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UPBEST GROUP LIMITED

美建集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 335)

**DISCLOSEABLE TRANSACTION
PROVISION OF FINANCIAL ASSISTANCE**

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The Board is pleased to announce that on 10 February 2023 (after trading hours of the Stock Exchange), Gold-Face (being an indirect wholly-owned subsidiary of the Company), as lender, entered into the Loan Agreement with Customer A, as borrower, pursuant to which Gold-Face agreed to grant the Loan in the principal amount of up to HK\$115.0 million to Customer A at the interest rate of 12.0% per annum.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Loan is/are more than 5% but less than 25%, the provision of the Loan constitutes a discloseable transaction on the part of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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LOAN AGREEMENT

A summary of the principal terms of the Loan Agreement is set out as follows:

- Date : 10 February 2023
- Lender : Gold-Face, an indirect wholly-owned subsidiary of the Company
- Borrower : Customer A
- Principal loan amount : HK\$115.0 million
- Availability period : a period of fourteen (14) days commencing from the date on which the conditions precedent as set out in the Loan Agreement have been fulfilled or waived (as the case may be)
- Interest rate : 12.0% per annum
- Default interest rate : 12.0% per annum
- Repayment date: : the date falling on the last day of the 12th month period from the date of advance of the Loan (or such other date as may be extended by Gold-Face), or where relevant, the date referred to in the Loan Agreement when the Loan and all monies payable under the Loan Agreement shall be due and payable.
- Repayment : Subject to the terms and conditions of the Loan Agreement, Customer A shall repay the Loan in full together with all interest accrued and all other monies payable under the Loan Agreement in one lump sum on the Repayment Date.
- Prepayment : Customer A may prepay to Gold-Face in whole or in part of the Loan in integral multiples of HK\$500,000 (or such lesser amount as may represent the entire outstanding principal amount thereof) at any time prior to the Repayment Date, provided that:
- (1) Customer A shall have given to Gold-Face not less than three (3) Business Days' notice (or such shorter notice as Gold-Face may agree) in writing of his intention to make such prepayment, specifying the amount to be prepaid and the date on which prepayment is to be made;
 - (2) Customer A shall, on the date of prepayment, pay to Gold-Face all accrued interest on the amount prepaid,

subject to sub-paragraph (3) below, together with all other sums (if any) payable to Gold-Face under the Loan Agreement and the Security Documents; and

- (3) in the event prepayment is made prior to the end of 2nd month after the date of advance of the Loan, the term “accrued interest” set out in sub-paragraph (2) above shall mean a lump sum equivalent to two (2) months of interest accrued on the Loan.

Repayment on demand : Gold-Face shall have the overriding right at any time by notice in writing to Customer A to require Customer A to repay on demand the Outstanding Indebtedness and, in the event of Gold-Face exercising such right, the Loan shall automatically be cancelled and shall not thereafter be available to Customer A and Customer A shall repay to Gold Face the Outstanding Indebtedness within fourteen (14) days (as opposed to Business Days) from the date of such notice of demand (or such longer period as Gold-Face may approve in writing).

Security : As security for the Outstanding Indebtedness, Customer A entered into the following Security Documents in favour of Gold-Face:

- (1) a share charge over the entire equity interest in the Charged Company, which directly holds not less than 99.99% of the issued share capital of a sports team (the “**Sports Team**”) participating in Ligue 2, the French professional football league (the “**Share Charge**”);
- (2) a second legal charge in respect of a residential property and a car park located in Mid-Levels Central, Hong Kong (the “**Property**”) with valuation in the amount of approximately HK\$102.4 million as at 20 December 2022 as conducted by an independent property valuer engaged by Gold-Face (the “**Second Legal Charge**”);
- (3) a deed of assignment in respect of a shareholder’s loan in the sum of approximately HK\$150,370,000 owed by the Charged Company to Customer A and all obligations, liabilities and other debts owing or incurred by the Charged Company to Customer A from time to time (the “**Assignment of Debt by way of Security**”).

If at any time during the term of the Loan, the First Legal Charge has been released and discharged in full and is no longer subsisting, provided that no encumbrance or security exists over the Property (save for the Second Legal Charge), subject to further negotiation between Gold-Face and

Customer A and the provision of other security and assurances as Gold-Face shall reasonably consider appropriate to secure the obligations of Customer A under the Loan Agreement, Gold-Face may at the written request and reasonable expense of Customer A release and discharge the Share Charge and the Assignment of Debt by way of Security within ten (10) Business Days.

