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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CMHT SALES AND PROCUREMENT FRAMEWORK AGREEMENT

THE CMHT SALES AND PROCUREMENT FRAMEWORK AGREEMENT

On 26 January 2024 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and CMHT (for itself and on behalf of its subsidiaries other than the Group) entered into the CMHT Sales and Procurement Framework Agreement in order to regulate the CMHT Procurement Transactions and CMHT Sales Transactions for the term of one year from 1 January 2024 to 31 December 2024.

LISTING RULES IMPLICATIONS

As CMHT is a substantial shareholder of the Company, the entering into the CMHT Sales and Procurement Framework Agreement between the Company and CMHT and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios in respect of the Annual Caps exceeds 0.1% but is less than 5%, the Transactions and the Annual Caps are subject to the reporting, announcement and annual review requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. BACKGROUND

The Board announces that, on 26 January 2024 (after trading hours), the Company (for itself and on behalf of its subsidiaries) and CMHT (for itself and on behalf of its subsidiaries other than the Group) entered into the CMHT Sales and Procurement Framework Agreement in order to regulate the CMHT Procurement Transactions and CMHT Sales Transactions for the term of one year from 1 January 2024 to 31 December 2024.

2. THE CMHT SALES AND PROCUREMENT FRAMEWORK AGREEMENT

The principal terms of the CMHT Sales and Procurement Framework Agreement are summarized as follows:

Date	:	26 January 2024
Parties	:	(1) the Company (for itself and on behalf of its subsidiaries); and (2) CMHT (for itself and on behalf of its subsidiaries other than the Group)
Term	:	1 January 2024 to 31 December 2024
Subject matter	:	the Company and CMHT agree that (i) the Group shall sell to CMHT and its subsidiaries (other than the Group) liquor, food and beverages, personal care and health products, household and basic groceries, maternal and infant food and supplies, pet food and supplies and other ancillary services arising from the above sales (the “ CMHT Sales Transactions ”); and (ii) the Group shall procure from CMHT and its subsidiaries (other than the Group) liquor, food and beverages, personal care and health products, household and basic groceries, maternal and infant food and supplies, pet food and supplies and other ancillary services arising from the above procurement (the “ CMHT Procurement Transactions ”).

Procurement and sales order(s) : Pursuant to the CMHT Sales and Procurement Framework Agreement, the parties may, from time to time during the term of the CMHT Sales and Procurement Framework Agreement, enter into specific procurement and sales order(s) in respect of (i) the CMHT Sales Transactions; and (ii) the CMHT Procurement Transactions, which will specify, among others, the type, price, quantity, delivery date of the products to be sold or procured, and other ancillary clauses (if appropriate), which shall be subject to the terms of the CMHT Sales and Procurement Framework Agreement.

Pricing principle : The prices of the CMHT Sales Transactions shall be determined based on the nature of each transaction. The details of pricing will be determined by taking into account comprehensive factors, such as the quality, payment terms and transportation conditions of the products provided by the Group in accordance with CMHT's request on the specifications of the relevant products, after the arm's length negotiation with reference to the prevailing market prices (including the quotation for similar products offered by independent third parties), and on normal commercial terms and terms no less favourable than terms of the transactions between the Group and independent third parties.

Furthermore, prices payable by CMHT to the Group for the products shall be determined as follows:

- (a) where there are market prices for the relevant products, the prices shall be determined with reference to the prevailing market prices, which are the prices offered by the Group to an independent third party customer in respect of the supply or provision of the same or similar products or services on normal commercial terms in the ordinary course of business. In terms of product prices, pricing is generally based on the estimated costs (including but not limited to purchase costs, labor costs and other related costs) incurred in providing the products, and is calculated based on the expected reasonable profit margin level.

- (b) where there are no market prices for the relevant products which meet the specific business needs of CMHT, the prices shall be determined after arm's length negotiation based on the costs of the materials and services plus a charge. The Group expects that the markup on the costs of the materials and services as provided will not be less than 5%.

The prices of the CMHT Procurement Transactions shall be determined based on the nature of each transaction. The details of pricing will be determined by taking into account comprehensive factors, such as the quality, payment terms and transportation conditions of the products provided by CMHT in accordance with the Group's request on the specifications of the relevant products, after the arm's length negotiation with reference to the prevailing market prices (including the quotation for similar products offered by independent third parties), and on normal commercial terms and terms no less favourable than terms of the transactions between the Group and independent third parties.

