Loss)/earnings per share				
– Basic and diluted	RMB(0.08)	RMB0.01	RMB(0.17)	RMB0.02

During each of the three years ended March 31, 2022, 2023 and 2024, and the six months ended September 30, 2024, the Board had recommended the payment of:

- (a) final dividends of HK\$0.045 (equivalent to RMB0.038), HK\$0.045 (equivalent to RMB0.040) and HK\$0.020 (equivalent to RMB0.018) per ordinary share of the Company for each of the years ended March 31, 2022, 2023 and 2024, respectively, amounting to approximately HK\$429 million (equivalent to approximately RMB364 million), HK\$429 million (equivalent to approximately RMB381 million) and HK\$191 million (equivalent to approximately RMB174 million) in total for each of the years ended March 31, 2022, 2023 and 2024, respectively, to the Shareholders whose names appeared on the Share Register at the close of business at 4:30 p.m. on each of August 23, 2022, August 23, 2023 and August 21, 2024, respectively. An ordinary resolution for each such dividend was passed at the annual general

meetings of the Company held on each of August 18, 2022, August 16, 2023 and August 14, 2024, respectively, to approve such dividends, and such dividends were paid on each of September 30, 2022, September 6, 2023, and September 4, 2024, respectively; and

- (b) an interim dividend of HK\$0.170 (equivalent to approximately RMB0.158) per ordinary share for the six months ended September 30, 2024, amounting to approximately HK\$1,622 million (equivalent to approximately RMB1,511 million) in total for the six months ended September 30, 2024, to the Shareholders whose names appeared on the Share Register at the close of business at 4:30 p.m. on December 27, 2024, and such dividend was paid on January 24, 2025.

Save as disclosed above, the Group did not have any item of income or expense which was material for each of the three years ended March 31, 2022, 2023 and 2024 and for the six months ended September 30, 2024.

PricewaterhouseCoopers, the auditor of the Group during each of the three years ended March 31, 2022, 2023 and 2024, did not issue any modified opinion nor any emphasis of matter or material uncertainty related to going concern contained in the auditor's reports of the Group for any of the three financial years ended March 31, 2022, 2023 and 2024.

2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows, and any other primary statements are shown in the audited consolidated financial statements of the Group for the years ended March 31, 2022 (the “**2022 Financial Statements**”), March 31, 2023 (the “**2023 Financial Statements**”), March 31, 2024 (the “**2024 Financial Statements**”) and the unaudited consolidated financial statements of the Group for the six months ended September 30, 2024 (the “**2024 Interim Financial Statements**”), together with significant accounting policies and the notes to the relevant published financial accounts which are of major relevance to the appreciation of the above financial information.

The 2022 Financial Statements are set out on pages 91 to 195 of the annual report of the Company for the year ended March 31, 2022 (the “**2021/2022 Annual Report**”), which was published on June 17, 2022 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0617/2022061700489.pdf>

The 2023 Financial Statements are set out on pages 78 to 183 of the annual report of the Company for the year ended March 31, 2023 (the “**2022/2023 Annual Report**”), which was published on June 29, 2023 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0629/2023062900700.pdf>

The 2024 Financial Statements are set out on pages 97 to 211 of the annual report of the Company for the year ended March 31, 2024 (the “**2023/2024 Annual Report**”), which was published on July 23, 2024 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0723/2024072300003.pdf>

The 2024 Interim Financial Statements are set out on pages 35 to 72 of the interim report of the Company for the six months ended September 30, 2024 (the “**2024 Interim Report**”), which was published on December 12, 2024 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1206/2024120600725.pdf>

The 2022 Financial Statements, the 2023 Financial Statements, the 2024 Financial Statements and the 2024 Interim Financial Statements (but not any other part of the 2021/2022 Annual Report, the 2022/2023 Annual Report, the 2023/2024 Annual Report and the 2024 Interim Report in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

As of December 31, 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the Group had the following outstanding indebtedness:

	As at December 31, 2024 RMB'000 (Unaudited)
Non-current liabilities	
Lease liabilities	4,768,264
Current liabilities	
Borrowings	2,405,987
Lease liabilities	1,456,555
	<hr/>
Subtotal	3,862,542
	<hr/>
Total	8,630,806
	<hr/> <hr/>

Save as disclosed above and apart from intra-group liabilities within the Group and normal trade and other payables in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent at the close of business on December 31, 2024.

4. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since March 31, 2024, the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date, save as disclosed in the interim report of the Company for the six months ended September 30, 2024 and the announcement of the Company dated February 27, 2025, as set out below, namely:

- (a) a reshaping of the Group's price competitiveness and adjustment of the selection of products in different price quartiles, with offline traffic of comparable stores gradually stabilising, a stable ticket size, a slight increase in average number of items purchased per order, and new online channels;
- (b) an approximately 3.0% decrease in revenue recorded for the six months ended September 30, 2024 as compared to the corresponding period in 2023. The decrease was mainly driven by the closing down of loss-making stores and the scaling down of group purchase and inventory sharing programmes on Alibaba Holding online platforms;
- (c) a profit of approximately RMB186 million for the six months ended September 30, 2024 as compared with a loss of approximately RMB378 million for the corresponding period in 2023. The return to profitability as compared to the six months ended September 30, 2023 was mainly due to a reduction in selling, marketing and administrative expenses, including lower personnel costs, other cost savings, a reduction in impairment charges and positive same store sales growth;
- (d) the opening of one hypermarket and three membership stores and closure of seven hypermarkets during the six months ended September 30, 2024; and
- (e) the expected provision of approximately RMB58 million for tax expenses in the year ending March 31, 2025 for potential tax payments in relation to value-added tax invoices issued by a supplier to the Group under investigation by relevant authorities, as set out in the announcement of the Company dated February 27, 2025.

1. RESPONSIBILITY STATEMENTS

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Company and the Offers.

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the total number of issued shares of the Company were as follows:

Issued and fully paid-up Shares

9,539,704,700 Shares

All the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, no new Shares had been issued by the Company since March 31, 2024 (being the date to which its latest audited financial statements were prepared).

As at the Latest Practicable Date, the Company had 45,000,000 outstanding Options, details of which were 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 above, as at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or securities convertible or exchangeable into Shares or other types of equity interest in issue.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executives' interests in shares, underlying shares and debentures

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) which were required to be disclosed under the Takeovers Code, save as disclosed below:

Name of Directors/ Chief Executive	Capacity	Number of Shares or underlying Shares held ⁽¹⁾	Approximate percentage shareholding
HUANG Ming-Tuan	Interest of spouse ⁽²⁾	68,334,202 (L)	0.72%
SHEN Hui	Beneficial owner	25,000,000 (L) ⁽³⁾	0.26%

Notes:

- The letter "L" denotes the person's long position.
- Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan. Ms. LEE Chih-Lan holds 66,782,964 Shares through Unique Grand Trading Limited and 1,551,238 Shares under her name. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the shares held by Ms. LEE Chih-Lan.
- 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. The exercise price of the options granted is HKD1.54. The options are valid for 10 years from the date of grant unless lapsed pursuant to the Share Option Scheme and may be exercisable during such period provided that the options are vested. The option will be vested in four equal tranches on March 28, 2025, March 28, 2026, March 28, 2027 and March 28, 2028.

(b) Substantial shareholders

As at the Latest Practicable Date, so far as is known to any Director or the chief executive of the Company, and as required by Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company or as recorded in the register required to be kept under Section 336 of the SFO, the interests or long positions of persons in the Shares and underlying Shares of the Company were as follows:

Name	Capacity	Name of Shares or underlying Shares held	Approximate percentage of shareholding
The Offeror (<i>Note 2</i>)	Beneficial owner	4,504,599,949 (L)	47.22%
SPA Additional Purchaser (<i>Note 2</i>)	Beneficial owner	3,003,066,632 (L)	31.48%
Classic Fit Limited (<i>Notes 3 & 4</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
WOLHARDT Julian Juul (<i>Note 3</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
DCP, Ltd. (<i>Note 3</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
DCP General Partner II, Ltd. (<i>Note 3</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
J.P. Morgan Trust Company (Bahamas) Limited (<i>Note 4</i>)	Trustee	7,507,666,581 (L)	78.70%
LIU Haifeng David (<i>Note 4</i>)	Founder of a discretionary trust	7,507,666,581 (L)	78.70%
CHEN Vivian (<i>Note 5</i>)	Interest of spouse	7,507,666,581 (L)	78.70%
LIEU Ketty Chia Roo (<i>Note 6</i>)	Interest of spouse	7,507,666,581 (L)	78.70%

