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Best Mart 360 Holdings Limited

優品360控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2360)

**CONNECTED TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
RENEWAL OF TENANCY AGREEMENTS**

Reference is made to the prospectus of the Company dated 28 December 2018 in relation to certain continuing connected transactions on leasing of properties entered into by the Group with certain connected persons.

Upon the expiration of the term of the Previous Belcher's Street Tenancy Agreement, the Renewal Belcher's Street Tenancy Agreement has been entered into between Ciao International (as tenant) and Giant Fame (as landlord) for a further term of three years for the lease of Belcher's Street Property.

As the Existing Wah Kwai Tenancy Agreement will expire on 7 March 2020, Ciao International (as tenant) and Smart Essence (as landlord) has entered into the Renewal Wah Kwai Tenancy Agreement on 3 March 2020 for a further term of three years for the lease of Wah Kwai Property.

In accordance with HKFRS 16 "Leases", the Group is required to recognize an additional asset representing its right to use Belcher's Street Property and Wah Kwai Property, and as a result, the entering into the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group for the purpose of the Listing Rules. The Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will be recognized as expenses of the Group over the term of the Renewal Wah Kwai Tenancy Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) all of the issued shares of Giant Fame are wholly-owned by Mr Lin, a controlling shareholder of the Company and an executive Director; and (ii) all of the issued shares of Smart Essence are wholly-owned by Sura Magic, which issued shares are, in turn, owned as to 50% by Mr Lin and as to 50% by an Independent Third Party. Mr Lin is also the sole director of Giant Fame and Smart Essence and one of the directors of Sura Magic. Accordingly, each of Giant Fame and Smart Essence is a connected person of the Company under the Listing Rules. Hence, the transactions contemplated under the Renewal Tenancy Agreements, the payment of Fixed Monthly Rent under the Renewal Belcher's Street Tenancy Agreement and the payment of Fixed Base Rent under the Renewal Wah Kwai Tenancy Agreement will be regarded as one-off connected transactions, whereas the payment of the Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will be regarded as a continuing connected transaction under Rule 14A.31 of the Listing Rules.

Given that the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement were entered into within a 12-month period and the landlords under the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement are connected persons, the transactions under the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement are required to be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Aggregated Value of Right-of-Use Assets under the Renewal Tenancy Agreements in the amount of approximately HK\$3,792,300 is more than 0.1% but less than 5% and the Aggregated Value of Right-of-Use Assets is more than HK\$3,000,000, the transactions contemplated under the Renewal Tenancy Agreements are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to Rule 14A.31 of the Listing Rules, the payment of Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will be regarded as a continuing connected transaction. As all the applicable percentage ratios in respect of the Annual Cap for the payment of Variable Turnover Rent is less than 5% and less than HK\$3,000,000, such continuing connected transaction under the Renewal Smart Essence Tenancy Agreement is exempted from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the prospectus of the Company dated 28 December 2018 in relation to certain continuing connected transactions on leasing of properties entered into by the Group with certain connected persons.

RENEWAL TENANCY AGREEMENTS

Renewal Belcher's Street Tenancy Agreement

Upon the expiration of the term of the Previous Belcher's Street Tenancy Agreement, the Renewal Belcher's Street Tenancy Agreement has been entered into between Ciao International and Giant Fame with the following principal terms:

Date:	21 March 2019
Parties:	(i) Giant Fame (as landlord) (ii) Ciao International (as tenant)
Leased property:	Belcher's Street Property
Term:	3 years commenced from 1 April 2019 and expiring on 31 March 2022 (both days inclusive)
Monthly Rental:	fixed rent of HK\$80,000 (" Fixed Monthly Rent "), exclusive of government rent, rates, management fees or charges and air-conditioning charges and other outgoings
Deposit:	HK\$240,000
User:	business purposes

Renewal Wah Kwai Tenancy Agreement

As the Existing Wah Kwai Tenancy Agreement will expire on 7 March 2020, Ciao International and Smart Essence has entered into the Renewal Wah Kwai Tenancy Agreement with the following principal terms:

- Date: 3 March 2020
- Parties: (i) Smart Essence (as landlord)
(ii) Ciao International (as tenant)
- Leased property: Wah Kwai Property
- Term: 3 years commencing from 8 March 2020 and expiring on 7 March 2023 (both days inclusive)
- Monthly Rental: (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 (“**Variable Turnover Rent**”), exclusive of government rates, management charge, air-conditioning charge and other outgoings and inclusive of government rent
- Deposit: HK\$146,982 (equivalent to three months’ Fixed Base Rent, management charge, air-conditioning charge and government rates)
- User: the operation of a retail store under the name of “Best Mart 360° (優品360°)”

The Fixed Rental Payment and the Variable Turnover Rent will be financed by the internal resources of the Group.

HISTORICAL RENTAL

Fixed Rental Payment

The total Fixed Monthly Rent paid for Belcher's Street Property and the total Fixed Base Rent paid for Wah Kwai Property for each of the year ended 31 March 2017, 31 March 2018 and 31 March 2019 and for the nine months ended 31 December 2019 are as follows:

	For the year ended			For the nine
	31 March 2017 HK\$	31 March 2018 HK\$	31 March 2019 HK\$	months ended 31 December 2019 HK\$
Belcher's Street Property	900,000	900,000	900,000	690,000 (Note 2)
Wah Kwai Property	<u>NIL (Note 1)</u>	<u>323,226</u>	<u>360,000</u>	<u>270,000</u>
Total Fixed Rental Payment	<u>900,000</u>	<u>1,223,226</u>	<u>1,260,000</u>	<u>960,000</u>

- Notes:
1. The period between 8 March 2017 and 7 May 2017 (both days inclusive) was rent free period for the lease of Wah Kwai Property.
 2. For November 2019 and December 2019, the Fixed Monthly Rent was reduced to HK\$65,000 under rent concession.

Variable Turnover Rent

The aggregated Variable Turnover Rent paid for Wah Kwai Property for each of the year ended 31 March 2017, 2018 and 2019 and for the nine months ended 31 December 2019 amounted to approximately HK\$NIL, HK\$192,000, HK\$272,200 and HK\$163,400.

AGGREGATED VALUE OF RIGHT-OF-USE ASSETS

In accordance with HKFRS 16 "Leases", the Group is required to recognize an additional asset representing its right to use Belcher's Street Property and Wah Kwai Property, and as a result, the entering into the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group for the purpose of the Listing Rules. Based on the present value of the aggregated Fixed Rental Payment for the entire terms of the Renewal Tenancy Agreements as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate, the Aggregated Value of Right-of-Use Assets of the Renewal Tenancy Agreements recognised by the Company in accordance with HKFRS 16 amounted to approximately HK\$3,792,300 (unaudited).

THE ANNUAL CAP

The Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will be recognized as expenses of the Group over the term of the Renewal Wah Kwai Tenancy Agreement. The payment of Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will constitute continuing connected transaction pursuant to the Listing Rules. The annual cap proposed by the Company (“**Annual Cap**”) for the payment of Variable Turnover Rent is estimated at HK\$1,000,000 (exclusive of the Fixed Base Rent) for each of the year ending 31 March 2020, 2021, 2022 and 2023.

The Annual Cap is determined based on various major factors and assumptions:

- (i) the highest monthly Variable Turnover Rent paid by Ciao International to Smart Essence historically;
- (ii) the expected growth in sales turnover generated from the purchasing power and daily needs and necessities from the local community;
- (iii) the Group’s capability in continuously sourcing comprehensive collection of products with quality and competitive prices that are attractive to customers; and
- (iv) a buffer for any unanticipated fluctuations of sales turnover affecting the normal operation of the retail store at the Wah Kwai Property.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWAL BELCHER’S STREET TENANCY AGREEMENT AND THE RENEWAL WAH KWAI TENANCY AGREEMENT

