THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Best Mart 360 Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

All capitalised terms used in this circular shall have the same meanings as set out in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board containing details of the Acquisition is set out on pages 5 to 13 of this circular.

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 has been obtained from each of United East, Universal Tycoon, Sea Wealth, Sino Sea and Giant Blessing, 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 Latest Practicable Date. Accordingly, no general meeting will be convened by the Company for approving the Acquisition. This circular is being despatched to the Shareholders for information only.

4 September 2020

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In this circular, unless the context otherwise requires, the following expressions shall have the following respective 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 Acquisition Agreements
"Acquisition Agreements"	the Provisional Sale and Purchase Agreement and the Formal Agreement
"Agent"	an independent real estate property agent in Hong Kong
"Announcement"	the announcement of the Company dated 22 May 2020 in relation to the Acquisition
"Balance of Consideration"	has the meaning ascribed to it in the paragraph headed "Consideration" in the Letter from the Board
"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 paragraph headed "Completion Adjustment" in the Letter from the Board
"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$176,862,000 payable by the Purchaser for the Acquisition subject to Completion Adjustment and Post-Completion Adjustment
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Formal Agreement"	the formal agreement for sale and purchase dated 17 July 2020 entered into between the Purchaser and the Vendors in relation to the Acquisition
"Further Deposit"	has the meaning ascribed to it in the paragraph headed "Consideration" in the Letter from the Board
"Giant Blessing"	Giant Blessing Global Limited, a company incorporated in the BVI with limited liability and a Shareholder holding 8% of the issued Shares as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"HK$"	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
"Independent Valuer"	Grant Sherman Appraisal Limited, an independent professional valuer appointed by the Company for the purpose of the Acquisition
"Initial Deposit"	has the meaning ascribed to it in the paragraph headed "Consideration" in the Letter from the Board
"IPO Proceeds"	the net proceeds raised by way of share offer on the listing of the Shares on the Main Board of the Stock Exchange on 11 January 2019

"Latest Practicable Date"	28 August 2020, being the latest practicable date for ascertaining certain information prior to the printing of this circular
"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 paragraph headed "Post-Completion Adjustment" in the Letter from the Board
"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 Latest Practicable Date
"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 Latest Practicable Date
"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 Latest Practicable Date
"Universal Tycoon"	Universal Tycoon Limited, a company incorporated in the BVI with limited liability and a Substantial Shareholder holding approximately 16.87% of the issued Shares as at the Latest Practicable Date
"Vendors"	Lee Wei Hsim, Luk Kau Ying and Lee Wei Man Karen
"%"	per cent

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)

Executive Directors:
Mr. Lin Tsz Fung *(Chairman)*
Ms. Hui Ngai Fan

Independent non-executive Directors:
Mr. Sze Irons *BBS JP*
Ms. Choy So Yuk *BBS JP*
Mr. Lee Ka Lun

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
14/F, SML Tower
165 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

4 September 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF TARGET COMPANY HOLDING PROPERTY

INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition.

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 office premises of the Property provides a gross area of approximately 16,850 square feet. Vacant possession of the Property will be delivered on Completion.

On 17 July 2020, the Purchaser and the Vendors entered into the Formal Agreement, which has incorporated terms and conditions contained in the Provisional Sale and Purchase Agreement. The material terms and conditions of the Acquisition Agreements are set out in this circular below.

The purpose of this circular is to provide you with, among other things, (i) further details of 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; (iv) valuation of the Property; and (v) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENTS

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 in relation to the Acquisition. On 17 July 2020, the Purchaser and the Vendors entered into the Formal Agreement, which has incorporated terms and conditions contained in the Provisional Sale and Purchase Agreement.

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 is Independent Third Parties.

The principal terms of the Acquisition Agreements are summarised as follows:

Subject matter

Pursuant to the Acquisition Agreements, 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.

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**"), has been paid to the Vendors' solicitors on 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 (including the IPO Proceeds) 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:

(a) the Vendors having procured the Target Company to give and prove a good title to the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);

(b) the Company having complied the requirement under the relevant Listing Rules in obtaining the approval of its Shareholders in relation to the transactions contemplated under the Formal Agreement;

(c) the Purchaser having completed the due diligence review on the business, assets, liabilities, financial condition, legal, contracts, commitments and other aspects of the Target Company and is satisfied with the results thereof; and the results of such due diligence review have not revealed or disclosed any matter, fact or circumstance which constitutes or is likely to constitute any breach of any of the warranties or other provisions of the Formal Agreement by the Vendors;

(d) all of the warranties under the Formal Agreement are and shall remain true, complete, correct and accurate and not misleading in all respects as at the date of the Formal Agreement and as of the Completion Date as if made on that date and none of them has been breached;

(e) there having been no outstanding notices, orders or requirements issued by any governmental body, authority or department in respect of the Property or any part thereof;

(f) the Target Company having no liabilities or indebtedness (whether actual or contingent) as at Completion other than the Sale Debt;

(g) there has been no material adverse change in the legal, business, assets, liabilities, financial or trading position or prospect of the Target Company before Completion; and

(h) completion of the sale and purchase of all of the Sale Shares and the sale and purchase of the Sale Debt shall take place simultaneously.

The Purchaser may waive (in whole or in part) any of the forgoing conditions at its absolute discretion (save for condition (b) above), such waiver shall be effective only if it is made in writing and notified to the Vendors' solicitors.

If any of the foregoing conditions is not fulfilled (or as regard conditions (a), (c), (d), (e), (f), (g) and/or condition (h), waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Formal Agreement whereupon the Initial Deposit and the Further Deposit shall be returned by the Vendors or the Vendors' solicitors to the Purchaser forthwith and neither party shall have any right to claim damages (if any) from the other and the parties thereto shall at their own costs and expenses enter into a cancellation agreement in such form and substance mutually agreed between the parties thereto in order to cancel the sale and purchase.

As at the Latest Practicable Date, condition (b) has been fulfilled. The Company has no current intention to waive conditions (a), (c), (d), (e), (f), (g) and/or condition (h).

Completion

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

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

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 and for the eight months ended 31 May 2020:

	For the year ended 30 September		For the eight months ended 31 May
	2018	**2019**	**2020**
	(audited)	**(audited)**	**(audited)**
	approximately HK$ million	*approximately HK$ million*	*approximately HK$ million*
Net profit/(loss) (before taxation and extraordinary items)	3.70	4.53	(2.34)
Net profit/(loss) (after taxation and extraordinary items)	3.25	3.94	(2.34)

As at 30 September 2019, the audited net asset value of the Target Company was approximately HK$8.89 million. As at 31 May 2020, the audited net asset value of the Target Company was approximately HK$6.55 million.

Please refer to the accountants' report in Appendix II to this circular which sets out the audited financial information on the Target Company.

PROPERTY VALUATION

A valuation of the Property has been prepared by the Independent Valuer using the market approach that provides an indication of value by comparing the Property with identical or comparable properties (that are similar) for which price information is available. The market value of the Property as at 30 June 2020 as appraised by the Independent Valuer was HK$181,560,000. The Independent Valuer had confirmed there was no material change on the market value of the Property between 22 May 2020 (i.e. the date of the Provisional Sale and Purchase Agreement) and 30 June 2020 (i.e. the Valuation Date). The valuation report of the Property is set out in Appendix V to this circular.