Notes:

- The letter "L" denotes the person's long position.
- Each of the SPA Purchasers is indirectly and wholly owned by the Parent Holdco, which is in turn directly and wholly owned by DCP Capital Partners II, L.P.
- The general partner of DCP Capital Partners II, L.P. is DCP General Partner II, Ltd.. DCP General Partner II, Ltd. is directly and wholly owned by DCP Partners Limited, which is in turn directly and wholly owned by DCP, Ltd.. DCP, Ltd. is owned as to 50% by Mr. WOLHARDT Julian Juul and 50% by Classic Fit Limited. Accordingly, each of DCP General Partner II, Ltd., DCP, Ltd., Mr. WOLHARDT Julian Juul and Classic Fit Limited is deemed to be interested in 7,507,666,581 Shares beneficially held by the SPA Purchasers by virtue of Part XV of the SFO.
- Classic Fit Limited is indirectly and wholly owned by J.P. Morgan Trust Company (Bahamas) Limited, being the trustee of a discretionary trust under which Mr. LIU Haifeng David is the founder of the discretionary trust who can influence how the trustee exercises its discretion. As such, Mr. LIU Haifeng David is deemed to be interested in 7,507,666,581 Shares beneficially held by the SPA Purchasers by virtue of Part XV of the SFO.
- Ms. CHEN Vivian is the spouse of Mr. LIU Haifeng David, and accordingly under the SFO is deemed to be interested in the same number of shares in which Mr. LIU Haifeng David is interested.
- Ms. LIEU Ketty Chia Roo is the spouse of Mr. WOLHARDT Julian Juul, and accordingly under the SFO is deemed to be interested in the same number of shares in which Mr. WOLHARDT Julian Juul is interested.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

(c) Additional disclosure of interests

As at the Latest Practicable Date:

1. the Company nor any of the Directors nor any of the Former Directors was interested in any shares of the Offeror or any convertible securities, warrants, options, or derivatives in respect of any shares of the Offeror;
2. save as disclosed in the paragraph headed “3. DISCLOSURE OF INTERESTS” in this Appendix, none of the Directors nor any of the Former Directors was interested within the meaning of Part XV of the SFO in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares;
3. none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader and exempt fund managers, owned or controlled any Shares or any convertible securities, warrants, options or derivatives of the Company;
4. no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
5. no fund manager (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
6. none of the Company or the Directors or the Former Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares; and
7. there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder on the one hand; and (2) the Company, its subsidiaries or associated companies on the other hand.

As at the Latest Practicable Date, Mr. SHEN Hui, an executive Director holding 25,000,000 Options, has indicated his intention to reject the Option Offer in respect of the Options which he is holding.

4. DEALINGS IN SECURITIES

During the Relevant Period and up to the Latest Practicable Date:

- (a) none of the Company, the Directors and the Former Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options, or derivatives in respect of any shares of the Offeror;
- (b) none of the Directors and the Former Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares;
- (c) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader and exempt fund managers, had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) no fund manager (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and
- (e) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and none of them had dealt for value in any Shares or any convertible securities, warrants, options, or derivatives in respect of any Shares.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Group and no litigation, arbitration or claims which would materially and adversely affect the operations of the Group was known to the Directors to be pending or threatened by or against any members of the Group.

6. MATERIAL CONTRACTS

The Group had, within the two years before the commencement of the Offer Period and up to the Latest Practicable Date, not entered into any contract (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by members of the Group), which is or may be material.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (save for statutory compensation required under applicable laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (c) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following service agreements and letters of appointment with the Directors:

Name	Position	Term	Amount	
			of Fixed Remuneration	Variable Remuneration
SHEN Hui	Executive Director	a term of 3 years from March 27, 2024 to March 26, 2027 (both dates inclusive), provided that either party may terminate such appointment by giving three months' written notice	HK\$1	N/A

