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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 TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
TENANCY AGREEMENT

The Board announces that, on 12 April 2024 (after trading hours), CIAO International (a wholly-owned subsidiary of the Company) and Mr. Lin Hiu San Burton entered into the Stanley New Street Tenancy Agreement for a term of three years from 22 April 2024 to 21 April 2027 (both days inclusive).

In accordance with HKFRS 16 “Leases”, the Group is required to recognize an additional asset representing its right to use the Stanley New Street Property, and as a result, the entering into of the Stanley New Street Tenancy Agreement and the transaction 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 Stanley New Street Tenancy Agreement will be recognized as expenses of the Group over the term of the Stanley New Street Tenancy Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE STANLEY NEW STREET TENANCY AGREEMENT

Currently, the Group operates a total of 164 chain retail stores in Hong Kong. The Group’s lease of the Stanley New Street Property to operate the “Best Mart 360°” brand retail store is conducted after comprehensive market research and assessment. The Group considers that the location of the Stanley New Street Property is suitable for the opening of a new “Best Mart 360°” shop, which optimizes the Group’s retail store-location strategy and enhances the Group’s overall performance.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lin Hiu San Burton is the son of Mr. Lin Tsz Fung, a substantial Shareholder and an executive Director. Accordingly, Mr. Lin Hiu San Burton is a connected person of the Company under the Listing Rules. Hence, the payment of the Fixed Base Rents under the Stanley New Street Tenancy Agreement will be regarded as a one-off connected transaction, whereas the payment of the Variable Turnover Rents under the Stanley New Street Tenancy Agreement will be regarded as continuing connected transactions under Rule 14A.31 of the Listing Rules.

1. BACKGROUND

The Board announces that, on 12 April 2024 (after trading hours), CIAO International (a wholly-owned subsidiary of the Company) and Mr. Lin Hiu San Burton entered into the Stanley New Street Tenancy Agreement for a term of three years from 22 April 2024 to 21 April 2027 (both days inclusive).

2. THE STANLEY NEW STREET TENANCY AGREEMENT

The principal terms of the Stanley New Street Tenancy Agreement are summarized as follows:

Date	:	12 April 2024
Parties	:	(1) Lin Hiu San Burton (as landlord) (2) CIAO International (as tenant)
Leased property	:	Stanley New Street Property
Term	:	Three years commencing from 22 April 2024 and expiring on 21 April 2027 (both days inclusive)
Monthly rental	:	(i) monthly base rent of HK\$110,000 (“ Fixed Base Rents ”); and (ii) a turnover rent of 8% monthly gross receipts exceeding the Fixed Base Rents (“ Variable Turnover Rents ”), exclusive of government rates, management charges and other outgoings and inclusive of government rent
Deposit	:	HK\$344,100
User	:	the operation of a retail store under the name of “Best Mart 360° (優品360°)”

The Fixed Base Rents and the Variable Turnover Rents will be financed by the internal resources of the Group.

3. 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 the Stanley New Street Property, and as a result, the entering into of the Stanley New Street Tenancy Agreement and the transaction 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 Base Rents for the entire terms of the Stanley New Street Tenancy Agreement as discounted using a discount rate which is equivalent to the Company’s incremental borrowing rate, the Value of Right-of-Use Assets of the Stanley New Street Tenancy Agreement recognized by the Company in accordance with HKFRS 16 amounted to approximately HK\$3,587,737 (unaudited).

4. ANNUAL CAPS OF THE STANLEY NEW STREET TENANCY AGREEMENT AND BASIS OF DETERMINATION

There are no historical transaction amounts for the transaction under the Stanley New Street Tenancy Agreement.

The Variable Turnover Rents under the Stanley New Street Tenancy Agreement will be recognized as expenses of the Group over the term of the Stanley New Street Tenancy Agreement. The payment of Variable Turnover Rents will constitute continuing connected transactions pursuant to the Listing Rules. The annual caps proposed by the Company (“**Annual Caps**”) for the payment of Variable Turnover Rents are estimated as follows:

	For the year ending 31 December 2024 HK\$’000	For the year ending 31 December 2025 HK\$’000	For the year ending 31 December 2026 HK\$’000	For the year ending 31 December 2027 HK\$’000
Stanley New Street Tenancy Agreement	720	950	950	300

The Annual Caps are determined based on various major factors and assumptions:

- (i) the expected growth in sales turnover generated from the purchasing power and daily needs and necessities from the local community;
- (ii) the Group’s capability in continuously sourcing comprehensive collection of products with quality and competitive prices that are attractive to customers; and
- (iii) a buffer for any unanticipated fluctuations of sales turnover affecting the normal operation of the retail store at the Stanley New Street Property.