Furthermore, prices payable by the Group to CMHT for the products shall be determined as follows:

- (a) where there are market prices for the relevant products, the prices shall be determined with reference to the prevailing market prices, which the Group will obtain the prevailing market prices through various channels (if applicable), including (i) recent comparable transactions involving independent third party suppliers; and (ii) contacting independent third party suppliers by phone calls and emails for communication of similar product and service prices.
- (b) where there are no market prices for the relevant products which meet the specific business needs of the Group, the prices shall be determined after arm's length negotiation based on the costs of the materials plus a charge of not more than 15%.

3. ANNUAL CAPS OF THE CMHT SALES AND PROCUREMENT FRAMEWORK AGREEMENT AND BASIS OF DETERMINATION

The table below sets out the historical transaction amounts for each of the Transactions:

	For the year ended 31 March 2021 HK\$'000	For the year ended 31 March 2022 HK\$'000	For the year ended 31 March 2023 HK\$'000	For the nine months ended 31 December 2023 HK\$'000
CMHT Procurement Transactions	–	477	3,341	5,327
CMHT Sales Transactions	–	–	–	252

The table below sets out the Annual Caps of the Transactions for the year ending 31 December 2024:

	For the year ending 31 December 2024 HK\$'000
CMHT Procurement Transactions	35,000
CMHT Sales Transactions	25,600

In determining the CMHT Procurement Annual Cap, the Board has considered generally (i) the historical transaction amounts for the CMHT Procurement Transactions for the three years ended 31 March 2023 and the nine months ended 31 December 2023; (ii) the existing orders for the CMHT Procurement Transactions; (iii) the expected new orders for the CMHT Procurement Transactions and the Group's development plans; and (iv) the cost inflation trend.

In determining the CMHT Sales Annual Cap, the Board has considered generally (i) the historical transaction amounts for the CMHT Sales Transactions for the three years ended 31 March 2023 and the nine months ended 31 December 2023; (ii) the existing orders for the CMHT Sales Transactions; (iii) the expected new orders for the CMHT Sales Transactions and the Group's development plans; and (iv) the cost inflation trend.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE CMHT SALES AND PROCUREMENT FRAMEWORK AGREEMENT

The Group operates a series of chain retail stores that require a diverse array of products from around the world. CMHT is a comprehensive trading company that possesses supply chains for relevant products that meet the needs of the Group. On the other hand, the Group is expanding its business-to-business (B2B) segment. CMHT offers sales channels for these relevant products, thereby broadening our customer bases.

Entering into the CMHT Sales and Procurement Framework Agreement is beneficial for both procurement and B2B sales of the Group. This arrangement not only increases the Group's revenue streams but also ensures a stable supply chain. In addition, the arrangement aligns with the business development needs of the Group, achieving a synergic effect in fair and reasonable manner, and realising resources complementarity and a win-win situation for all parties.

The Group will retain the flexibility and discretion to select suppliers and customers among CMHT and/or other independent third parties based on arm's length negotiations, after taking into consideration commercial terms and other factors.

Based on the aforesaid, the Board (including the independent non-executive Directors) is of the view that the transactions under the CMHT Sales and Procurement Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the CMHT Sales and Procurement Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

As CMHT is a substantial shareholder of the Company, the entering into the CMHT Sales and Procurement Framework Agreement between the Company and CMHT and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios in respect of the Annual Caps exceeds 0.1% but is less than 5%, the Transactions and the Annual Caps are subject to the reporting, announcement and annual review requirements, but exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Li Guanpeng, Ms. Cui Qian, Mr. Lu Rong, Mr. Liu Yunfeng and Mr. Huang Shengchao, executive directors of the Company, have abstained from voting on the relevant resolution(s) of the Board to approve the entering into of the CMHT Sales and Procurement Framework Agreement as they are also directors of CMHT or CMHT's subsidiaries (other than the Group). Save as disclosed above, none of the Directors has any interest in the transactions contemplated under the CMHT Sales and Procurement Framework Agreement and none of them has abstained from voting on the relevant resolution(s) of the Board.

6. INTERNAL CONTROL MEASURES

In order to effectively implement the CMHT Sales and Procurement Framework Agreement, the Group has adopted the following internal control measures:

- (i) relevant members of staff of the business department of the Company (or its subsidiaries) have been designated to monitor the market price of the products to be procured or sold under the CMHT Sales and Procurement Framework Agreement;
 - a. as for the products to be purchased by the Group, the relevant staff will, before the entering into of each individual procurement order in accordance with the CMHT Sales and Procurement Framework Agreement, (a) check quotations on a daily basis for similar products as those to be purchased by the Group; and (b) obtain quotations of similar products from other third suppliers from time to time; and
 - b. as for the products to be sold by the Group, the staffs will, before the entering into of each individual sales order in accordance with the CMHT Sales and Procurement Framework Agreement, (a) check quotations on a daily basis for similar products as those to be sold by the Group; and (b) obtain the final contract prices of the products sold to other third party customers by the Group from time to time;
- (ii) the financial department of the Group will monitor the Transactions under the CMHT Sales and Procurement Framework Agreement on a monthly basis to ensure that the amount of each of the CMHT Procurement Transactions and CMHT Sales Transactions will not exceed the respective Annual Cap. If any of the transaction amount is close to the respective Annual Cap, the management of the Company will renew the Annual Cap or suspend the Transactions, as appropriate;
- (iii) the Company's external auditors will conduct an annual review of the Transactions to ensure that the amount of each of the CMHT Procurement Transactions and CMHT Sales Transactions falls within the respective Annual Cap and that such Transactions are conducted in accordance with the terms set out in the CMHT Sales and Procurement Framework Agreement;

- (iv) the independent non-executive Directors will conduct an annual review of the status of the Transactions to ensure that the Company has complied with the internal approval procedures, the terms of the CMHT Sales and Procurement Framework Agreement and the relevant requirements under the Listing Rules; and
- (v) the financial department of the Group will, from time to time, review and conduct sample checks on the relevant transaction documents and ensure that the pricing principles, the bases of determination of the Annual Caps, and the internal control procedures are complied with.

7. INFORMATION ON THE COMPANY AND CMHT

The Company

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2360). The Group is a leisure food retailer operating chain retail stores under the brands “Best Mart 360” and “FoodVille” in Hong Kong and Macau. The Group offers wide selection of imported pre-packaged leisure foods and other grocery products principally from overseas, which can be broadly categorised into (i) chocolates and confectioneries; (ii) nuts and dried fruits; (iii) packaged bakery products and snacks; (iv) biscuits and pastries; (v) cereals and milk; (vi) beverages and wine; (vii) rice, noodles and groceries; (viii) frozen and chilled food; and (ix) other products, such as personal care products and daily items.

CMHT

CMHT is a company incorporated in Hong Kong with limited liability and is a comprehensive trading company covering food and transportation, with subsidiaries and branches located in China and overseas. It is an indirect wholly-owned subsidiary of CMG.

CMG is a state wholly-owned enterprise established under the laws of the PRC on 14 October 1986 under the direct control of the SASAC. CMG is a large-scale conglomerate with diversified businesses that mainly focus on three core industries, namely comprehensive transportation, featured finance, holistic development and operation of residential communities and industrial parks.

8. DEFINITIONS

Unless otherwise stated, the following expressions have the following meanings in this announcement:

“Annual Caps”	the CMHT Procurement Annual Cap and CMHT Sales Annual Cap
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CMG”	China Merchants Group Limited (招商局集團有限公司), state wholly-owned enterprise established under the laws of the PRC on 14 October 1986 under the direct control of the SASAC, being the ultimate controlling shareholder of CMHT and the Company
“CMHT”	China Merchants Hoi Tung Trading Company Limited (招商局海通貿易有限公司), a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of CMG and a substantial shareholder of the Company
“CMHT Procurement Annual Cap”	the maximum annual transaction amount payable by the Group to CMHT and its subsidiaries (other than the Group) in respect of the CMHT Procurement Transactions
“CMHT Procurement Transactions”	has the meaning ascribed to it under the section headed “The CMHT Sales and Procurement Framework Agreement – Subject matter”
“CMHT Sales Annual Cap”	the maximum annual transaction amount receivable from CMHT or its subsidiaries (other than the Group) to the Group in respect of the CMHT Sales Transactions
“CMHT Sales and Procurement Framework Agreement”	the framework agreement dated 26 January 2024 entered into between the Company and CMHT

“CMHT Sales Transactions”	has the meaning ascribed to it under the section headed “The CMHT Sales and Procurement Framework Agreement – Subject matter”
“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 and whose securities are listed on the Main Board of the Stock Exchange (stock code: 2360)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macao Special Administrative Region of the PRC
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the capital of the Company
“Shareholders”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the CMHT Procurement Transactions and the CMHT Sales Transactions
“%”	per cent.

By order of the Board
Best Mart 360 Holdings Limited
Li Guanpeng
Chairman

Hong Kong, 26 January 2024

As at the date of this announcement, the executive Directors are Mr. Li Guanpeng, Ms. Cui Qian, Mr. Lu Rong, Mr. Liu Yunfeng, Mr. Huang Shengchao, Ms. Wang Kanglin, Mr. Lin Tsz Fung and Ms. Hui Ngai Fan; and the independent non-executive Directors are Mr. Sze Irons, Ms. Choy So Yuk, Ms. Chan Yuen Sau Kelly and Mr. Gao Wei.