The table below sets out the reconciliation between the net book value of the Property as at 31 May 2020, being the date to which the latest audited financial statements in Appendix II were made up, and the valuation of the Property as at the Valuation Date:

	HK$
Net book value as of 31 May 2020 (audited)	79,041,155
Less: depreciation for the one month ended 30 June 2020	(167,889)
Net book value as of 30 June 2020 (unaudited)	78,873,266
Add: valuation surplus as of 30 June 2020	102,686,734
Valuation as of 30 June 2020 as set out in Appendix V to this circular	181,560,000

Note: The valuation surplus has not been recorded in the historical financial information of the Target Company as at the end of respective years/periods and will not be recorded in the consolidated financial statements of the Group in future periods as the Target Company's investment properties and the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

FINANCIAL EFFECT OF THE ACQUISITION

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.

Effects on assets and liabilities

The acquisition cost of the Property is approximately HK$179.43 million comprising the Consideration of HK$176,862,000 and other transaction costs directly relating to the Acquisition of approximately HK$2.57 million, including professional fees and other expenses being capitalized. As at the Latest Practicable Date, the Group settled HK$17,686,200 being the Initial Deposit and the Further Deposit to the Vendors.

Upon Completion, the non-current assets of the Enlarged Group are expected to be increased by approximately HK$179.43 million (being the acquisition cost of the Property), while the current assets of the Enlarged Group are expected to be decreased by approximately HK$128.55 million, as a matter of the decrease in its cash and bank balances for settling part of the Consideration and other transaction costs directly relating to the Acquisition. The current liabilities of the Enlarged Group are expected to be increased by approximately HK$50.89 million upon Completion due to the increase in bank borrowings obtained for financing the Acquisition and the consolidation of certain accrued expenses and income tax payables by the Target Company.

Effect on earnings

For the year ended 31 March 2020, the total rental payment (exclusive of government rent, rates, management fees and air-conditioning charges) of the existing office premises and car parking spaces of the Group amounted to HK$3,750,180. Assuming the Acquisition is completed, rental related expenses of approximately HK$3.75 million per annum can be saved assuming the rental related expense for office premises and car parking spaces is maintained at the existing level. Based on the preliminary proposal by the bank offering the banking facilities for the Acquisition, the interest rate for the banking facilities is expected to be approximately the Hong Kong Inter-bank Offered Rate plus 2% per annum. It is the current intention of the Company that mortgage loan with lower interest rate will be sought to repay such banking facilities after Completion.

Further, the Group expects that there will be an increase in the annual depreciation expenses relating to the Property after Completion of approximately HK$5,001,000 per annum. However, the impact could be offset in long run by the combined effect of an annual rental saving of approximately HK$3.75 million with respect to the Group's current leased offices and the expected higher rental expenses to be incurred for additional space of leased office to cater for the growing demand of the Group's businesses and strengthening team of management and office staff should the Acquisition does not proceed.

Save as disclosed above, there will be no immediate material effect on the earnings and assets and liabilities of the Group associated with the Acquisition.

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 and the Formal Agreement are fair and reasonable and the entering into of the Provisional Sale and Purchase Agreement and the Formal 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 has been obtained from each of United East, Universal Tycoon, Sea Wealth, Sino Sea and Giant Blessing, 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 Latest Practicable Date. Accordingly, no general meeting will be convened by the Company for approving the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group (i) for the financial year ended 31 March 2018 are set out in the Accountants' Report in Appendix I of the prospectus of the Company dated 28 December 2018 ("**Prospectus**"); (ii) for the financial year ended 31 March 2019 are disclosed on pages 90 to 172 of the annual report 2018/2019 of the Company released on 8 July 2019 ("**Annual Report 2018/2019**"); and (iii) for the financial year ended 31 March 2020 are disclosed on pages 89 to 184 of the annual report 2019/2020 of the Company released on 16 July 2020 ("**Annual Report 2019/2020**"). All of these financial statements have been published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.bestmart360.com):

- the Prospectus:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1228/ltn20181228007.pdf

- Annual Report 2018/2019:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0708/ltn20190708875.pdf

- Annual Report 2019/2020:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0716/2020071601089.pdf

2. INDEBTEDNESS STATEMENT AND CONTINGENT LIABILITIES

As at the close of business on 30 June 2020 (being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this circular), the Group had total bank borrowings of approximately HK$88.33 million which were secured by corporate guarantees provided by the Company and an operating subsidiary of the Group and had lease liabilities amounting to approximately HK$224.51 million which were secured by rental deposits of approximately HK$51.89 million.

As at the close of business on 30 June 2020, the Target Company had amounts of approximately HK$72.01 million due to a director which were unsecured, interest-free and repayable without fixed terms.

Save for the aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at the close of business on 30 June 2020, the Group and the Target Company did not have outstanding borrowing, or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 30 June 2020.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful inquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including but not limited to internally generated revenue and funds, cash and cash equivalents on hand to the Enlarged Group and available banking facilities, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

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.

As disclosed in the announcement of the Company dated 15 January 2020, the Board resolved to change the use of part of the unutilised net proceeds from the share offer in the amount of HK$30.0 million allocated for opening of new retail stores in Hong Kong to outbound investment (including but not limited to the expansion of the retail business of the Group in Macau and in the mainland of The People's Republic of China ("**PRC**"). As at the Latest Practicable Date, the Group has opened three retail stores in Macau. Further, as disclosed in the Annual Report 2019/2020, the Company has established a wholly foreign-owned enterprise, namely, 深圳優品叁陸零商業有限公司 (Shenzhen Best Mart 360 Commerce Limited) in Shenzhen, PRC in December 2019. Although the outbound development and expansion plan of the Group had been temporarily slowed down due to the social distancing measure and lockdown of borders and travel restrictions since the outburst of coronavirus pandemic in January 2020, it will be actualized in full gear once the pandemic is well-contained and while the border lockdown and travel restrictions are gradually eased.

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. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the Property will be used by the Company as its office premises. 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 Acquisition is in the interest of the Company and the Shareholders as a whole.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

The following is the text of a report set out on pages 19 to 43, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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永安中心25樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEST MART 360 HOLDINGS LIMITED

Introduction

We report on the historical financial information of Allied Wide Limited (the "Target Company") set out on pages 19 to 43, which comprises the statements of financial position as at 30 September 2017, 30 September 2018, 30 September 2019 and 31 May 2020 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages 19 to 43 forms an integral part of this report, which has been prepared for inclusion in the circular of Best Mart 360 Holdings Limited (the "Company") dated 4 September 2020 (the "Circular") in connection with the proposed acquisition of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of the Target Company as defined on page 19, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on the Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 30 September 2017, 30 September 2018, 30 September 2019 and 31 May 2020 and of the Target Company's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the eight months ended 31 May 2019 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 19 have been made.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number: P05443

Hong Kong
4 September 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK$").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 30 September			Eight months ended 31 May	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Revenue	6	5,861,712	5,861,712	4,909,972	3,907,808	–
Other income	7	6,649	–	1,800,000	–	–
Administrative expenses		(2,062,480)	(2,162,936)	(2,183,858)	(1,245,964)	(2,337,314)
Finance costs	8	(144,187)	–	–	–	–
Profit/(loss) before income tax	9	3,661,694	3,698,776	4,526,114	2,661,844	(2,337,314)
Income tax expense	11	(592,336)	(445,867)	(582,378)	(267,917)	–
Profit/(loss) for the year/ period and total comprehensive income for the year/period		3,069,358	3,252,909	3,943,736	2,393,927	(2,337,314)

