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Best Mart 360 Holdings Limited

優品360控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2360)

MAJOR TRANSACTION
ACQUISITION OF TARGET COMPANY HOLDING PROPERTY

PROVISIONAL SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 22 May 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendors and the Agent entered into the Provisional Sale and Purchase Agreement pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares (being in aggregate the entire issued shares of the Target Company) and the Sale Debt at the Consideration of HK\$176,862,000 which is subject to the Completion Adjustment and the Post-Completion Adjustment. The Target Company is principally engaged in property holding and the Property is its only asset.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders including United East, Universal Tycoon, Sea Wealth, Sino Sea and Giant Blessing has any material interest in the Acquisition and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

WRITTEN SHAREHOLDER'S APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder's approval for the Acquisition will be obtained from United East and Universal Tycoon (which ultimate shareholder is Mr Lin, a Controlling Shareholder) and Sea Wealth, Sino Sea and Giant Blessing (which ultimate shareholder is Ms Hui, a Controlling Shareholder), which constitute closely allied group of Shareholders that together directly hold 750,000,000 Shares representing in aggregate 75% of the issued Shares of the Company as at the date of this announcement. Accordingly, no general meeting will be convened by the Company for approving the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) further details relating to the Acquisition; (ii) financial information of the Group and the Target Company; (iii) the unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (iv) valuation report of the Property is required to be despatched to all the Shareholders within 15 Business Days after the publication of this Announcement. As the Company requires additional time for compiling the information to be included in the circular pursuant to the requirements of the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The Company will publish an announcement in relation to the despatch of the circular as and when appropriate.

As Completion is subject to the fulfillment or waiver (as the case may be) of various conditions precedent as set out in the Provisional Sale and Purchase Agreement, Completion may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 22 May 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendors and the Agent entered into the Provisional Sale and Purchase Agreement pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares (being in aggregate the entire issued shares of the Target Company) and Sale Debt at the Consideration of HK\$176,862,000 which is subject to the Completion Adjustment and the Post-Completion Adjustment. The Target Company is principally engaged in property holding and the Property is its only asset. The offices premises of the Property provides a gross area of approximately 16,850 square feet. Vacant possession of the Property will be delivered on Completion.

THE PROVISIONAL SALE AND PURCHASE AGREEMENT

The principal terms of the Provisional Sale and Purchase Agreement are as follows:

Date: 22 May 2020

Parties: (i) the Vendors;
(ii) the Purchaser; and
(iii) the Agent.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the Vendors, the Agent and their respective ultimate beneficial owner are Independent Third Parties.

Subject matter

Pursuant to the Provisional Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares (being in aggregate the entire issued shares of the Target Company) and the Sale Debt from the Vendors. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

The Vendors and the Purchaser agreed to negotiate in good faith and use all their respective reasonable endeavours to enter into a formal agreement on or before 18 June 2020. In the event that the Vendors and the Purchaser shall fail to reach agreement on the terms of the formal agreement on or before the aforesaid date, the Provisional Sale and Purchase Agreement shall remain valid and of full force and effect and the parties thereto shall continue to fulfill their respective obligations thereunder.

Consideration

The Consideration of HK\$176,862,000 shall be paid by the Purchaser to the Vendors in the following manner:

- (a) HK\$8,880,000 (the “**Initial Deposit**”), has been paid on the signing of the Provisional Sale and Purchase Agreement to the Vendors’ solicitors who shall stakehold the Initial Deposit until the Purchaser has confirmed that it is satisfied with the results of the due diligence review of the Target Company and the mortgage bank of the Property has confirmed that the Balance of Consideration is sufficient to discharge the existing mortgage of the Target Company (if applicable) (“**Stakeholding Conditions**”);
- (b) HK\$8,806,200 (the “**Further Deposit**”), shall be paid to the Vendors’ solicitors on or before 18 June 2020 who shall stakehold the Further Deposit until the fulfillment of the Stakeholding Conditions;
- (c) HK\$159,175,800, being the balance of the Consideration (the “**Balance of Consideration**”), subject to the Completion Adjustment, shall be paid to the Vendors’ solicitors on the Completion Date; and
- (d) the Post-Completion Adjustment, if any, shall be paid within five days from the date of receipt of the Completion Accounts by the Purchaser.

The Consideration will be financed partly by way of the Group’s internal resources and partly by way of banking facilities available to the Group.