The Group is a leisure food retailer operating chain retail stores under the brand name “Best Mart 360° (優品360°)”. As at the date of this announcement, the Group operated a total of 102 chain retail stores in Hong Kong and one retail store in The Macau Special Administrative Region of The People’s Republic of China. The retail stores at the Belcher’s Street Property and the Wah Kwai Property have been operated by the Group since April 2014 and since April 2017 respectively. The Board believes that, taking into account the historical performance of the respective retail stores and the strategic geographical coverage of the Group’s retail stores, the renewal of the leases for the Belcher’s Street Property and the Wah Kwai Property will enable the Group to secure stable operation at the specific location without incurring additional costs and expenses in identifying and renovating alternative premises for retail operation in the specific region and ensure that there will be no disruption to the businesses of the retail stores located at the respective properties.

The terms of the Renewal Tenancy Agreements (including the Fixed Rental Payment and the Variable Turnover Rent) were determined after arm’s lengths’ negotiations between Ciao International and each of Giant Fame and Smart Essence, with reference to the prevailing market rates of similar properties in the vicinity of such properties.

Given that the terms of the Renewal Tenancy Agreements have been negotiated on an arm's length basis and the Renewal Tenancy Agreements are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Renewal Tenancy Agreements, the transactions contemplated under the Renewal Tenancy Agreements and the Annual Cap are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As Mr Lin has material interests in the transactions contemplated under the Renewal Tenancy Agreements due to his shareholdings in Giant Fame and Smart Essence respectively, Mr Lin had abstained from voting on the resolutions passed by the Board to approve the Renewal Tenancy Agreements, the transactions contemplated under the Renewal Tenancy Agreements and the Annual Cap. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Renewal Tenancy Agreements or is required to abstain from voting on the Board resolutions in relation to the Renewal Tenancy Agreements, the transactions contemplated under the Renewal Tenancy Agreements and the Annual Cap.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) all of the issued shares of Giant Fame are wholly-owned by Mr Lin, a controlling shareholder of the Company and an executive Director; and (ii) all of the issued shares of Smart Essence are wholly-owned by Sura Magic, which issued shares are, in turn, owned as to 50% by Mr Lin and as to 50% by an Independent Third Party. Mr Lin is also the sole director of Giant Fame and Smart Essence and one of the directors of Sura Magic. Accordingly, each of Giant Fame and Smart Essence is a connected person of the Company under the Listing Rules. Hence, the transactions contemplated under the Renewal Tenancy Agreements, the payment of Fixed Monthly Rent under the Renewal Belcher's Street Tenancy Agreement and the payment of Fixed Base Rent under the Renewal Wah Kwai Tenancy Agreement will be regarded as one-off connected transactions, whereas the payment of the Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will be regarded as a continuing connected transaction under Rule 14A.31 of the Listing Rules.

As all the applicable percentage ratios in respect of the transactions contemplated under each of the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement based on the respective value of the right-of-asset recognised by the Group for each property pursuant to HKFRS 16 is less than 5% and less than HK\$3,000,000, each of the transactions contemplated under the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement, the payment of Fixed Monthly Rent and the payment of Fixed Base Rent are fully exempted from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement were entered into within a 12-month period and the landlords under the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement are connected persons, the transactions under the Renewal Belcher's Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement are required to be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Aggregated Value of Right-of-Use Assets under the Renewal Tenancy Agreements in the amount of approximately HK\$3,792,300 is more than 0.1% but less than 5% and the Aggregated Value of Right-of-Use Assets is more than HK\$3,000,000, the transactions contemplated under the Renewal Tenancy Agreements are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules

According to Rule 14A.31 of the Listing Rules, the payment of Variable Turnover Rent under the Renewal Wah Kwai Tenancy Agreement will be regarded as a continuing connected transaction. As all the applicable percentage ratios in respect of the Annual Cap for the payment of Variable Turnover Rent is less than 5% and less than HK\$3,000,000, such continuing connected transaction under the Renewal Smart Essence Tenancy Agreement is exempted from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE GROUP

The Group is a leisure food retailer operating chain retail stores under the brand "Best Mart 360° (優品360°)" in Hong Kong and Macau.