STATEMENTS OF FINANCIAL POSITION

		At 30 September			At 31 May
		2017	2018	2019	2020
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Investment properties	13	84,413,595	82,398,930	80,384,265	79,041,155
Deposits	14	244,333	244,333	244,333	244,333
		84,657,928	82,643,263	80,628,598	79,285,488
Current assets					
Prepayments and deposits	14	–	–	21,000	60,051
Cash and cash equivalents		2,831,029	7,523,454	798,992	106,155
		2,831,029	7,523,454	819,992	166,206
Current liabilities					
Accruals, deposits received and receipts in advance	16	799,561	2,582,637	775,350	768,850
Amount due to a director	15	76,214,598	76,214,598	71,214,598	72,014,598
Income tax payables		1,000,318	424,169	569,593	116,511
		78,014,477	79,221,404	72,559,541	72,899,959
Net current liabilities		(75,183,448)	(71,697,950)	(71,739,549)	(72,733,753)
Non-current liability					
Deposits received	16	1,782,076	–	–	–
Net assets		7,692,404	10,945,313	8,889,049	6,551,735
Equity					
Share capital	17	3	3	3	3
Retained earnings		7,692,401	10,945,310	8,889,046	6,551,732
Total equity		7,692,404	10,945,313	8,889,049	6,551,735

STATEMENTS OF CHANGES IN EQUITY

	Share capital *(Note 17)* *HK$*	Retained earnings *HK$*	Total *HK$*
At 1 October 2016	3	4,623,043	4,623,046
Profit and total comprehensive income for the year	–	3,069,358	3,069,358
At 30 September 2017 and 1 October 2017	3	7,692,401	7,692,404
Profit and total comprehensive income for the year	–	3,252,909	3,252,909
At 30 September 2018 and 1 October 2018	3	10,945,310	10,945,313
Profit and total comprehensive income for the year	–	3,943,736	3,943,736
Dividend paid *(note 12)*	–	(6,000,000)	(6,000,000)
At 30 September 2019 and 1 October 2019	3	8,889,046	8,889,049
Loss and total comprehensive income for the period	–	(2,337,314)	(2,337,314)
At 31 May 2020	3	6,551,732	6,551,735
For the eight months ended 31 May 2019 (unaudited)			
At 1 October 2018	3	10,945,310	10,945,313
Profit and total comprehensive income for the period	–	2,393,927	2,393,927
Dividend paid *(note 12)*	–	(6,000,000)	(6,000,000)
At 31 May 2019	3	7,339,237	7,339,240

STATEMENTS OF CASH FLOWS

		Year ended 30 September			Eight months ended 31 May	
		2017	2018	2019	2019	2020
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Profit/(loss) before income tax		3,661,694	3,698,776	4,526,114	2,661,844	(2,337,314)
Adjustment for:						
Interest income	7	(6,649)	–	–	–	–
Depreciation of investment properties	9	2,014,665	2,014,665	2,014,665	1,343,110	1,343,110
Finance costs	8	144,187	–	–	–	–
Income from reinstatement compensation	7	–	–	(1,782,076)	–	–
		5,813,897	5,713,441	4,758,703	4,004,954	(994,204)
Increase in prepayments and deposits		–	–	(21,000)	–	(39,051)
Increase/(decrease) in accruals, deposits received and receipts in advance		1,499	1,000	(25,211)	(19,000)	(6,500)
Cash generated from/(used in) operating activities		5,815,396	5,714,441	4,712,492	3,985,954	(1,039,755)
Income tax paid		(157,961)	(1,022,016)	(436,954)	(436,954)	(453,082)
Net cash flows generated from/(used in) operating activities		5,657,435	4,692,425	4,275,538	3,549,000	(1,492,837)
Cash flows from investing activities						
Bank interest received		6,649	–	–	–	–
Decrease of time deposits with original maturity over three months		1,509,793	–	–	–	–
Net cash generated from investing activities		1,516,442	–	–	–	–

	Notes	Year ended 30 September 2017 HK$	2018 HK$	2019 HK$	Eight months ended 31 May 2019 HK$ (unaudited)	2020 HK$
Cash flows from financing activities	23					
Repayment of bank borrowings		(12,963,771)	–	–	–	–
Dividend paid		–	–	(6,000,000)	(6,000,000)	–
Interest paid		(144,187)	–	–	–	–
Advance from/(repayment to) a director		7,500,000	–	(5,000,000)	–	800,000
Net cash (used in)/generated from financing activities		(5,607,958)	–	(11,000,000)	(6,000,000)	800,000
Increase/(decrease) in cash and cash equivalents		1,565,919	4,692,425	(6,724,462)	(2,451,000)	(692,837)
Cash and cash equivalents at beginning of year/period		1,265,110	2,831,029	7,523,454	7,523,454	798,992
Cash and cash equivalents at end of year/period		2,831,029	7,523,454	798,992	5,072,454	106,155

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is Flat A, 15/F, Block 15, The Cairnhill, 108 Route Twisk, Tsuen Wan, New Territories, Hong Kong. The principal activity of the Target Company is property holding.

On 22 May 2020, Best Mart 360 Holdings Limited (the "Company") announced to acquire the entire interest of the Target Company at the consideration of HK$176,862,000 (subject to adjustment), pursuant to the Provisional Sale and Purchase Agreement entered into between Abundant Year International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as the purchaser and Lee Wei Hsim, Luk Kau Ying and Lee Wei Man Karen, shareholders of the Target Company, as the vendors (the "Acquisition"). Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Historical Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below in Note 4. All HKFRSs effective for accounting period commencing from 1 January 2018 and 1 January 2019, including HKFRS 9, HKFRS 15 and HKFRS 16, together with the relevant transitional provisions have been adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Period.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying Target Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

The financial statements have been prepared on a going concern basis though the Target Company had net current liabilities of HK$72,733,753 as at 31 May 2020. The going concern basis has been adopted on the basis of the undertakings from the director to provide adequate continuing financial support to the Target Company and not to demand repayment of debts from the Target Company until such time when the repayment will not affect the Target Company's ability to repay other creditors in the normal course of business. Accordingly, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reduce the values of the assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following new/revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but not yet effective and have not been early adopted by the Target Company. The Target Company's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 23	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	COVID-19-Related Rent Concession[1]

[1] Effective for annual periods beginning on or after 1 June 2020

[2] No mandatory effective date yet determined but available for adoption

The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs. The directors of the Target Company anticipate that the application of new and revised HKFRSs will have no material impact on the result and the financial position of the Target Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live (which is also the lease terms) using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The investment properties are depreciated on a straight-line basis at 2% per annum.

b) Leasing

The Target Company as lessor

When the Target Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Target Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. As part of this assessment, the Target Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Target Company applies HKFRS 15 to allocate the consideration in the contract.

The Target Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of the revenue.

c) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, the Target Company’s financial assets are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Target Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Derecognition of financial assets

The Target Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Target Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial assets

The Target Company recognises a loss allowance for expected credit loss ("ECL") on the financial assets measured at amortised cost (including deposits and cash and cash equivalents). The Target Company measures loss allowances at an amount equal to lifetime ECLs.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Target Company is exposed to credit risk. For trade receivables, the Target Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the original effective interest rate).

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Company considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Target Company in full, without recourse by the Target Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Target Company is exposed to credit risk.

Definition of default

The Target Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Credit-impaired financial assets

At each reporting date, the Target Company assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or past due event;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Target Company's procedures for recovery of amounts due.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Target Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Target Company entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Target Company's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

d) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amount of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

e) Revenue recognition

Revenue from rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Income from early termination of rental agreement is recognised when the right to receive payment has been established.

Interest income is recognised in a time-proportion basis using the effective interest method.

f) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

g) Foreign currency

Transactions entered into by the Target Company in currencies other than the functional currency, which is the currency of the primary economic environment in which it operates, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

h) Impairment of assets (other than financial assets)

At the end of each reporting period, the Target Company reviews the carrying amounts of the investment properties to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

i) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

k) Related party

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions apply:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of financial assets measured at amortised cost

The Target Company recognise a loss allowance for ECLs for financial assets measured at amortised cost. ECLs on these financial assets are estimated using provision matrix based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the each of the year ended date during the Relevant Periods. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimates.

