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SUN ART
Retail Group Limited

SUN ART RETAIL GROUP LIMITED

高鑫零售有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 06808)

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 22 March 2016 in relation to the Membership Agreement with SNC OIA.

THE RENEWED MEMBERSHIP AGREEMENT

On 24 January 2017, the Company entered into the Renewed Membership Agreement with SNC OIA.

Pursuant to the Renewed Membership Agreement, the Company agrees to subscribe for and SNC OIA agrees to grant to the Group the membership of SNC OIA, whereby the Group will be able to purchase various products from the Auchan Countries Entities through the electronic platform operated by SNC OIA. The Membership Agreement has a term commencing from 1 January 2017 and ending on 31 December 2017.

IMPLICATIONS UNDER THE LISTING RULES

As each of SNC OIA and the Auchan Countries Entities is a subsidiary of Auchan Holding and Auchan Holding is one of the controlling shareholders of the Company, each of SNC OIA and the Auchan Countries Entities is a connected person of the Company under the Listing Rules. The Renewed Membership Agreement and transactions contemplated thereunder therefore constitute a continuing connected transaction of the Company.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules for the Proposed Cap on an annual basis exceed 0.1% but are below 5%, the Renewed Membership Agreement and transactions contemplated thereunder are subject to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement of the Listing Rules.

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THE RENEWED MEMBERSHIP AGREEMENT

- Date** : 24 January 2017
- Parties** : (i) the Company; and
(ii) SNC OIA, which is a subsidiary of Auchan Holding.
- Nature of transaction** : The Company agrees to subscribe for and SNC OIA agrees to grant to the Group the membership of SNC OIA.

Pursuant to the Renewed Membership Agreement and the membership with SNC OIA, the Group will be able to, through the electronic platform operated by SNC OIA, purchase, on a non-exclusive basis, various products, including food, hygiene and perfumery products offered by the Auchan Countries Entities on the electronic platform of SNC OIA.

SNC OIA will be responsible for the management and operation of the electronic platform, including the design of interactive and intuitive search tool as well as menus. Also, SNC OIA will regularly update the platform with new products according to the feedback of its members.

As a member of SNC OIA, the Group will also be able to instruct SNC OIA to purchase the products on its behalf (the “**Ancillary Services**”).

- Consideration and payment arrangement** : The fees payable by the Group under the Renewed Membership Agreement consists of three parts, namely:
1. the membership fee payable to SNC OIA, being 0.5% of the amount payable by the Group for the Group’s purchases of the products offered by the Auchan Countries Entities through the electronic platform operated by SNC OIA. Such fee shall be payable to SNC OIA on a quarterly basis;
 2. the price of the products of the Auchan Countries Entities purchased by the Group through the electronic platform of SNC OIA. The Group shall settle the payment within sixty days from the date of the invoice; and
 3. in respect of the Ancillary Services, a service fee is payable to SNC OIA, being 1.5% of the amount payable by the Group for the goods purchased by SNC OIA on the Group’s behalf.

The price of the products of the Auchan Countries Entities to be purchased by the Group through the electronic platform operated by SNC OIA shall not be higher than the average price paid by the Group to other independent third parties on an arm's length basis and normal commercial terms for the same type of products during the relevant period.

The Group may, before it places any purchase order through the electronic platform operated by SNC OIA, obtain price quotations from or transaction information from other suppliers who are independent third parties for the supply of the same or similar type of products required by the Group. If the Group proceeds to place a purchase order for the products offered by the Auchan Countries Entities through the electronic platform of SNC OIA, the price and other conditions at which such products are to be offered shall be no less favourable than those offered by the independent third parties to the Group.

Term : commencing from 1 January 2017 and ending on 31 December 2017.

THE PROPOSED CAP

The Proposed Cap for the Renewed Membership Agreement as well as the transactions contemplated thereunder, being the total amount payable by the Group to SNC OIA (including the amount payable for the purchase of products offered by the Auchan Countries Entities through the electronic platform operated by SNC OIA) under the Renewed Membership Agreement, for the period commencing from 1 January 2017 and ending 31 December 2017 is RMB100,000,000 on an aggregate basis.