5. REASONS FOR AND BENEFITS OF ENTERING INTO THE STANLEY NEW STREET TENANCY AGREEMENT

Currently, the Group operates a total of 164 chain retail stores in Hong Kong. The Group's lease of the Stanley New Street Property to operate the "Best Mart 360°" brand retail store is conducted after comprehensive market research and assessment. The Group considers that the location of the Stanley New Street Property is suitable for the opening of a new "Best Mart 360°" shop, which optimizes the Group's retail store-location strategy and enhances the Group's overall performance.

The terms of the Stanley New Street Tenancy Agreement (including the Fixed Base Rents and the Variable Turnover Rents) were determined after arm's length negotiations between CIAO International and the landlord, with reference to the prevailing market rates of similar properties in the vicinity of such property.

Given that the terms of the Stanley New Street Tenancy Agreement have been negotiated on an arm's length basis and the Stanley New Street Tenancy Agreement is 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 but excluding Mr. Lin Tsz Fung who is the father of Mr. Lin Hiu San Burton) are of the view that the terms and conditions of the Stanley New Street Tenancy Agreement, the transaction contemplated thereunder and the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Mr. Lin Hiu San Burton is the son of Mr. Lin Tsz Fung, a substantial Shareholder and an executive Director. Accordingly, Mr. Lin Tsz Fung has material interests in the transaction contemplated under the Stanley New Street Tenancy Agreement, and had abstained from voting on the resolutions passed by the Board to approve the Stanley New Street Tenancy Agreement, the transaction contemplated thereunder and the Annual Caps. Save as disclosed, none of the Directors has a material interest in the transactions contemplated under the Stanley New Street Tenancy Agreement or is required to abstain from voting on the Board resolutions in relation to the Stanley New Street Tenancy Agreement, the transaction contemplated thereunder and the Annual Caps.

6. LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Lin Hiu San Burton is the son of Mr. Lin Tsz Fung, a substantial Shareholder and an executive Director. Accordingly, Mr. Lin Hiu San Burton is a connected person of the Company under the Listing Rules. Hence, the payment of the Fixed Base Rents under the Stanley New Street Tenancy Agreement will be regarded as a one-off connected transaction, whereas the payment of the Variable Turnover Rents under the Stanley New Street Tenancy Agreement will be regarded as continuing connected transactions under Rule 14A.31 of the Listing Rules.

Reference is made to the 2023 Announcement. On 14 September 2023, CIAO International (as tenant) entered into (i) a tenancy agreement with Glorious Supreme Limited (as landlord) for a term of three years for the lease of the On Yam Estate Property (the “**On Yam Estate Tenancy Agreement**”); and (ii) a tenancy agreement with King Worldwide Holdings Limited (as landlord) for a term of three years for the lease of the Shek Wai Kok Estate Property (the “**Shek Wai Kok Estate Tenancy Agreement**”), respectively. Given that (i) the Agreements were entered into within a 12-month period, and (ii) the landlords under the Agreements are associated with the same connected person, the transactions under the Agreements are aggregated pursuant to Rules 14A.81 to 14A.82 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Aggregated Value of Right-of-Use Assets under the Agreements 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 connected transactions contemplated under the Agreements are subject to the reporting 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 the Variable Turnover Rents under the Stanley New Street Tenancy Agreement will be regarded as continuing connected transactions of the Company. As the highest applicable percentage ratio in respect of the aggregated annual caps for the payment of variable turnover rents under the Agreements is more than 0.1% but less than 5%, and the maximum aggregated annual caps under the Agreements are less than HK\$3,000,000, such continuing connected transactions under the Agreements are exempted from the reporting, annual review, announcement and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

7. INTERNAL CONTROL MEASURES

In order to effectively implement the Agreements, the Group has adopted the following internal control measures:

- (i) relevant members of staff of the tenancy department of the Company (or its subsidiaries) have been designated to review the market price of variable turnover rents provided under the Agreements by obtaining quotations of similar leases from other third party landlords on a monthly basis;
- (ii) the financial department of the Group will monitor the payment of variable turnover rents under the Agreements on a monthly basis to ensure that the amount of payment will not exceed the respective annual cap. If the amount of variable turnover rents is close to the respective annual cap, the management of the Company will renew the relevant annual caps or suspend the relevant transaction under the relevant Agreement, as appropriate;

- (iii) the Company's external auditors will conduct an annual review of the transactions under the Agreements to ensure that the amount of variable turnover rents is within the respective annual caps and that such transactions under the Agreements is conducted in accordance with the terms set out in the respective Agreement;
- (iv) the independent non-executive Directors will conduct an annual review of the status of the transactions under the Agreements to ensure that the Company has complied with the internal approval procedures, the terms of the respective 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.

8. INFORMATION ON THE PARTIES

CIAO International

CIAO International, an indirect wholly-owned subsidiary of the Company, is principally engaged in the retailing of food and beverage, household and personal care products under the "Best Mart 360°" and "FoodVille" brand stores in Hong Kong and wholesaling in Hong Kong.

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 Company is an investment holding company and its subsidiaries are leisure food retailers 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 categorized 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, daily items and anti-epidemic products.

Lin Hiu San Burton

Mr. Lin Hiu San Burton is the son of Mr. Lin Tsz Fung, a substantial Shareholder and an executive Director.

9. DEFINITIONS

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

“2023 Announcement”	the announcement of the Company dated 14 September 2023 on the connected transactions and continuing connected transactions in relation to the On Yam Estate Tenancy Agreement and the Shek Wai Kok Estate Tenancy Agreement
“Aggregated Value of Right-of-Use Assets”	being the unaudited present value of the aggregated fixed base rent for the entire terms of the Agreements as discounted and recognized by the Company in accordance with HKFRS 16 for the right to use of the Stanley New Street Property, the On Yam Estate Property and the Shek Wai Kok Estate Property
“Agreements”	means collectively, the Stanley New Street Tenancy Agreement, the On Yam Estate Tenancy Agreement and the Shek Wai Kok Estate Tenancy Agreement
“Annual Caps”	has the meaning ascribed to it in the section headed “4. Annual Caps of the Stanley New Street Tenancy Agreement and Basis of Determination”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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 (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
“Fixed Base Rents”	has the meaning ascribed to it in the section headed “2. The Stanley New Street Tenancy Agreement – Monthly rental”
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“On Yam Estate Property”	the property located at Shop Nos. 102–102A on the First Floor, Commercial Centre (also known as On Yam Shopping Centre), Commercial/Car Park Block (forming part of Commercial/Car Park Accommodation), On Yam Estate, No.7 On Chuk Street, Kwai Chung, New Territories, Hong Kong
“On Yam Estate Tenancy Agreement”	has the meaning ascribed to it in the section headed “6. Listing Rules Implications”
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holder(s) of the share(s) of the Company
“Shek Wai Kok Estate Property”	the property located at Shop No.328 on the Second Floor, Shopping Centre 1 (forming part of Commercial Block) (also known as Shek Wai Kok Shopping Centre), Shek Wai Kok Estate, 3 Shek Wai Kok Road, Tsuen Wan, New Territories, Hong Kong

“Shek Wai Kok Estate Tenancy Agreement”	has the meaning ascribed to it in the section headed “6. Listing Rules Implications”
“Stanley New Street Property”	the property located at Shops A and B on the Ground Floor, Nos. 3–5 Stanley New Street, Hong Kong
“Stanley New Street Tenancy Agreement”	the tenancy agreement dated 12 April 2024 entered into between CIAO International and Mr. Lin Hiu San Burton in relation to the Stanley New Street Property for a term of three years commencing from 22 April 2024 and expiring on 21 April 2027 (both days inclusive)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Value of Right-of-Use Assets”	being the unaudited present value of the Fixed Base Rent for the entire terms of the Stanley New Street Tenancy Agreement as discounted and recognized by the Company in accordance with HKFRS 16 for the right to use of the Stanley New Street Property
“Variable Turnover Rents”	has the meaning ascribed to it in the section headed “2. The Stanley New Street Tenancy Agreement – Monthly rental”
“%”	per cent.

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

Hong Kong, 12 April 2024

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