(b) Impairment of non-financial assets

The Target Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Target Company that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset shall be determined. The recoverable amount is determined based on value-in-use calculation or fair value less costs of disposal ("FVLCD"). The calculations of value-in-use require the use of judgement and estimates of the future cash flows expected to arise from the cash generating units, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD may involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement.

6. REVENUE

	Year ended 30 September			**Eight months ended 31 May**	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Rental income	5,861,712	5,861,712	4,909,972	3,907,808	–

7. OTHER INCOME

	Year ended 30 September			Eight months ended 31 May	
	2017	2018	2019	2019	2020
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Reinstatement compensation	–	–	1,800,000	–	–
Interest income	6,649	–	–	–	–
	6,649	–	1,800,000	–	–

8. FINANCE COSTS

	Year ended 30 September			Eight months ended 31 May	
	2017	2018	2019	2019	2020
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Interest expenses on mortgage loan *(note)*	144,187	–	–	–	–

Note:

The mortgage loan has fully repaid during the year ended 30 September 2017.

9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax expense is arrived at after charging:

	Year ended 30 September			Eight months ended 31 May	
	2017	2018	2019	2019	2020
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Auditor’s remuneration	20,000	21,000	23,655	2,655	–
Depreciation of investment properties	2,014,665	2,014,665	2,014,665	1,343,110	1,343,110

10. DIRECTORS' REMUNERATION

		Year ended 30 September 2017		
	Fees	Salaries and other benefits	Contribution to defined contribution pension plan	Total
	HK$	*HK$*	*HK$*	*HK$*
Directors				
Lee Wei Man Karen	–	–	–	–
Luk Kau Ying	–	–	–	–
Lee Wei Hsim	–	–	–	–
	–	–	–	–

		Year ended 30 September 2018		
	Fees	Salaries and other benefits	Contribution to defined contribution pension plan	Total
	HK$	*HK$*	*HK$*	*HK$*
Directors				
Lee Wei Man Karen	–	–	–	–
Luk Kau Ying	–	–	–	–
Lee Wei Hsim	–	–	–	–
	–	–	–	–

		Year ended 30 September 2019		
	Fees	Salaries and other benefits	Contribution to defined contribution pension plan	Total
	HK$	*HK$*	*HK$*	*HK$*
Directors				
Lee Wei Man Karen	–	–	–	–
Luk Kau Ying	–	–	–	–
Lee Wei Hsim	–	–	–	–
	–	–	–	–

	Eight months ended 31 May 2019 (unaudited)			
	Fees	**Salaries and other benefits**	**Contribution to defined contribution pension plan**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Directors				
Lee Wei Man Karen	–	–	–	–
Luk Kau Ying	–	–	–	–
Lee Wei Hsim	–	–	–	–
	–	–	–	–

	Eight months ended 31 May 2020			
	Fees	**Salaries and other benefits**	**Contribution to defined contribution pension plan**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Directors				
Lee Wei Man Karen	–	–	–	–
Luk Kau Ying	–	–	–	–
Lee Wei Hsim	–	–	–	–
	–	–	–	–

No compensation or any kind of benefit was paid to the Target Company's directors in respect of their services during the Relevant Period.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

11. INCOME TAX EXPENSE

The amount of income tax expense in the statements of profit or loss and other comprehensive income represents:

	Year ended 30 September			Eight months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Current income tax					
– Tax for the year/period	593,652	445,867	582,378	267,917	–
– Over-provision in respect of prior years	(1,316)	–	–	–	–
Income tax expense	592,336	445,867	582,378	267,917	–

Hong Kong profits tax has been provided at the rate of 16.5% for the year ended 30 September 2017 on the estimated assessable profit for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5% of the estimated assessable profits for the years ended 30 September 2018, 2019 and for the eight months ended 30 May 2019.

No provision for Hong Kong profits tax has been made as the Target Company did not generate any assessable profits arising in Hong Kong during the eight months ended 31 May 2020.

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rate is as follows:

	Year ended 30 September			Eight months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Profit/(loss) before income tax	3,661,694	3,698,776	4,526,114	2,661,844	(2,337,314)
Tax expense calculated at Hong Kong Profits Tax rate under the applicable tax rate	604,180	445,298	581,809	274,204	(385,657)
Tax effect of income not taxable for tax purposes	(1,098)	–	–	–	–
Tax effect of deductible temporary differences not recognised	20,570	20,569	20,569	13,713	13,713
Over provision for profit tax in prior year	(1,316)	–	–	–	–
Tax effect of tax losses not recognised	–	–	–	–	371,944
Tax concession	(30,000)	(20,000)	(20,000)	(20,000)	–
Income tax expense	592,336	445,867	582,378	267,917	–

At the end of reporting period, the Target Company has not recognised a deferred tax asset in respect of its estimated unused tax losses due to the unpredictability of future profit streams. As at 31 May 2020, the Target Company had estimated unused tax losses of approximately HK$2,254,206, subject to agreement by the Inland Revenue Department, which may be applied against future taxable income. The estimated unused tax losses can be carried forward indefinitely.

12. DIVIDENDS

Interim dividend of HK$2,000,000 per share declared and paid during the year ended 30 September 2019.

No dividend was paid or declared by the Target Company during the year ended 30 September 2017, 30 September 2018 and eight months ended 31 May 2020.

13. INVESTMENT PROPERTIES

	HK$
Cost	
At 1 October 2016, 30 September 2017, 1 October 2017, 30 September 2018, 1 October 2018, 30 September 2019, 1 October 2019, and 31 May 2020	98,516,250
Accumulated depreciation	
At 1 October 2016	12,087,990
Charge for the year	2,014,665
At 30 September 2017 and 1 October 2017	14,102,655
Charge for the year	2,014,665
At 30 September 2018 and 1 October 2018	16,117,320
Charge for the year	2,014,665
At 30 September 2019 and 1 October 2019	18,131,985
Charge for the period	1,343,110
At 31 May 2020	19,475,095
Net book value	
At 30 September 2017	84,413,595
At 30 September 2018	82,398,930
At 30 September 2019	80,384,265
At 31 May 2020	79,041,155

Investment properties comprise office units and car parking spaces. Details of leases to third parties under operating leases are included in note 18.

The fair value of the investment properties at 30 September 2017, 30 September 2018, 30 September 2019 and 31 May 2020 was approximately HK$213,683,000, HK$213,683,000, HK$185,284,000 and HK$181,560,000 respectively, based on a valuation carried out by the directors using market comparable approach that reflects recent transaction prices for similar properties.

14. PREPAYMENTS AND DEPOSITS

	As at 30 September			As at 31 May
	2017	2018	2019	2020
	HK$	*HK$*	*HK$*	*HK$*
Non-current asset				
Deposits	244,333	244,333	244,333	244,333
Current assets				
Deposits	–	–	21,000	21,000
Prepayments	–	–	–	39,051
	–	–	21,000	60,051

15. AMOUNT DUE TO A DIRECTOR

The amount due to a director is interest free, unsecured and has no fixed terms of repayment.