Provided that the First Legal Charge is subsisting and has not been released and discharged, and if at any time during the term of the Loan,

- (i) a total principal amount of not less than HK\$36,000,000 (on an accumulated basis) of the Loan has been repaid and/or prepaid by Customer A to Gold-Face in accordance with the Loan Agreement and the interest accrued thereon have been paid in full, Gold-Face shall upon request in writing by Customer A release and discharge the Second Legal Charge within ten (10) Business Days; and
- (ii) a total principal amount of not less than HK\$96,000,000 (on an accumulated basis) of the Loan has been repaid and/or prepaid by Customer A to Gold-Face in accordance with the Loan Agreement and the interest accrued thereon have been paid in full, subject to further negotiation between Gold-Face and Customer A and the provision of other security and assurances as Gold-Face shall reasonably consider appropriate to secure the obligations of Customer A under the Loan Agreement, Gold-Face may release and discharge the Share Charge and the Assignment of Debt by way of Security within ten (10) Business Days.

(The above release(s) of the Share Charge, the Second Legal Charge and/or the Assignment of Debt by way of Security are collectively known as, the “**Release Arrangement**”).

INFORMATION ON THE CREDIT RISK RELATING TO THE LOAN

The making of the Loan is collateralised.

The advance in respect of the Loan was made on the basis of the Group’s credit assessments on (i) the collaterals provided by Customer A which involve the entire equity interests in the Charged Company which in turn directly holds not less than 99.99% of the issued share capital of the Sports Team, and the Property; (ii) the loan-to-value ratio of the charged assets under the Loan of approximately 77%; (iii) the fact that Customer A is an existing customer of the Group with satisfactory financial background and no default record; and (iv) the relatively short term nature of the

advance. After taking into account the factors as disclosed above in assessing the risks of the advance, the Company considers that the risks involved in the advance to Customer A are relatively low.

The Release Arrangement was made on the basis that the remaining outstanding principal amount of the Loan would be, at all times, secured by sufficient collaterals during the term of the Loan, while offering competitive terms to Customer A that are fair and reasonable to both parties to the Loan Agreement.

Under the Release Arrangement:

- (i) if at any time during the term of the Loan, the First Legal Charge has been released and discharged in full and is no longer subsisting, provided that no encumbrance or security exists over the Property (save for the Second Legal Charge), subject to further negotiation between Gold-Face and Customer A, and the provision of other security and assurances by Customer A as Gold-Face shall reasonably consider appropriate, the Share Charge and the Assignment of Debt by way of Security may be released and discharged. Under such Release Arrangement, the Loan would still be secured by the Property and if necessary, other security and assurances as Gold-Face shall consider appropriate, such that the loan-to-value ratio of the Loan shall be no more than 70%;
- (ii) provided that the First Legal Charge is subsisting and has not been released and discharged, but if at any time during the term of the Loan:
 - (a) a total principal amount of the Loan of not less than HK\$36,000,000 (on an accumulated basis) of the Loan has been repaid and/or prepaid by Customer A to Gold-Face and the interest accrued thereon having been paid in full, Gold-Face agrees to release and discharge the Second Legal Charge. Under such Release Arrangement, the Second Legal Charge would only be discharged and released after the total principal amount of HK\$36,000,000 would have been repaid and/or prepaid, and thereafter, the remaining outstanding principal amount of the Loan would amount to HK\$79,000,000 which would still be secured by the Share Charge over the equity interests of the Charged Company, which in turn is interested in not less than 99.99% of the issued share capital of the Sports Team with a valuation of approximately EUR13,700,000 (equivalent to approximately HK\$113,449,700), which would be sufficient to secure the remaining outstanding principal amount of the Loan; and
 - (b) a total principal amount of not less than HK\$96,000,000 (on an accumulated basis) of the Loan has been repaid and/or prepaid by Customer A to Gold-Face and the interest accrued thereon have been paid in full, subject to further negotiation between Gold-Face and Customer A and the provision of other security and assurances as Gold-Face shall reasonably consider appropriate to secure the obligations of Customer A under the Loan Agreement, Gold-Face may release and discharge the Share Charge and the Assignment of Debt by way of

Security. Under such Release Arrangement, the Share Charge would only be discharged and released after the total principal amount of HK\$96,000,000 would have been repaid and/or prepaid, and thereafter, the remaining outstanding principal amount of the Loan would amount to HK\$19,000,000, which would in turn be secured by other security and assurances as Gold-Face shall consider appropriate, such that the loan-to-value ratio shall be no more than 70%.

Under the Release Arrangement, the collaterals would remain to be sufficient to secure the remaining outstanding principal amount of the Loan throughout the term of the Loan.

