

**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

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

- (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.

- 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.

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

- (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.

## **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.

## 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%)



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

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;

- (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.

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.

## **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.

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.

## **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.

## 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.



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](mailto: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.

**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.

## **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.

## **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**



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**Rohit Satsangi**  
*Managing Director*



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**Clarence Kwok**  
*Managing Director*



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**David Xiong**  
*Managing Director*

Yours faithfully,  
For and on behalf of

**UBS AG Hong Kong Branch**



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**Samson Lo**  
*Managing Director*



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**Michael Wong**  
*Executive Director*