16. ACCRUALS, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

	As at 30 September			As at 31 May
	2017	2018	2019	2020
	HK$	*HK$*	*HK$*	*HK$*
Non-current liability				
Deposits received	1,782,076	–	–	–
Current liabilities				
Accruals	18,000	19,000	19,000	12,500
Receipts in advance	781,561	781,561	–	–
Deposits received	–	1,782,076	–	–
Other payables	–	–	756,350	756,350
	799,561	2,582,637	775,350	768,850

17. SHARE CAPITAL

	Number	Amount
		HK$
Issued and fully paid ordinary shares		
As at 1 October 2016, 30 September 2017, 1 October 2017, 30 September 2018, 1 October 2018, 30 September 2019, 1 October 2019 and 31 May 2020	3	3

18. COMMITMENTS

As lessor

At 30 September 2017, 30 September 2018, 30 September 2019 and 31 May 2020, the Target Company had total future minimum lease receivables under non-cancellable operating leases with its tenants due as follows:

	As at 30 September			As at 31 May
	2017	2018	2019	2020
	HK$	*HK$*	*HK$*	*HK$*
Less than one year	5,861,712	5,096,433	–	–
Later than one year but less than five years	5,096,433	–	–	–
	10,958,145	5,096,433	–	–

The operating lease has terminated by tenant during the year ended 30 September 2019.

19. RELATED PARTY TRANSACTIONS

(a) Balance with related parties

Apart from the related party balances disclosed elsewhere in this report, the Target Company has no other related party balance as at the end of each Relevant Period.

(b) Key management compensation

There is no remuneration paid for the directors and other members of key management personnel during each of the Relevant Period.

20. CATEGORIES OF FINANCIAL INSTRUMENTS

	As at 30 September			As at 31 May
	2017	2018	2019	2020
	HK$	*HK$*	*HK$*	*HK$*
Financial assets				
At amortised cost:				
Deposits	244,333	244,333	265,333	265,333
Cash and cash equivalents	2,831,029	7,523,454	798,992	106,155
	3,075,362	7,767,787	1,064,325	371,488
Financial liabilities				
At amortised cost:				
Accruals and deposits received	1,800,076	1,801,076	775,350	768,850
Amount due to a director	76,214,598	76,214,598	71,214,598	72,014,598
	78,014,674	78,015,674	71,989,948	72,783,448

The directors of the Target Company considered that the carrying amounts of financial assets and financial liabilities are approximate to their fair value.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Target Company's financial instruments in the normal course of the Target Company's business are credit risk and liquidity risk.

These risks are limited by the Target Company's financial management policies and practices described below.

(a) Credit risk

The Target Company's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents and deposits.

Credit risk on cash and cash equivalents is mitigated as cash is deposited in bank of high credit rating.

Deposits are monitored on an ongoing basis and the Target Company's exposure to bad debts, in the opinion of the directors, is not significant.

(b) Liquidity risk

The contractual maturities of financial liabilities are shown as below:

As at 30 September 2017

	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**Over 1 year and within 2 years**
	HK$	*HK$*	*HK$*	*HK$*
Accruals and deposits received	1,800,076	1,800,076	18,000	1,782,076
Amount due to a director	76,214,598	76,214,598	76,214,598	–
	78,014,674	78,014,674	76,232,598	1,782,076

As at 30 September 2018

	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**
	HK$	*HK$*	*HK$*
Accruals and deposits received	1,801,076	1,801,076	1,801,076
Amount due to a director	76,214,598	76,214,598	76,214,598
	78,015,674	78,015,674	78,015,674

As at 30 September 2019

	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**
	HK$	*HK$*	*HK$*
Accruals and other payables	775,350	775,350	775,350
Amount due to a director	71,214,598	71,214,598	71,214,598
	71,989,948	71,989,948	71,989,948

As at 31 May 2020

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK$	*HK$*	*HK$*
Accruals and other payables	768,850	768,850	768,850
Amount due to a director	72,014,598	72,014,598	72,014,598
	72,783,448	72,783,448	72,783,448

21. CAPITAL MANAGEMENT

The Target Company's primary objective when managing capital is to safeguard the Target Company's ability to continue as a going concern and to maximise the return to stakeholders. The Target Company's capital structure is regularly reviewed and managed by the directors of the Target Company. The Target Company is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Target Company may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Target Company, and the risk characteristics of the Target Company's underlying assets.

The capital structure of the Target Company consists of debts, which includes amount due to a director and cash and cash equivalents and equity attributable to owners of the Target Company, comprising share capital and retained earnings. The Target Company's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the end of each of the Relevant Period is as follows:

	As at 30 September			As at 31 May
	2017	**2018**	**2019**	**2020**
	HK$	*HK$*	*HK$*	*HK$*
Amount due to a director	76,214,598	76,214,598	71,214,598	72,014,598
Less: Cash and cash equivalents	(2,831,029)	(7,523,454)	(798,992)	(106,155)
Net debt	73,383,569	68,691,144	70,415,606	71,908,443
Equity	7,692,404	10,945,313	8,889,049	6,551,735
Net debt to equity ratio	9.54	6.28	7.92	10.98

22. NOTE TO STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

Year ended 30 September 2017	**As at 1 October 2016**	**Interest expenses**	**Financing cash (out)/ in flow**	**As at 30 September 2017**
	HK$	*HK$*	*HK$*	*HK$*
Bank borrowings	12,963,771	144,187	(13,107,958)	–
Amount due to a director	68,714,598	–	7,500,000	76,214,598
	81,678,369	144,187	(5,607,958)	76,214,598

Year ended 30 September 2019	**As at 1 October 2017, 30 September 2018 and 1 October 2018**	**Financing cash out flow**	**As at 30 September 2019**
	HK$	*HK$*	*HK$*
Amount due to a director	76,214,598	(5,000,000)	71,214,598

Eight months ended 31 May 2020	**As at 1 October 2019**	**Financing cash in flow**	**As at 31 May 2020**
	HK$	*HK$*	*HK$*
Amount due to a director	71,214,598	800,000	72,014,598

23. MAJOR NON-CASH TRANSACTION

During the year ended 30 September 2019, within the income from reinstatement compensation of HK$1,800,000, HK$1,782,076 was settled with deposit received.

There was no significant non-cash transaction for the years ended 30 September 2017, 30 September 2018 and for the eight months ended 31 May 2019 and 2020.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 May 2020.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information"), which has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the Target Company (the "Proposed Acquisition") on the Group, as if it had taken place on 31 March 2020.

The Unaudited Pro Forma Financial Information has been prepared based on:

(a) the audited consolidated statement of financial position of the Group for the year ended 31 March 2020 as set out in the Company's published annual report 2019/2020 dated 24 June 2020;

(b) the audited statement of financial position of the Target Company as at 31 May 2020 which have been extracted from Appendix II to the circular; and

(c) the unaudited pro forma adjustments relating to the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information.

Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Proposed Acquisition been completed as at 31 March 2020, nor purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published annual report 2019/2020 of the Company for the year ended 31 March 2020 and other financial information included elsewhere in the Circular.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at 31 March 2020, where applicable, or any future date.

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Group and the financial statements of Target Group will be consolidated into the consolidated financial statements of the Group.

THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 March 2020	The Target Company as at 31 May 2020	Pro forma adjustments			The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets						
Property, plant and equipment	242,717	–		176,618	2,568	421,903
Investment Properties	–	79,041	97,577	(176,618)		–
Deposits	39,683	244				39,927
Deposit paid for purchase of property, plant and equipment	800	–				800
Deferred tax assets	1,496	–				1,496
Total non-current assets	284,696	79,285				464,126
Current assets						
Inventories	135,755	–				135,755
Trade receivables	2,488	–				2,488
Deposits, prepayments and other receivables	41,450	60				41,510
Income tax recoverable	9,529	–				9,529
Cash and bank balances	215,911	106	(126,143)		(2,568)	87,306
Total current assets	405,133	166				276,588
Total assets	689,829	79,451				740,714
Current liabilities						
Trade payables	31,031	–				31,031
Amount due to a director	–	72,015	(72,015)			–
Accruals and other payables	23,563	769				24,332
Bank borrowings	79,242	–	50,000			129,242
Lease liabilities	119,026	–				119,026
Income tax payable	–	116				116
Total current liabilities	252,862	72,900				303,747
Net current assets/(liabilities)	152,271	(72,734)				(27,159)
Total assets less current liabilities	436,967	6,551				436,967
Non-current liabilities						
Accruals and other payables	2,229	–				2,229
Bank borrowings	20,300	–				20,300
Lease liabilities	107,756	–				107,756
Total non-current liabilities	130,285	–				130,285
Total liabilities	383,147	72,900				434,032
Net assets	306,682	6,551				306,682

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group for the year ended 31 March 2020 set out on pages 97 to 98 of published annual report 2019/2020 of the Company.

2. The amounts are extracted from statement of financial position of the Target Company (as defined in the circular) as set out in Appendix II to this circular.

3. Pursuant to the Acquisition Agreements, the Group conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued shares of The Target Company and all debts owing by the Target Company to the Vendors and their associates at the consideration of HK$176,862,000. The Consideration will be adjusted by adding all current tangible assets and deducting all liabilities (other than the debts owing by the Target Company to the Vendors and their associates) of the Target Company in accordance with the Acquisition Agreements.

   The Consideration after adjustments is calculated as follows:

	HK$'000
Consideration	
– Property	176,618
– Deposit	244
	176,862
Adding all current tangible assets and deducting all liabilities (other than the debts owing by the Target Company to the Vendors and their associates) of the Target Company	
Prepayments and deposits	60
Cash and bank balances	106
Income tax payable	(116)
Accruals and other payables	(769)
Consideration after adjustments	176,143

   The Consideration after adjustments of HK$176,143,000 will be settled by cash of HK$126,143,000 and by bank borrowing of HK$50,000,000.

   The increase of investment properties of HK$97,577,000 represents the excess of the Consideration after adjustments of HK$176,143,000 over the net identifiable assets acquired and liabilities assumed of HK$78,566,000 (other than the debts owing by the Target Company to the Vendors and their associates) of the Target Company.

   The decrease of amount due to a director of HK$72,015,000 represents the elimination of the debts owing by the Target Company to the Vendors and their associates acquired by the Group.

   Under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination", the Proposed Acquisition will not be constituted as a business acquisition and will be accounted for as acquisition of assets.

4. The adjustment represents the reclassification of the Property of HK$176,618,000 from investment properties to property, plant and equipment in accordance with Hong Kong Accounting Standard 16 Property, Plant and Equipment ("HKAS 16") as the Property will be held for administrative purposes.

5. The adjustment represents the recognition of the estimated legal and professional fees and other transaction costs of HK$2,568,000, which are directly attributable to the Proposed Acquisition, as assets in accordance with HKAS 16.

6. Apart from the above, no adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 March 2020 and 31 May 2020 respectively.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Best Mart 360 Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Best Mart 360 Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), together with Allied Wide Limited (the "Target Company") (collectively the "Enlarged Group") by the directors of the Company for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2020 and related notes as set out on pages 44 to 47 of Appendix III of the Company's circular dated 4 September 2020 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Company (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 44 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Company's consolidated assets and liabilities as at 31 March 2020 as if the Proposed Acquisition had taken place at 31 March 2020. As part of this process, information about the Company's consolidated assets and liabilities has been extracted by the directors of the Company from the Company's audited consolidated financial statements for the year ended 31 March 2020, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Company; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong
4 September 2020

*Set out below is the management discussion and analysis of the Target Company for the three years ended 30 September 2017, 2018 and 2019 and the eight months ended 31 May 2020 (the "**Relevant Period**"), for the purpose of this Appendix only.*

BUSINESS REVIEW

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.

RESULTS OF OPERATIONS

Set out below is the key financial information of the Target Company:

	For the year ended 30 September			For the eight months ended
	2017	**2018**	**2019**	**31 May 2020**
	(audited)	**(audited)**	**(audited)**	**(audited)**
	approximately HK$'000	*approximately HK$'000*	*approximately HK$'000*	*approximately HK$'000*
Revenue	5,862	5,862	4,910	–
Other income	7	–	1,800	–
Administrative expenses	(2,063)	(2,163)	(2,184)	(2,337)
Finance costs	(144)	–	–	–
Profit/(loss) before tax	3,662	3,699	4,526	(2,337)
Income tax expense	(592)	(446)	(582)	–
Profit/(loss) after tax	3,070	3,253	3,944	(2,337)

FINANCIAL REVIEW

Revenue

During the Relevant Period, the revenue recorded by the Target Company was approximately HK$5.86 million, HK$5.86 million, HK$4.91 million and nil respectively, which was the rental income generated from the tenancy of the Property subsisted during the Relevant Period.

Other income

During the Relevant Period, the other income recorded by the Target Company was HK$6,649, nil, HK$1,800,000 and nil respectively. The other income recorded for the year ended 30 September 2017 was bank interest income, while the other income recorded for the year ended 30 September 2019 was reinstatement compensation received from the former tenant of the Property upon termination of the then subsisting tenancy.

Administrative expenses

During the Relevant Period, the administrative expenses recorded by the Target Company was approximately HK$2.06 million, HK$2.16 million, HK$2.18 million and HK$2.34 million respectively.

Finance costs

During the Relevant Period, the finance costs recorded by the Target Company was approximately HK$0.14 million, nil, nil and nil, respectively. The Target Company fully repaid the bank loans secured by a mortgage on the Property during the year ended 30 September 2017, therefore, no finance costs was recorded for the two years ended 30 September 2019 and the eight months ended 31 May 2020.

Income tax expense

During the Relevant Period, the income tax expense recorded by the Target Company was approximately HK$0.59 million, HK$0.45 million, HK$0.58 million and nil respectively.

Profit/(loss) for the year/period

For the three years ended 30 September 2019, the net profit recorded by the Target Company was approximately HK$3.07 million, HK$3.25 million and HK$3.94 million respectively, while the net loss recorded by the Target Company for the eight months ended 31 May 2020 was approximately HK$2.34 million.

Liquidity and financial resources

The current ratio of the Target Company, calculated as current assets divided by current liabilities, as at 30 September 2017, 2018, 2019 and 31 May 2020 was approximately 0.036, 0.095, 0.011 and 0.002 respectively. The cash and cash equivalents of the Target Company as at 30 September 2017, 2018, 2019 and 31 May 2020 was HK$2,831,029, HK$7,523,454, HK$798,992 and HK$106,155 respectively. The significant decrease in cash and cash equivalents as at 30 September 2019 was due to the declaration and payment of an interim dividend to the shareholders of the Target Company totally amounting to HK$6,000,000 during the year ended 30 September 2019 while the drop of cash and cash equivalents as at 31 May 2020 was due to the payment of recurring expenses of the Property.

Gearing ratio

The gearing ratio of the Target Company was calculated by the total debts divided by the total equity as at the end of the financial year or period and multiplied by 100%. As the Target Company did not have bank loans as at 30 September 2017, 2018, 2019 and 31 May 2020, the total debts of the Target Company refer to the loan due to a director as at the end of the financial year or period. Accordingly, the gearing ratio as at 30 September 2017, 2018, 2019 and 31 May 2020 was 990.78%, 696.32%, 801.15% and 1,099.17% respectively.

Charges on assets

The Target Company did not have any charges on its assets as at 30 September 2017, 2018, 2019 and 31 May 2020.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the Relevant Period, the Target Company did not have any significant investments, material acquisitions and disposals.