The threshold of HK\$36,000,000 was determined on the basis that having taken into account the early release of the Second Legal Charge, the acceptable loan-to-value ratio of the Loan to the Group is no more than 70% after the release of the Second Legal Charge. As mentioned above, the valuation of the Sports Team is approximately HK\$113,449,700, multiplied by the loan-to-value ratio of 70%, amounted to approximately HK\$79,000,000 (round off to the nearest million). Accordingly, in order to maintain a loan-to-value ratio of not more than 70%, the remaining outstanding principal amount of the Loan should be no more than HK\$79,000,000 after the release of the Second Legal Charge. Hence, in respect of the Loan in the principal amount of HK\$115,000,000, Customer A would need to have repaid and/or prepaid HK\$36,000,000 for the remaining outstanding principal amount to be no more than HK\$79,000,000.

VALUATION OF THE SPORTS TEAM

According to the valuation performed by an independent valuer, the market value of approximately 99.99% equity interest in the Sports Team participating in Ligue 2, the French professional football league, being a direct non-wholly owned subsidiary of the Charged Company, amounted to approximately EUR13,700,000 (equivalent to approximately HK\$113,449,700) as at 28 December 2022, which was assessed using market approach method based on the transfer value of the players.

The principal assumptions, including commercial assumptions, upon which the valuation of the Sports Team was based are as follows:

- that there would be no fire sales or forced sales of players in any manner;
- that the players are sold in the open market at fair market value where the players are transferred between a willing buyer and a willing seller; and
- that the players are freely transferable and free from any encumbrance, restrictions and outgoings of onerous nature.

The valuation of the Sports Team has not yet taken into account the following factors, which are likely to increase the valuation of the Sports Team:

- the current ranking of the Sports Team in its league which puts itself in a strong position to be promoted to the next league;
- the high valued young players have joined the training center of the Sports Team; and
- the performance center built by the Sports Team which houses the Sports Team's

training center and other facilities.

FUNDING OF THE LOAN

The Group will finance the Loan with the internal resources of the Group.

INFORMATION ON CUSTOMER A

Customer A is a Hong Kong individual and a merchant. As at the date of this announcement, Customer A is an executive director and the controlling shareholder of a communications technology company, the shares of which are listed on the Main Board of the Stock Exchange. Customer A is also (i) the chairman and the controlling shareholder of a sports company established in the PRC with limited liability and the shares of which are listed on the National Equities Exchange and Quotations in the PRC; and (ii) the honorary chairman and the controlling shareholder of a company established in the PRC with limited liability which, together with its subsidiaries and affiliates, is principally engaged in property development, property management, financial services, pharmaceutical, sports and cultural activities, trading and procurement services and investment holding.

As at the date of this announcement, Customer A and his associates are existing customers of the Group of which financial assistance had been provided to Customer A and his associates by the Group. Customer A and his associates were introduced through existing clients or referrals by acquaintances of the Group and other than (i) borrower-lender relationship between the Group, and Customer A and his associates; and (ii) through word of mouth between the Group, and Customer A and his associates arising from referral through existing clients or acquaintances of the Group, there is no other relationship between each of Customer A and his associates, and the Company. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Customer A, his associates and their ultimate beneficial owners are Independent Third Party.

Based on a credit rating report (the “**Credit Rating Report**”) issued by an independent credit report agency (the “**Credit Report Agency**”), Customer A was given a credit rating of “A”, which is the highest grading of the grading system of the Credit Report Agency. According to the Credit Rating Report, among individuals with the same credit rating, 99.95% individuals will fulfill his/her repayment obligations. Customer A is also an existing customer with no default record.

As at the date of this announcement, the aggregate principal amount which remained outstanding under such loans provided by the Group to Customer A and his associates is HK\$35,070,000 (the “**Existing Loans**”). Set out below the details of the Existing Loans.

Borrower	Nature	Date of entering into the transaction	Principal amount (HK\$)	Interest rate per annum	Repayment period	Collaterals/ guarantees / other securities	Outstanding principal amount (HK\$) as at the date of this announcement
Customer A's associate	Corporate structured loan	5 November 2021	8,400,000	12%	1 year and 1 month	Personal guarantee	7,400,000
Customer A	Mortgage loan	8 July 2021	27,670,000	12%	16 months	A residential property located in Mid-Levels Central, Hong Kong	27,670,000
Total							35,070,000

Pursuant to the terms and conditions of the Loan Agreement, upon the drawdown of the Loan, Customer A shall utilise part of the Loan to repay the Existing Loans. As at 30 September 2022, the Loan accounts for approximately 13.6% of the Group's overall loan portfolio and 4.3% of the Company's net asset value.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, Customer A is an Independent Third Party.

INFORMATION ON THE GROUP AND GOLD-FACE

The Company is principally engaged in investment holding, and its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, properties investment and precious metal trading.

Gold-Face is a private company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company principally engaged in money lending business in Hong Kong. Gold-Face is a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LOAN AGREEMENT

Having taken into account the principal business activities of the Group, the grant of the Loan to Customer A is in the ordinary and usual course of business of the Group.