Name	Position	Term	Amount	
			of Fixed Remuneration	Variable Remuneration
HUANG Ming-Tuan	Non-executive Director	a term of 3 years from May 10, 2024 to May 9, 2027 (both dates inclusive), provided that either party may terminate such appointment by giving three months' written notice	HK\$1	N/A
Karen Yifen CHANG	Independent Non-executive Director	a term of 3 years from June 25, 2023 to June 24, 2026 (both dates inclusive), provided that either party may terminate such appointment by giving three months' written notice	HK\$445,000 per annum	N/A
Charles Sheung Wai CHAN	Independent Non-executive Director	a term of 3 years from January 31, 2024 to January 20, 2027 (both dates inclusive), provided that either party may terminate such appointment by giving three months' written notice	HK\$525,000 per annum	N/A
YIH Lai Tak, Dieter	Independent Non-executive Director	a term of 3 years from December 11, 2022 to December 10, 2025 (both dates inclusive), provided that either party may terminate such appointment by giving three months' written notice	HK\$395,000 per annum	N/A

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which: (i) (including both continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (ii) were continuous contracts with a notice period of 12 months or more; or (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERT QUALIFICATION AND CONSENT

The following are the name and qualification of the experts which has been engaged by the Company and named in this Composite Document or has given opinion or advice contained or referred to in this Composite Document:

Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Company in relation to the Offers.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and the references to its name in the form and context in which it appears herein.

10. MISCELLANEOUS

- (a) As at the Latest Practicable Date, the registered office of the Company was situated at Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and its principal place of business in the PRC was situated at No. 255, Jiangchang Xi Road, Jing'an District, Shanghai, China, 200436.
- (b) As at the Latest Practicable Date, the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, was situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) As at the Latest Practicable Date, the registered office of the Independent Financial Adviser, Somerley Capital Limited, was situated at 20/F, China Building, 29 Queen's Road Central, Hong Kong.
- (d) The English text of this Composite Document shall prevail over their respective Chinese text in case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the SFC (www.sfc.hk) and the Company (www.sunartretail.com) from the date of this Composite Document up to and including the Closing Date:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for each of the three years ended March 31, 2022, 2023 and 2024, and the interim report of the Company for the six months ended September 30, 2024;

- (c) the “Letter from the Board”, the text of which is set out in this Composite Document;
- (d) the “Letter from the Independent Board Committee”, the text of which is set out in this Composite Document;
- (e) the “Letter from the Independent Financial Adviser”, the text of which is set out in this Composite Document;
- (f) each service contract referred to in the paragraph headed “8. DIRECTORS’ SERVICE CONTRACTS” in this Appendix;
- (g) the written consent referred to in the paragraph headed “9. EXPERT QUALIFICATION AND CONSENT” in this Appendix; and
- (h) this Composite Document and the accompanying Forms of Acceptance.

1. RESPONSIBILITY STATEMENT

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 Composite Document (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 Composite Document (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 Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS IN THE COMPANY

For the purposes of paragraphs 2 to 3 in this Appendix IV, “interested” and “interests” have the same meaning as ascribed to these terms in Part XV of the SFO.

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company owned or controlled by the Offeror, the directors of the Offeror and the Offeror Concert Parties were as follows:

Name	Capacity	Name of Shares or underlying Shares held	Approximate percentage of shareholding
The Offeror (<i>Note 2</i>)	Beneficial owner	4,504,599,949 (L)	47.22%
SPA Additional Purchaser (<i>Note 2</i>)	Beneficial owner	3,003,066,632 (L)	31.48%
Classic Fit Limited (<i>Note 3 & 4</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
WOLHARDT Julian Juul (<i>Note 3</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
DCP, Ltd. (<i>Note 3</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
DCP General Partner II, Ltd. (<i>Note 3</i>)	Interest in a controlled corporation	7,507,666,581 (L)	78.70%
J.P. Morgan Trust Company (Bahamas) Limited (<i>Note 4</i>)	Trustee	7,507,666,581 (L)	78.70%
LIU Haifeng David (<i>Note 4</i>)	Founder of a discretionary trust	7,507,666,581 (L)	78.70%
CHEN Vivian (<i>Note 5</i>)	Interest of spouse	7,507,666,581 (L)	78.70%
LIEU Ketty Chia Roo (<i>Note 6</i>)	Interest of spouse	7,507,666,581 (L)	78.70%

Notes:

- The letter “L” denotes the person’s long position.
- Each of the SPA Purchasers is indirectly and wholly owned by the Parent Holdco, which is in turn directly and wholly owned by DCP Capital Partners II, L.P.