SEGMENTAL INFORMATION

The operation of the Target Company represents a single operating and reportable segment, which is property investment. As such, there is no segment information available for the Relevant Period.

CAPITAL STRUCTURE

During the Relevant Period, there was no change in the Target Company's capital structure. The Target Company generally finances its operations and activities by rental income generated from the tenancy of the Property subsisted during the Relevant Period and funding from its director.

FOREIGN EXCHANGE EXPOSURE

The Target Company's income and monetary assets and liabilities are denominated in Hong Kong dollars. There was no foreign exchange exposure during the Relevant Period. As at the Latest Practicable Date, the Target Company did not have a foreign currency hedging policy.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 30 September 2017, 2018, 2019 and 31 May 2020, the Target Company did not have material contingent liabilities and capital commitments.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Target Company had no plan for material investments or capital assets as at 30 September 2017, 2018, 2019 and 31 May 2020.

NUMBER OF EMPLOYEES

The Target Company did not have any employee during the Relevant Period.

The following is the text of letter and valuation report, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 30 June 2020 of the property interests to be acquired by the Group in Hong Kong.

Grant Sherman

Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

4 September 2020

The Directors
Best Mart 360 Holdings Limited
14/F, SML Tower,
No.165 Hoi Bun Road,
Kwun Tong, Kowloon
Hong Kong

Dear Sirs and Madams,

RE: Valuation of 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, Kwun Tong, Kowloon, Hong Kong (the "Property")

Background

In accordance with your instructions for us to value the property interests to be acquired by Abundant Year International Limited, an indirect wholly-owned subsidiary of Best Mart 360 Holdings Limited (hereinafter referred to as the "Company") in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 June 2020 (the "Valuation Date") for the purpose of incorporation into the circular issued by the Company on the date hereof (the "Circular"). Unless otherwise defined, the Company and its subsidiaries are hereinafter referred to as the "Group".

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Valuation Methodology (ies)

In valuing the property interests which is to be held by the Group for self-occupation purpose in Hong Kong, we have adopted the market approach. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) properties for which price information is available.

General Assumptions

In valuing the property interests which are situated in Hong Kong and held under the government leases which will be expired before 30th June 2047, we have taken into account of the statement contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases would have been extended without payment of premium until 30th June 2047 and that an annual rent of three percent of the rateable values of the Property would be charged from the date of extension.

Our valuation has been made on the assumption that the owner sells the Property on the open market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement, or any similar arrangement which would serve to increase the values of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages, or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions, and outgoings of an onerous nature that could affect its value.

All dimensions, measurements, and areas included in the valuation report are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

Title investigations

We have caused searches to be made on the title of the Property at the Land Registry in Hong Kong, however, we have not scrutinized the original title documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us.

Sources of information

We have relied to a considerable extent on information provided by the Group and have accepted the advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas, and in the identification of the Property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

Site investigations

We have inspected the exteriors and where possible, the interior of the Property in respect of which we have been provided with such information as we have required for the purpose of our valuations.

We have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the Property are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

Valuation Standards

In valuing the property interests, we have fully complied with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Service terms

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK$).

We enclose herewith our valuation report.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP) MCIREA MHIREA
RICS Registered Valuer
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, Registered Professional Surveyors in the General Practice Section, an RICS Registered Valuer and a member of the China Institute of Real Estate Appraisers and Agents, who has over 17 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION REPORT

Property interests to be held by the Group for self-occupation purpose in Hong Kong

Property	**Description and Tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 June 2020**
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, Kwun Tong, Kowloon, Hong Kong 21,115/427,875th equal and undivided shares of and in the remaining portion of Kwun Tong Inland Lot No. 751.	The Property comprises the whole of 11th floor and 3 open car parking spaces on 3rd floor of a 26-storey office building completed in 2009 (including the lower ground floor). The Property has a total saleable area of approximately 1,051.979 sq.m (equivalent to approximately 11,324 sq.ft), exclusive of the car parking spaces. The Property is held under Conditions of Exchange No. 20028 for a term of 50 years commencing from 25 July 2006. The total annual Government rent payable for the subject lot is 3% of the rateable value from time to time of the lot.	The Property was vacant as at the Valuation Date.	HK$181,560,000

Notes:

1. Pursuant to the Land Registers, the registered owner of the Property is Allied Wide Limited (the "Target Company"), registered vide Memorial No.11022301970010 dated 31 January 2011. Furthermore, there are no encumbrances, liens, pledges, mortgages against the Property registered in the Land Registers.

2. Pursuant to the Approved Kwun Tong (South) Outlined Zoning Plan (Plan No.: S/K14S/22), the area where the Property situated is zoned as "Other Specified Uses (BUSINESS)".

3. Our Mr. Tony Wong Yik Hin (M. Sc.) has inspected the Property on 12 June 2020, the external and internal conditions of the Property were reasonable.

4. The Property is situated at Ngau Tau Kok District, buildings in the locality are medium to high-rise commercial and industrial buildings. Ngau Tau Kok MTR Station is about 5-minutes walking distance from the Property. MTR, taxis, and buses are accessible to the Property.

5. According to the information from the Rating and Valuation Department, the market yield for grade B office as at June 2020 is 2.7%.

6. According to the information provided by the Group, the Target Company is a company incorporated in Hong Kong and will be an indirect wholly-owned subsidiary of the Group which owns the entire interest of the Property upon completion of the subject transaction.

7. There is no material change on the market value of the Property between 22 May 2020 and 30 June 2020.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) 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 he or she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interest in the Shares of the Company

Name of Director	Nature of interests	Class and number of issued Shares held	Long/Short position	Approximate percentage of the issued Shares as at the Latest Practicable Date
Mr. Lin	Interest in controlled corporation	375,000,000 ordinary Shares *(Note 1)*	Long position	37.5%
Ms. Hui	Interest in controlled corporation	375,000,000 ordinary Shares *(Note 2)*	Long position	37.5%

Notes:

1. These 375,000,000 Shares were directly held as to 206,250,000 Shares (being approximately 20.63%) by United East and as to 168,750,000 Shares (being approximately 16.87%) by Universal Tycoon, both of which in turn were wholly-owned by Mr. Lin. Mr. Lin is therefore deemed to be interested in the aggregate of 375,000,000 Shares held by United East and Universal Tycoon under the SFO.

2. These 375,000,000 Shares were directly held as to 200,000,000 Shares (being 20%) by Sea Wealth, as to 95,000,000 Shares (being 9.5%) by Sino Sea and as to 80,000,000 Shares (being 8%) by Giant Blessing, all of which in turn were wholly-owned by Ms. Hui. Ms. Hui is therefore deemed to be interested in the aggregate of 375,000,000 Shares held by Sea Wealth, Sino Sea and Giant Blessing under the SFO.