The terms of the Loan Agreement (including the interest rate) were arrived at by Gold-Face and Customer A after arm's length negotiations, with reference to the prevailing commercial practice, the securities provided and the amount of the Loan. Having considered (i) the interest income to be received by the Group; (ii) the value of the

collaterals; and (iii) the satisfactory financial background of Customer A, the Directors consider that the terms of the Loan Agreement are of normal commercial terms, fair and reasonable and the entering into of the Loan Agreement are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Loan is/are more than 5% but less than 25%, the provision of the Loan constitutes a discloseable transaction on the part of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.58(2) of the Listing Rules, the identity of Customer A is required to be disclosed. Since (i) the granting of the Loan is not regarded as a material transaction of the Company as compared to the Company's overall financial position; (ii) the Company has practical difficulties in complying with the aforesaid disclosure requirement without the consent of Customer A to disclose his identity in this announcement; (iii) the disclosure of the identity of Customer A does not reflect his financial standing or repayment ability and thus will serve little purpose in assisting the Shareholders to evaluate Customer A's creditworthiness and the risks and exposure of the Loan; and (iv) the Company has made alternative disclosures in respect of the Loan in this announcement, including but not limited to the credit rating of Customer A, previous loan transactions with Customer A and his associates, details of the collaterals and the loan-to-value ratio of the collaterals in respect of the Loan, which would be much more meaningful for the Shareholders in assessing the risks and exposure of the Loan as well as the repayment ability of Customer A, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.58(2) of the Listing Rules.

DEFINITION

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Assignment of Debt by way of Security”	has the meaning ascribed thereto in the paragraph headed “Security” under the section headed “Loan Agreement” in this announcement
“Board”	the board of Directors
“Business Day(s)”	a day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“Charged Company”	a company incorporated in the British Virgin Islands with limited liability, which directly holds not less than 99.99% of the issued share capital of the Sports Team
“Company”	Upbest Group Limited, being a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on Main Board of the Stock Exchange (stock code: 335)
“Credit Rating Report”	has the meaning ascribed to it in the section headed “Information on Customer A” in this announcement
“Credit Report Agency”	has the meaning ascribed to it in the section headed “Information on Customer A” in this announcement
“Customer A”	the borrower to the Loan Agreement, being a Hong Kong individual and a merchant independent of and not connected with the Group
“Director(s)”	the director(s) of the Company
“Existing Loan”	has the meaning ascribed to it in the section headed “Information on Customer A” in this announcement
“First Legal Charge”	the first mortgage over the Property executed by Customer A in favour of an Independent Third Party
“Gold-Face”	Gold-Face Finance Limited, being a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company (as defined under the Listing Rules) and are third parties independent of the Company and its connected persons in accordance with the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 10 February 2023 entered into between Gold-Face and Customer A in respect of the Loan
“Loan”	the loan with the principal amount of up to HK\$115.0 million granted by Gold-Face to Customer A pursuant to the Loan Agreement
“Outstanding Indebtedness”	the principal loan amount and interest accrued and all other monies which are and which may become from time to time due or outstanding to Gold-Face pursuant to the Loan Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	has the meaning ascribed thereto in the paragraph headed “Security” under the section “Loan Agreement” in this announcement
“Release Arrangement”	has the meaning ascribed thereto in the paragraph headed “Security” under the section headed “Loan Agreement” in this announcement
“Repayment Date”	the date falling on the last day of the 12 th month period from the date of advance of the Loan (or such other date as may be extended by Gold-Face), or where relevant, the date referred to in the Loan Agreement when the Loan and all monies payable under the Loan Agreement shall be due and payable
“Second Legal Charge”	has the meaning ascribed thereto in the paragraph headed “Security” under the section “Loan Agreement” in this announcement
“Security Documents”	including the Share Charge, the Second Legal Charge, and the Assignment of Debt by way of Security
“Share Charge”	has the meaning ascribed thereto in the paragraph headed “Security” under the section “Loan Agreement” in this announcement
“Sports Team”	has the meaning ascribed thereto in the paragraph headed “Security” under the section headed “Loan Agreement” in this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“EUR”	Euro, the lawful currency for the time being of the member states of the European Union
“%”	per cent.

By order of the Board
Upbest Group Limited
CHENG Lai Kei
Company Secretary

Hong Kong, 10 February 2023

As at the date of this announcement, the Board consists of Mr. IP Man Tin, David as chairman and non-executive Director, Dr. SZE Ping Fat as non-executive Director, Ms. CHENG Wai Ling, Annie, Mr. CHENG Wai Lun, Andrew, and Mr. MOK Kwai Hang as executive Directors and Mr. CHAN Tsun Choi, Arnold, Mr. POON Kai Tik and Mr. HUI Man Ho, Ivan as independent non-executive Directors.

** For identification purpose only*