3. The general partner of DCP Capital Partners II, L.P. is DCP General Partner II, Ltd.. DCP General Partner II, Ltd. is directly and wholly owned by DCP Partners Limited, which is in turn directly and wholly owned by DCP, Ltd.. DCP, Ltd. is owned as to 50% by Mr. WOLHARDT Julian Juul and 50% by Classic Fit Limited. Accordingly, each of DCP General Partner II, Ltd., DCP, Ltd., Mr. WOLHARDT Julian Juul and Classic Fit Limited is deemed to be interested in 7,507,666,581 Shares beneficially held by the SPA Purchasers by virtue of Part XV of the SFO.
4. Classic Fit Limited is indirectly and wholly owned by J.P. Morgan Trust Company (Bahamas) Limited, being the trustee of a discretionary trust under which Mr. LIU Haifeng David is the founder of the discretionary trust who can influence how the trustee exercises its discretion. As such, Mr. LIU Haifeng David is deemed to be interested in 7,507,666,581 Shares beneficially held by the SPA Purchasers by virtue of Part XV of the SFO.
5. Ms. CHEN Vivian is the spouse of Mr. LIU Haifeng David, and accordingly under the SFO is deemed to be interested in the same number of shares in which Mr. LIU Haifeng David is interested.
6. Ms. LIEU Ketty Chia Roo is the spouse of Mr. WOLHARDT Julian Juul, and accordingly under the SFO is deemed to be interested in the same number of shares in which Mr. WOLHARDT Julian Juul is interested.

The Offeror confirms that, as at the Latest Practicable Date, the Offeror and the Offeror Concert Parties hold 7,507,666,581 Shares, representing 78.7% of the issued share capital of the Company. Save as disclosed above, none of the Offeror, the directors of the Offeror, nor any person acting in concert with any of them owned, controlled or had direction over any Shares, convertible securities, warrants, options or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. DEALINGS IN SECURITIES

During the Relevant Period, save for the Sale Shares, neither the Offeror nor the Offeror Concert Parties had dealt for value 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.

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 regarded as Offeror Concert Parties pursuant to the Takeovers Code (except for members of the Deutsche Bank group and UBS group which are exempt principal traders and exempt fund managers, in each case recognized by the Executive as such for the purpose of the Takeovers Code). Deutsche Bank and UBS are making the Share Offer and the Option Offer for and on behalf of the Offeror.

Neither Deutsche Bank nor UBS as an Offeror Concert Party owned, controlled or had any other interest in the Shares, options, warrants, derivatives or securities which are convertible into Shares as at the Latest Practicable Date.

4. OTHER CONFIRMATIONS

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “2. Disclosure of Interests in the Company” in this Appendix IV, none of the Offeror or the Offeror Concert Parties owned, or had control or direction over any voting rights or rights over Shares or any convertible securities, warrants, options or derivatives in respect of the securities of the Company;
- (b) there was no outstanding derivative in respect of securities in the Company which had been entered into by the Offeror or any of the Offeror Concert Parties;
- (c) none of the Offeror and the Offeror Concert Parties had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (d) none of the Offeror and the Offeror Concert Parties had received any irrevocable commitment(s) to accept or reject the Offers;
- (e) there was no arrangement whereby any Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offers;
- (f) save for the SPA and the Parent Share Charge, there was no agreement, arrangement or understanding (including compensation arrangement) which existed between the Offeror or the Offeror Concert Parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;
- (g) there was no agreement or arrangement to which the Offeror or the Offeror Concert Parties was a party which related to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (h) save for the SPA First Payment, the SPA Second Payment and the Parent Share Charge, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Sellers or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares under the SPA;
- (i) save for the SPA and the Parent Share Charge, there was 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;
- (j) there was 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;

- (k) save for the SPA, the Parent Share Charge and the Continuing Connected Transactions, there was no understanding, arrangement, agreement 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;
- (l) there was no 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;
- (m) there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror, or the Offeror Concert Parties, and any other persons; and
- (n) save for the CMB Share Charge, there was no agreement, arrangement or understanding that any securities acquired or to be acquired by the Offeror pursuant to the Offers will be transferred, charged or pledged to any other persons.