The Proposed Cap disclosed herein is not intended, and does not purport, to be an indication of the Group's future performance or profitability and investors should not rely on the Proposed Cap in deciding whether to invest in the shares of the Company.

Basis for the Proposed Cap

In determining the Proposed Cap, the Board took into account the following factors:

- (i) the membership fee charged by SNC OIA;
- (ii) large number of categories of products offered by the Auchan Countries Entities through the electronic platform of SNC OIA as well as the quality of such products;
- (iii) the anticipated number of products that the Company will purchase from the Auchan Countries Entities via the electronic platform of SNC OIA based on customers' demand; and
- (iv) the increasing scale of the Group's operation.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED MEMBERSHIP AGREEMENT

Leveraging on the electronic platform operated by SNC OIA, the Group will be able to source various products of good quality at a discount price from the Auchan Countries Entities through a centralised platform, which will enhance sourcing efficiency. In light of the above as well as the categories and quality of products offered by the Auchan Countries Entities through the electronic platform, the Directors believe that it is for the benefit of the Group to enter into the Renewed Membership Agreement and consider that the transactions contemplated under the Renewed Membership Agreement are in the usual and ordinary course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Renewed Membership Agreement and the Proposed Cap are based on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of SNC OIA and the Auchan Countries Entities is a subsidiary of Auchan Holding and Auchan Holding is one of the controlling shareholders of the Company, each of SNC OIA and the Auchan Countries Entities is a connected person of the Company under the Listing Rules. The Renewed Membership Agreement and transactions contemplated thereunder therefore constitute a continuing connected transaction of the Company.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules for the Proposed Cap on an annual basis exceed 0.1% but are below 5%, the Renewed Membership Agreement and transactions contemplated thereunder are subject to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirement of the Listing Rules.

None of the Directors has any material interest, direct or indirect, in the resolution approving the Agreements and the Proposed Cap and therefore none of the Directors were required to abstain from voting on the resolution of the Board to approve the Agreements and the Proposed Cap.

GENERAL

The principal activity of the Group is the operation of hypermarkets in the PRC.

Each of SNC OIA and the Auchan Countries Entities are subsidiaries of Auchan Holding. Auchan Holding is a company incorporated in France and comprises various companies engaging in hypermarkets operations, supermarkets operations, real estate development, banking and e-commerce.

DEFINITIONS

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

“Auchan Countries Entities” the corporate entities of Auchan Holding

“Auchan Holding”	Auchan Holding S.A. (formerly named as Groupe Auchan S.A.), a company incorporated in France and which comprises various companies primarily engaging in hypermarkets operations, supermarkets operations, real estate development, banking and e-commerce
“Board”	the board of Directors
“Company”	Sun Art Retail Group Limited (高鑫零售有限公司), a company incorporated under the laws of Hong Kong on 13 December 2000 with limited liability, the shares of which are listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Membership Agreement”	the membership agreement entered into between the Company and SNC OIA on 22 March 2016 in relation to the subscription of membership by the Group to the electronic platform operated by SNC OIA
“Renewed Membership Agreement”	the membership agreement entered into between the Company and SNC OIA on 24 January 2017 to renew the Membership Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China and for the purpose of this announcement, it excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC
“Proposed Cap”	the cap for the aggregate fees payable by the Group to SNC OIA under the Renewed Membership Agreement for the period commencing from 1 January 2017 and ending 31 December 2017
“Shareholder(s)”	holder(s) of share(s) of the Company
“SNC OIA”	Organisation Intra-Groupe des Achats, a company duly organised and existing under the laws of France, and is a subsidiary of Auchan Holding

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By order of the Board
Sun Art Retail Group Limited
Bruno Robert MERCIER
Chief Executive Officer and
Executive Director

Shanghai, 24 January 2017

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Bruno, Robert MERCIER (*Chief Executive Officer*)

Mr. HUANG Ming-Tuan

Non-executive Directors:

Mr. CHENG Chuan-Tai (*Chairman*)

Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ

Mr. Wilhelm, Louis HUBNER

Mr. Xavier, Marie, Alain DELOM de MEZERAC

Independent Non-executive Directors:

Ms. Karen Yifen CHANG

Mr. Desmond MURRAY

Mr. HE Yi