Completion Adjustment

The Vendors undertake to deliver the Proforma Accounts to the Purchaser or the Purchaser’s solicitors at least five days prior to the Completion Date. If the NTAV as shown in the Proforma Accounts is more or less than zero, the Balance of Consideration shall be adjusted upwards or downwards (as the case may be) accordingly in the manner as follows:

- (a) it shall be added to the Balance of Consideration all current tangible assets of the Target Company as shown in the Proforma Accounts including rentals receivable (if applicable) (up to and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Property (up to but exclusive of the Completion Date); and
- (b) it shall be deducted from the Balance of Consideration all liabilities of the Target Company as shown in the Proforma Accounts (other than the Sale Debt).

Post-Completion Adjustment

The Vendors undertake to deliver to the Purchaser or the Purchaser's solicitors within 30 days from the Completion Date the Completion Accounts. If the NTAV as shown in the Completion Accounts is more or less than the NTAV as shown in the Proforma Accounts, the Purchaser or the Vendors (as the case may be) shall pay the difference to the other party within five days from the date of receipt of the Completion Accounts.

Basis of the consideration

The Consideration was determined after arm's length negotiations between the parties with reference to the prevailing market value of comparable properties in the vicinity of the Property.

Agency fee

The Agent shall be entitled to receive HK\$884,310 from the Vendors and HK\$1,238,034 from the Purchaser as service fee which shall be paid on or before the Completion Date.

Conditions Precedent

Completion is subject to and conditional on the following conditions:

- (i) the Purchaser having completed its due diligence review on the business, financial, legal and other aspects of the Target Company and satisfied with the results thereof;
- (ii) the Vendors having procured the Target Company to give and prove a good title to the Property in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong); and
- (iii) the Company having complied the requirement under the Listing Rules in obtaining the approval of Shareholders in relation to the transactions contemplated under the Provisional Sale and Purchase Agreement.

If any of the foregoing conditions is not fulfilled (or as regard condition (i) and/or condition (ii), waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Provisional Sale and Purchase Agreement whereupon the Initial Deposit and the Further Deposit shall be returned by the Vendors or the Vendors' solicitors to the Purchaser forthwith.

Completion

Subject to the fulfillment (or, if applicable, the waiver) of all the conditions precedent as set out in the Provisional Sale and Purchase Agreement, Completion shall take place before 4:30 p.m. on the Completion Date.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in property holding and is incorporated under the laws of Hong Kong with limited liability on 28 October 2010. The sole asset of the Target Company is the Property which is commercial property located at Offices Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16 on 11th Floor and Car Parking Spaces Nos.P59, P60 and P65 on the 3rd Floor, C-Bons International Center, No.108 Wai Yip Street, Kowloon, Hong Kong. The Vendors shall deliver to the Purchaser vacant possession of the Property free from all encumbrances and indebtedness upon Completion.

Set out below is a summary of certain financial information of the Target Company for the two years ended 30 September 2019:

	For the years ended 30 September 2019	
	2018	2019
	(audited)	(audited)
	<i>approximately</i>	<i>approximately</i>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit before taxation	3.70	3.48
Net profit after taxation	3.25	3.07

As at 30 September 2019, the audited net asset value of the Target Company was approximately HK\$8.02 million.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in retailing leisure food and other grocery products by operating chain retail stores under the brand “Best Mart 360° (優品360°)” in Hong Kong and Macau.

The existing office of the Group in Hong Kong is a leased property and is subject to the risks associated with the leased property, such as early termination or non-renewal of the tenancy agreement by the landlord and the possible increase in rental expenses. To cope with the business development and expansion of the Group, the Directors consider that the Acquisition is beneficial to the Group (i) for the long-term establishment of a stabilized head office in Hong Kong that will serve as the administrative and management headquarter for its Hong Kong business and expanding outbound retailing business; and (ii) by eliminating the Group’s rental for the leased office and any costs, time and efforts associated with the possible office relocation. In addition, the Property will remain as the asset of the Group in the balance sheet.

In the view of the above, the Directors are of the view that the terms of the Provisional Sale and Purchase Agreement are fair and reasonable and the entering into of the Provisional Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders including United East, Universal Tycoon, Sea Wealth, Sino Sea and Giant Blessing has any material interest in the Acquisition and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

WRITTEN SHAREHOLDER'S APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder's approval for the Acquisition will be obtained from United East and Universal Tycoon (which ultimate shareholder is Mr Lin, a Controlling Shareholder) and Sea Wealth, Sino Sea and Giant Blessing (which ultimate shareholder is Ms Hui, a Controlling Shareholder), which constitute closely allied group of Shareholders that together directly hold 750,000,000 Shares representing in aggregate 75% of the issued Shares of the Company as at the date of this announcement. Accordingly, no general meeting will be convened by the Company for approving the Provisional Sale and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) further details relating to the Acquisition; (ii) financial information of the Group and the Target Company; (iii) the unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (iv) valuation report of the Property is required to be despatched to all the Shareholders within 15 Business Days after the publication of this Announcement. As the Company requires additional time for compiling the information to be included in the circular pursuant to the requirements of the Listing Rules, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules. The Company will publish an announcement in relation to the despatch of the circular as and when appropriate.