In lieu of the Parent Share Charge, the Sellers and the SPA Purchasers may agree to an alternative security arrangement, details of which are yet to be finalized and remain subject to the consent or waiver of China Merchants Bank Co., Ltd. Shanghai Branch (and/or other applicable lender(s) in the case of any refinancing and/or amendment(s)) (which has not been obtained as of the Latest Practicable Date). However, any such alternative security arrangement will only be implemented if it is in compliance with the Takeovers Code, in particular Rule 25 of the Takeovers Code in relation to special deals.

5. EXPERTS AND CONSENTS

The following are the qualifications of experts who have given opinion or advice contained in this Composite Document:

Name	Qualification
Deutsche Bank	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
UBS	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, being the joint financial adviser to the Offeror in connection with the Offers

Each of Deutsche Bank and UBS has given, and has not withdrawn its written consent to the issue of this Composite Document with the references to its name in the form and context in which it appears.

6. GENERAL

- (1) The Offeror is Paragon Shine Limited.
- (2) The principal members of the Offeror Concert Parties are the Offeror, the SPA Additional Purchaser, the Offeror Designated Entities, DCP Capital Partners II, L.P., DCP General Partner II, Ltd. and the Offeror Financial Advisers.
- (3) Each of the Offeror, the SPA Additional Purchaser and the Offeror Designated Entities is ultimately controlled by DCP Capital Partners II, L.P., a fund of DCP Capital. DCP Capital Partners II, L.P. is managed and operated by its general partner, DCP General Partner II, Ltd.. Please refer to the table set out in paragraph (7) below for the name of the directors of DCP General Partner II, Ltd..
- (4) As at the Latest Practicable Date, the registered office of the Offeror was c/o Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. As at the Latest Practicable Date, the correspondence address of the Offeror was Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong.
- (5) As at the Latest Practicable Date, the registered office of DCP Capital Partners II, L.P. was c/o Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. As at the Latest Practicable Date, the correspondence address of DCP Capital Partners II, L.P. was Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong.
- (6) As at the Latest Practicable Date, the registered office of DCP General Partners II, Ltd. was c/o Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. As at the Latest Practicable Date, the correspondence address of DCP General Partners II, Ltd. was Suites 2008-09, 20th Floor, AIA Central, 1 Connaught Road Central, Hong Kong.
- (7) As at the Latest Practicable Date, the directors of the principal members of the Offeror Concert Parties (including the Offeror) were as follows:

**Principal members of the
Offeror Concert Parties**

Directors of that member

The Offeror	Guannan WANG, WONG Ngai Sze and Samit GHOSH
King Salmon	Guannan WANG, WONG Ngai Sze and Samit GHOSH
Cornflower Blue	Guannan WANG, WONG Ngai Sze and Samit GHOSH

Principal members of the Offeror Concert Parties	Directors of that member
SPA Additional Purchaser	Guannan WANG, WONG Ngai Sze and Samit GHOSH
DCP Capital Partners II, L.P.	Haifeng David LIU, Julian Juul WOLHARDT, Allan Keh WOLHARDT, Kim Guan LOH and Samit GHOSH
DCP General Partner II, Ltd.	Haifeng David LIU, Julian Juul WOLHARDT, Allan Keh WOLHARDT, Kim Guan LOH and Samit GHOSH

- (8) As at the Latest Practicable Date, the registered office of Deutsche Bank was at 60/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong SAR.
- (9) As at the Latest Practicable Date, the registered office of UBS was at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong SAR.
- (10) In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the SFC (www.sfc.hk) and the Company (www.sunartretail.com) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the “Letter from the Offeror Financial Advisers”, the text of which is set out in this Composite Document; and
- (c) the written consents referred to in the paragraph headed “5. EXPERTS AND CONSENTS” in Appendix IV to this Composite Document.

The following is the form of the Option Offer Letter being sent to the Optionholders in connection with the Option Offer.