(ii) Interest in shares of associated corporation

Name of Director	Name of associate corporation		Nature of interests	Class and number of securities held	Approximate percentage of shareholding in associated corporation as at the Latest Practicable Date
Mr. Lin	(i)	United East	Beneficial owner	100 ordinary shares	100%
	(ii)	Universal Tycoon	Beneficial owner	100 ordinary shares	100%
Ms. Hui	(i)	Sea Wealth	Beneficial owner	100 ordinary shares	100%
	(ii)	Sino Sea	Beneficial owner	100 ordinary shares	100%
	(iii)	Giant Blessing	Beneficial owner	100 ordinary shares	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial shareholders' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly or indirectly interested in 5% or more of the issued voting shares of the Company or any other member of the Group:

Name of Shareholder	Company concerned	Nature of interests	Class and number of securities held	Approximate percentage of total issued shares of the Company as at the Latest Practicable Date
United East *(Note 1)*	the Company	Beneficial owner	206,250,000 ordinary shares	20.63%
Universal Tycoon *(Note 1)*	the Company	Beneficial owner	168,750,000 ordinary shares	16.87%
Sea Wealth *(Note 2)*	the Company	Beneficial owner	200,000,000 ordinary shares	20.00%
Sino Sea *(Note 2)*	the Company	Beneficial owner	95,000,000 ordinary shares	9.5%
Giant Blessing *(Note 2)*	the Company	Beneficial owner	80,000,000 ordinary shares	8.0%
Ms. Lee Wai Bing *(Note 3)*	the Company	Interest of spouse	375,000,000 ordinary shares	37.50%

Notes:

1. Each of United East and Universal Tycoon is wholly owned by Mr. Lin. Under the SFO, Mr. Lin is deemed to be interested in the same number of shares held by United East and Universal Tycoon respectively.

2. Each of Sea Wealth, Sino Sea and Giant Blessing is wholly owned by Ms. Hui. Under the SFO, Ms. Hui is deemed to be interested in the same number of shares held by Sea Wealth, Sino Sea and Giant Blessing respectively.

3. Ms. Lee Wai Bing is the spouse of Mr. Lin. Under the SFO, Ms. Lee Wai Bing is deemed to be interested in the same number of Shares in which Mr. Lin is interested.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, save for Mr. Lin who is also the chairman and chief executive officer of other retail stores in Hong Kong principally engaged in the sales of footwear and lifestyle products as disclosed in the prospectus of the Company dated 28 December 2018 ("**Prospectus**"), none of the Directors and substantial shareholders of the Company and its subsidiaries, or their respective close associate, had interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules. Given the overall nature of such retail products of Mr. Lin's other business are substantially different from the principal products of the Company i.e. prepackaged leisure food, the Directors are of the view that the competition between such retail businesses of Mr. Lin and the Group is relatively minimal and remote.

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Mr. Lin, the chairman and executive Director, had material interests in the following tenancy agreements:

(a) a renewal tenancy agreement dated 21 March 2019 ("**Renewal Belcher's Street Tenancy Agreement**") entered into between CIAO International Limited ("**Ciao International**"), a wholly-owned subsidiary of the Company (as tenant), and Giant Fame Corporation Limited ("**Giant Fame**") (as landlord) in relation to the property located at Shop F, Ground Floor, Kam Tong Building, 139-153 Belcher's Street, Hong Kong for a term of 3 years commenced from 1 April 2019 and expiring on 31 March 2022 (both days inclusive) at a fixed monthly rent of HK$80,000 (exclusive of government rent, rates, management fees or charges and air-conditioning charges and other outgoings). As at the Latest Practicable Date, all of the issued shares of Giant Fame are wholly-owned by Mr Lin, and Mr Lin is also the sole director of Giant Fame; and

(b) a renewal tenancy agreement dated 3 March 2020 ("**Renewal Wah Kwai Tenancy Agreement**") entered into between CIAO International (as tenant), and Smart Essence Development Limited ("**Smart Essence**") (as landlord) in relation to the property located at Shop Nos.2 and 3, Ground Floor, Commercial Areas of Commercial/Car Park Block within the Commercial/Car Park Accommodation (also known as Noble Square (Wah Kwai Shopping Centre)), Wah Kwai Estate, No.3 Wah Kwai Road, Hong Kong for a term of 3 years commenced from 8 March 2020 and expiring on 7 March 2023 (both days inclusive), at (i) monthly base rent of HK$31,500 ("**Fixed Base Rent**"); and (ii) a turnover rent of 10% monthly gross receipts exceeding the Fixed Base Rent, exclusive of government rates, management charge, air-conditioning charge and other outgoings and inclusive of government rent. As at the Latest Practicable Date, all of the issued shares of Smart Essence are wholly-owned by Sura Magic International Limited ("**Sura Magic**"), which issued shares are, in turn, owned as to 50% by Mr Lin and as to 50% by an independent third party, and Mr Lin is also the sole director of Smart Essence and one of the directors of Sura Magic.

Details of the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement have been disclosed in an announcement of the Company dated 3 March 2020.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there is no litigation, arbitration or claim of material importance in which the Company or the Target Company was engaged in or pending or threatened against the Company or the Target Company.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Enlarged Group within the two years immediately preceding to and including the Latest Practicable Date which are or may be material:

(a) the agreement for sale and purchase dated 15 December 2018 entered into between (i) Mr Lin and Ms Hui (as vendors); (ii) Mr. Lin, Ms. Hui and Long Ease Holdings Limited ("**Long Ease**") (as warrantors); and (iii) the Company (as purchaser), pursuant to which two shares in Quality Food 360˚ (Holdings) Limited ("**Quality Food 360˚**") being the entire issued shares in Quality Food 360°, were transferred to Best Mart 360 International Limited ("**Best Mart BVI**"), in consideration of (i) the allotment and issue of 1,000,000 new Shares to Long Ease credited as fully paid; and (ii) the credit as fully paid the 1,000,000 nil paid Shares held by Long Ease on the incorporation of the Company;

(b) the deed of indemnity dated 27 December 2018 executed by Mr. Lin, Ms. Hui and Long Ease (being the then Controlling Shareholders) in favour of the Company (for itself and as trustee for each of the subsidiaries of the Group) regarding certain indemnities, details of which are set out in the section headed "Statutory and General Information – Other information – 2. Estate duty, tax and other indemnities" in Appendix IV in the Prospectus;

(c) the deed of non-competition dated 27 December 2018 executed by Mr. Lin, Ms. Hui and Long Ease (being the then Controlling Shareholders) in favour of the Company (for itself and as trustee for each of the subsidiaries of the Group) regarding certain non-competition undertakings, details of which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in the Prospectus;

(d) the public offer underwriting agreement dated 27 December 2018 entered into by, among others, the Company, the sole sponsor and the public offer underwriters, particulars of which are summarised in the section headed "Underwriting – Underwriting Arrangements and Expenses – Public Offer" in the Prospectus;

(e) the placing underwriting agreement dated 4 January 2019 entered into by, among others, the Company, the sole sponsor and the placing underwriters, particulars of which are summarised in the section headed "Underwriting" in the Prospectus;

(f) a surrender agreement dated 20 June 2019 entered into between the Target Company (as landlord) and VF Hong Kong Limited (as tenant) in relation to the surrender of the Property on 20 June 2019;

(g) the Provisional Sale and Purchase Agreement; and

(h) the Formal Agreement.

8. EXPERTS AND CONSENTS

The following are the qualification of the experts whose names, opinions and/or reports are contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Grant Sherman Appraisal Limited	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and/or opinion and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been, since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands. The principal place of business of the Company in Hong Kong is situated at 14th Floor, SML Tower, 165 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road West, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms Hung Ching Yuen, who is a solicitor practicing in Hong Kong since January 2006.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Tracy Ong & Co. at 3908A, 39th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the Prospectus;

(c) the Annual Report 2018/2019;

(d) the Annual Report 2019/2020;

(e) the accountants’ report of the Target Company issued by BDO Limited, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group issued by BDO Limited, the text of which is set out in Appendix III to this circular;

(g) the property valuation report prepared by Grant Sherman Appraisal Limited, the text of which is set out in Appendix V to this circular;

(h) the letters of consent from each of the experts referred to in the paragraph headed “8. Experts and consents” in this appendix;

(i) the material contracts referred to in the paragraph headed “7. Material contracts” in this appendix; and

(j) this circular.