As Completion is subject to the fulfillment or waiver (as the case may be) of various conditions precedent as set out in the Provisional Sale and Purchase Agreement, Completion may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Debt by the Purchaser from the Vendors pursuant to the terms of the Provisional Sale and Purchase Agreement
“Agent”	an independent real estate property agent in Hong Kong
“Balance of Consideration”	has the meaning ascribed to it in the section headed “Consideration” above
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday or a public holiday) on which banks are generally open for normal banking business in Hong Kong
“BVI”	British Virgin Islands
“Company”	Best Mart 360 Holdings Limited (優品360控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 2360)
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Sale Debt, which shall take place on or before Completion Date
“Completion Accounts”	the financial statements audited by certified public accountants (practising) of the Target Company for the period from the beginning of the current financial year to the Completion Date
“Completion Adjustment”	the adjustment to the Consideration as stipulated in the section headed “Completion Adjustment” above
“Completion Date”	28 September 2020 (or such later date as the Vendors and the Purchaser may agree in writing)
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the aggregate consideration of HK\$176,862,000 payable by the Purchaser for the Acquisition subject to Completion Adjustment and Post-Completion Adjustment
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Further Deposit”	has the meaning ascribed to it in the section headed “Consideration” above
“Giant Blessing”	Giant Blessing Global Limited, a company incorporated in the BVI with limited liability and a Shareholder holding 8% of the issued Shares as at the date of this Announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the Connected Person(s) of the Company
“Initial Deposit”	has the meaning ascribed to it in the section headed “Consideration” above
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms Hui”	Ms Hui Ngai Fan, a Controlling Shareholder interested in an aggregate of 37.5% of the issued Shares of the Company through her shareholdings in Sea Wealth, Sino Sea and Giant Blessing
“Mr Lin”	Mr Lin Tsz Fung, a Controlling Shareholder interested in an aggregate of 37.5% of the issued Shares of the Company through his shareholdings in United East and Universal Tycoon

“Macau”	The Macau Special Administrative Region of the People’s Republic of China
“NTAV”	the aggregate of all tangible assets of the Target Company which are readily convertible into cash or cash equivalents (excluding the Property, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Debt) and provisions of the Target Company as at the Completion Date
“Post-Completion Adjustment”	the adjustment to the Consideration as stipulated in the section headed “Post-Completion Adjustment” above
“Proforma Accounts”	comprising a proforma profit and loss account of the Target Company for the period from the beginning of the current financial year to the Completion Date and a proforma balance sheet of the Target Company as at the Completion Date
“Property”	Offices Nos.1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 15 and 16 on 11th Floor and Car Parking Spaces Nos.P59, P60 and P65 on the 3rd Floor, C-Bons International Center, No.108 Wai Yip Street, Kowloon, Hong Kong
“Provisional Sale and Purchase Agreement”	the provisional agreement for sale and purchase dated 22 May 2020 entered into among the Purchaser, the Vendors and the Agent in relation to the Acquisition
“Purchaser”	Abundant Year International Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Debt”	all debts owing by the Target Company to the Vendors and their associates (if any) as at Completion
“Sale Shares”	the entire issued shares of the Target Company
“Sea Wealth”	Sea Wealth Ventures Limited, a company incorporated in the BVI with limited liability and a Substantial Shareholder holding 20% of the issued Shares as at the date of this Announcement

“Share(s)”	ordinary issued share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sino Sea”	Sino Sea Enterprises Limited, a company incorporated in the BVI with limited liability and a Shareholder holding 9.5% of the issued Shares as at the date of this Announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Allied Wide Limited, a company incorporated in Hong Kong with limited liability
“United East”	United East Global Limited, a company incorporated in the BVI with limited liability and a Substantial Shareholder holding approximately 20.63% of the issued Shares as at the date of this Announcement
“Universal Tycoon”	Universal Tycoon Limited, a company incorporated in the BVI with limited liability and a Substantial Shareholder holding approximately 16.88% of the issued Shares as at the date of this Announcement
“Vendors”	Lee Wei Hsim, Luk Kau Ying and Lee Wei Man Karen
“%”	per cent

By order of the Board
Best Mart 360 Holdings Limited
Lin Tsz Fung
Chairman

Hong Kong, 22 May 2020

As at the date of this announcement, the executive Directors are Mr Lin Tsz Fung and Ms Hui Ngai Fan, and the independent non-executive Directors are Mr Sze Irons, Ms Choy So Yuk and Mr Lee Ka Lun.