**Lead Financial Adviser
to Offeror**

Deutsche Bank 

**Joint Financial Adviser
to Offeror**

 **UBS**

March 6, 2025

To Optionholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
DEUTSCHE BANK AND UBS
FOR AND ON BEHALF OF PARAGON SHINE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
SUN ART RETAIL GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
PARAGON SHINE LIMITED AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
SUN ART RETAIL GROUP LIMITED**

1. INTRODUCTION

A composite document dated the same date as this letter jointly issued by Paragon Shine Limited (the “**Offeror**”) and Sun Art Retail Group Limited (the “**Company**”) (the “**Composite Document**”) is enclosed with this letter. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires. This letter should be read in conjunction with the Composite Document and the **PINK** Form of the Option Offer Acceptance.

On December 31, 2024, the Offeror entered into the SPA with the Sellers, pursuant to which the Offeror conditionally agreed to purchase (by itself and/or through an entity/entities which is/are wholly owned by the Parent), and the Sellers conditionally agreed to sell, the Sale Shares at a total consideration of HK\$10,360,579,882, equivalent to HK\$1.38 per Sale Share, together with the Interest. 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 Latest Practicable Date.

Immediately prior to the SPA Completion, neither the Offeror nor any of the Offeror Concert Parties (including the SPA Additional Purchaser but excluding the Sellers) held, owned, controlled or had direction over any Shares or voting rights of the Company or any other relevant securities.

As disclosed in the SPA Completion Announcement, the Offeror and the Company jointly announced that the SPA Completion took place on February 27, 2025. Immediately after the SPA Completion, the Offeror and the SPA Additional Purchaser, being indirect wholly-owned subsidiaries of the Parent Holdco, became interested in 7,507,666,581 Shares, representing approximately 78.70% of the entire issued share capital of the Company as at the Latest Practicable Date.

Therefore, pursuant to Rule 26.1 of the Takeovers Code, a mandatory general offer is required to be made by DCP Capital Partners II, L.P. through the Offeror and/or (if applicable) the Offeror Designated Entities for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or the Offeror Concert Parties. An appropriate offer is required to be made by DCP Capital Partners II, L.P. through the Offeror to the Optionholders to cancel all the outstanding Options in accordance with Rule 13 of the Takeovers Code. The Offeror and (if applicable and with respect to the Share Offer only) the Offeror Designated Entities, through the Offeror Financial Advisers, makes mandatory unconditional general offers for all the Offer Shares and the outstanding Options pursuant to Rule 26.1 and Rule 13 of the Takeovers Code.

This letter sets out, among other things, the principal terms of the Option Offer and the actions you may take in relation to any Options held by you. You are advised to refer to the entire Composite Document when considering this letter. Your attention is also drawn to the terms and conditions of the documentation under which each of your Options was granted (including the terms of the Share Option Scheme).

2. TERMS OF THE OPTION OFFER

The Offeror Financial Advisers are making the Option Offer for and on behalf of the Offeror to the Optionholders 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**

In compliance with Rule 13 of the Takeovers Code, 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 Latest Practicable Date, 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 is 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 will 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.

The Closing Date as disclosed in the “*Expected Timetable*” in the Composite Document is March 27, 2025. Further announcement(s) will be made in the event that there is any change to the Closing Date.

Settlement of the Option Offer Consideration payable by Offeror in respect of valid 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 completed and valid acceptance in respect of the Option Offer.

You are further advised to refer to the sections headed “*Overseas Shareholders and Optionholders*” and “*Taxation Advice*” in the “Letter from the Offeror Financial Advisers”, and “Appendix I – Further Terms And Procedures Of Acceptance Of The Offers” as set out in the Composite Document.

Your attention is also drawn to the “Letter from the Independent Board Committee” to the Offer Shareholders and the Optionholders and the “Letter from the Independent Financial Adviser” to the Independent Board Committee as set out in the Composite Document, which contain recommendations of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Offers.

