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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)

CHANGE IN USE OF PROCEEDS

References are made to the prospectus of Best Mart 360 Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 December 2018 (the “**Prospectus**”) in relation to the listing of the shares of the Company (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited by way of share offer (the “**Share Offer**”), and the interim report of the Company for the six months ended 30 September 2019 (the “**2019 Interim Report**”) dated 27 November 2019 in which the utilisation of proceeds from the Share Offer from the Listing up to 30 September 2019 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to announce that the Board has resolved to change the use of proceeds from the Share Offer.

USE OF PROCEEDS FROM THE SHARE OFFER

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the net proceeds from the Share Offer (“**Net Proceeds**”) (or adjusted on a pro rata basis according to the Net Proceeds) for the following purposes:

- (i) approximately 66.5% of the Net Proceeds, or approximately HK\$154.8 million, will be used for the opening of new retail stores in Hong Kong Island, Kowloon and New Territories (“**Opening of New Retail Stores in HK**”);
- (ii) approximately 13.5% of the Net Proceeds, or approximately HK\$31.3 million, will be used for intensifying and broadening marketing efforts;

- (iii) approximately 10.1% of the Net Proceeds, or approximately HK\$23.5 million, will be used to upgrade information technology systems; and
- (iv) approximately 9.9% of the Net Proceeds, or approximately HK\$23.1 million, will be used for general working capital purposes.

As disclosed in the 2019 Interim Report, the Net Proceeds amounted to approximately HK\$213.7 million (after deducting the underwriting fees and related expenses) which resulted in the allocation of approximately HK\$142.1 million for Opening of New Retail Stores in HK; approximately HK\$28.9 million for intensifying and broadening marketing efforts; approximately HK\$21.6 million for upgrading information technology systems; and approximately HK\$21.1 million for general working capital purposes. As at the date of this announcement, the Net Proceeds utilised were as follows:

Specific use of Net Proceeds	Amount of Net Proceeds allocated approximately <i>HK\$'million</i>	Amount of Net Proceeds utilised up to the date of this announcement approximately <i>HK\$'million</i>	Unutilised amount of Net Proceeds up to the date of this announcement approximately <i>HK\$'million</i>
Opening of New Retail Stores in HK	142.1	50.7	91.4
Intensifying and broadening marketing efforts	28.9	5.6	23.3
Upgrading information technology systems	21.6	3.4	18.2
General working capital	21.1	12.6	8.5
	<u>213.7</u>	<u>72.3</u>	<u>141.4</u>

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$141.4 million (“**Unutilised Net Proceeds**”). After due and careful consideration on the current business environment and development needs of the Group, the Board has resolved to change the use of part of the Unutilised Net Proceeds in the amount of HK\$30.0 million originally allocated for Opening of New Retail Stores in HK to outbound investment (“**Outbound Investment**”), including but not limited to the expansion of the retail business of the Group in The Macau Special Administrative Region (“**Macau**”) of the People’s Republic of China (“**PRC**”) and in the mainland of the PRC (“**PRC Mainland**”). Set out below is the original allocation and revised allocation of the Net Proceeds:

Specific use of Net Proceeds	Amount of Net Proceeds allocated approximately <i>HK\$’million</i>	Amount of Net Proceeds used up to the date of this announcement approximately <i>HK\$’million</i>	Unutilised amount of Net Proceeds up to the date of this announcement approximately <i>HK\$’million</i>	Revised allocation of Unutilised Net Proceeds approximately <i>HK\$’million</i>
Opening of New Retail Stores in HK	142.1	50.7	91.4	61.4
Intensifying and broadening marketing efforts	28.9	5.6	23.3	23.3
Upgrading information technology systems	21.6	3.4	18.2	18.2
General working capital	21.1	12.6	8.5	8.5
Outbound Investment	—	—	—	30.0
	<u>213.7</u>	<u>72.3</u>	<u>141.4</u>	<u>141.4</u>

REASONS FOR CHANGE IN USE OF PROCEEDS

To counterbalance the risks associated with the downturn of retail market in Hong Kong and the uncertainties in the local economic environment, the management of the Group considers that the escalation of the pace of the Outbound Investment will expand the Group’s market coverage and the Group’s customers’ network and could be a catalyst for the Group’s new growth momentum. Hence, it is reasonable to apply part of the Unutilised Net Proceeds to facilitate and expedite the Group’s new business development in the Outbound Investment.

As disclosed in the announcement of the Company dated 12 June 2019, the Company has established a wholly-owned subsidiary in Macau in June 2019. The first retail store of the Group in Macau was opened on 17 December 2019. Further, as disclosed in the announcement of the Company dated 27 December 2019, the Company has established a wholly foreign-owned enterprise in Shenzhen, the PRC, and it is expected that the Group's first retail store in the PRC Mainland will be opened in the forthcoming financial year. While the Group will continue to reinforce its core competitiveness in Hong Kong market, the Board believes that the Outbound Investment of the Group in Macau and in the PRC Mainland will be favourable to the Group's long term business development and will be constructive and supportive to the revenue growth of the Group in the long term.

The Board is of the view that the re-allocation of the Unutilised Net Proceeds will be able to meet the Company's current business and operational needs and is in line with the Group's latest plan of business development. The Board also considers that the proposed change in the use of the Unutilised Net Proceeds will not have any material adverse effect on the existing business and operation of the Group and is in the best interests of the Company and its shareholders as a whole.

The Board will continuously assess the plans for use of the Net Proceeds, and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance of the Group.

Save as disclosed in this announcement, there are no other changes on the use of the Net Proceeds.

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

Hong Kong, 15 January 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.