Ciao International, an indirect wholly-owned subsidiary of the Company, is principally engaged in the chain retail stores operation in Hong Kong.

INFORMATION OF GIANT FAME AND SMART ESSENCE

Both of Giant Fame and Smart Essence are principally engaged in property investment.

To the best of the Directors' information and belief, having made all reasonable enquiries, as at the date of this announcement, (i) all of the issued shares of Giant Fame are wholly-owned by Mr Lin, a controlling shareholder of the Company and an executive Director; and (ii) all of the issued shares of Smart Essence are wholly-owned by Sura Magic, which issued shares are, in turn, owned as to 50% by Mr Lin and as to 50% by an Independent Third Party. Mr Lin is also the sole director of Giant Fame and Smart Essence and one of the directors of Sura Magic. Accordingly, each of Giant Fame and Smart Essence is a connected person of the Company under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Aggregated Value of Right-of-Use Assets”	being the unaudited present value of the aggregated Fixed Rental Payment for the entire terms of the Renewal Tenancy Agreements as discounted and recognised by the Company in accordance with HKFRS 16 for the right to use of Belcher’s Street Property and Wah Kwai Property
“associates”	has the meaning ascribed to it under the Listing Rules
“Belcher’s Street Property”	the property located at Shop F, Ground Floor, Kam Tong Building, 139-153 Belcher’s Street, Hong Kong
“Board”	the board of Directors
“Ciao International”	CIAO International Limited (彩鷗國際有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	Best Mart 360 Holdings Limited (stock code: 2360), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Wah Kwai Tenancy Agreement”	the existing tenancy agreement entered into between Ciao International and Smart Essence in relation to the Wah Kwai Property for a term of three years commenced from 8 March 2017 and expiring on 7 March 2020
“Fixed Rental Payment”	the Fixed Monthly Rent and the Fixed Base Rent

“Giant Fame”	Giant Fame Corporation Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr Lin, and accordingly a connected person of the Company
“Group”	the Company and its Subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“Mr Lin”	Mr Lin Tsz Fung, the chairman, an executive Director and a Controlling Shareholder of the Company interested in 37.5% of the issued shares of the Company as at the date of this announcement
“Previous Belcher’s Street Tenancy Agreement”	the tenancy agreement dated 17 July 2017 entered into between Ciao International and Giant Fame in relation to the Belcher’s Street Property for a term of three years commenced from 1 April 2017 and expired on 31 March 2019
“Renewal Belcher’s Street Tenancy Agreement”	the tenancy agreement dated 21 March 2019 entered into between Ciao International and Giant Fame in relation to the Belcher’s Street Property for a term of three years commenced from 1 April 2019 and expiring on 31 March 2022
“Renewal Wah Kwai Tenancy Agreement”	the tenancy agreement dated 3 March 2020 entered into between Ciao International and Smart Essence in relation to the Wah Kwai Property for a term of three years commencing from 8 March 2020 and expiring on 7 March 2023

“Renewal Tenancy Agreements”	the Renewal Belcher’s Street Tenancy Agreement and the Renewal Wah Kwai Tenancy Agreement
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Smart Essence”	Smart Essence Development Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Sura Magic, and accordingly a connected person of the Company
“Subsidiaries”	has the same meaning as in Section 15 of the Companies Ordinance (Cap 622) of the Laws of Hong Kong and if the context requires, for the purpose of the Listing Rules only, has the meaning ascribed to it under Rule 1.01 of the Listing Rules;
“Sura Magic”	Sura Magic International Limited, a company incorporated in the British Virgin Islands with limited liability, and is owned as to 50% by Mr Lin and as to 50% by an Independent Third Party, and accordingly a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wah Kwai Property”	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
“%”	per cent.

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

Hong Kong, 3 March 2020

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