3. COURSES OF ACTION AVAILABLE TO THE OPTIONHOLDERS

In summary, the choices available to you in respect of your outstanding Options are:

- (a) to the extent any of your outstanding Options (whether vested or unvested) is not exercised on or prior to the Closing Date, you may accept the Option Offer in accordance with its terms (as set out in the Composite Document and the **PINK** Form of the Option Offer Acceptance) and receive the Option Offer Consideration, by allowing such unexercised outstanding Options to remain unexercised on the Closing Date, and returning, duly completed and signed, the **PINK** Form of the Option Offer Acceptance enclosed together with the relevant document(s) as soon as possible and in any event by no later than 4:00 p.m. (Hong Kong time) on the Closing Date;

- (b) you may in accordance with the terms of the Share Option Scheme exercise all of your outstanding vested Options (to the extent not already exercised) or only some of them to the extent specified in your notice of exercise, by giving a notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised at any time after the date of this letter (being March 6, 2025) and up to the Closing Date. Any Shares issued as a result of the exercise of such outstanding Options as mentioned above will be subject to and eligible to participate in the Share Offer, provided that any acceptance of the Share Offer should be submitted to and received by the relevant persons in accordance with the terms of the Share Offer. Please refer to the Composite Document for the details of the Share Offer in this regard; or
- (c) do nothing, in which case your unexercised outstanding Options (whether vested or unvested) will remain valid and exercisable during their respective exercise periods in accordance with the terms of the Share Option Scheme notwithstanding the Offers and you will not receive the Option Offer Consideration.

Each outstanding Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Composite Document, the **PINK** Form of the Option Offer Acceptance and the terms and conditions of the Share Option Scheme.

4. LAPSED OPTIONS

Please note that nothing in this letter or the Composite Document serves to extend the life of an Option which lapses, will lapse, or has already lapsed under the terms of the Share Option Scheme. You cannot exercise or accept the Option Offer in respect of an Option once it lapses in accordance with its terms.

5. PROFESSIONAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

In making your decision as an Optionholder, you must rely on your own examination of the Group and the terms of the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance, shall not be construed as any legal or business advice on the part of any of the Offeror, the Offeror Financial Advisers, the Company, the Independent Financial Adviser or their respective professional advisers. Optionholders should consult your own professional advisers for professional advice. If you are in any doubt as to any aspect of this letter, this Composite Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

6. ACTIONS TO BE TAKEN FOR ACCEPTING THE OPTION OFFER

- (a) To accept the Option Offer, you should follow the instructions on the **PINK** Form of the Option Offer Acceptance to complete, sign and return your acceptance of the Option Offer, together with the relevant certificate(s), document(s) of title or entitlement in respect of the Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of the Options or if applicable, for not less than the number of the Options in respect of which you intend to accept the Option Offer, to the Company at Room 1928, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong or by email to sunart_hk_legal@sunartretail.com by 4:00 p.m. (Hong Kong time) on the Closing Date.
- (b) If the **PINK** Form of the Option Offer Acceptance is executed by a person other than the registered Optionholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Company must be produced.
- (c) No acknowledgement of receipt of any **PINK** Form of the Option Offer Acceptance, and/or the relevant certificate(s), document(s) of title in respect of the Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

7. GENERAL

- (a) All communications, notices, the Form(s) of Acceptance, certificates, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to the Optionholders at their addresses specified on the relevant Form of Acceptance. None of the Offeror, the Company, their direct and indirect shareholders and ultimate beneficial owners and parties acting in concert with any of them, the Offeror Financial Advisers, the Independent Financial Adviser, the Share Registrar or any of their respective directors, officers, associates or advisers, or any other person involved in the Offers, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.
- (b) The provisions set out in the Composite Document and the **PINK** Form of the Option Offer Acceptance form part of the terms of the Option Offer.

- (c) The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) Due execution of the **PINK** Form of the Option Offer Acceptance will constitute an irrevocable authority to the Offeror, the Offeror Financial Advisers and/or the Company (or such person or persons as any of them may direct) to complete and execute any document on behalf of the person accepting the Option Offer and to do any other act that may be necessary or expedient for the purposes of cancelling the Options in respect of which such person has accepted the Option Offer.

The attention of the Optionholders is drawn to the “Further terms and procedures of acceptance of the Offers” as set out in Appendix I to the Composite Document.

8. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter (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 letter (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 letter, the omission of which would make any statement in this letter misleading.

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 letter (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 letter (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 letter, the omission of which would make any statements in this letter misleading.

Yours faithfully,
For and on behalf of

Deutsche Bank AG, Hong Kong Branch

Rohit Satsangi
Managing Director

Clarence Kwok
Managing Director

David Xiong
Managing Director

UBS AG Hong Kong Branch

Samson Lo
Managing Director

Michael Wong
Executive Director