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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 SUPPLEMENTAL LOAN AGREEMENT IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

SUPPLEMENTAL LOAN AGREEMENT

On 29 February 2024 (after trading hours of the Stock Exchange), Gold-Face (being an indirect wholly-owned subsidiary of the Company), as lender, entered into the Supplemental Loan Agreement with Customer A, as borrower, pursuant to which Gold-Face has agreed to extend the maturity date of the Loan for 6 months to 15 August 2024 conditional upon, among others, the Chargor A granting the Share Charge A2 and the Chargor B granting the Share Charge B in favour of Gold-Face as additional security for the Loan.

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 extension of the Loan under the Supplemental Loan Agreement 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.

SUPPLEMENTAL LOAN AGREEMENT

References are made to the announcements of the Company dated 10 February 2023 and 24 July 2023 (the “**2023 Announcements**”) in relation to, among others, the Loan Agreement. On 30 August 2023, Gold-Face executed a deed of release in respect of the Released Share Charge and the Released Debt Assignment as requested by Customer A and the Charged Company.

On 29 February 2024 (after trading hours of the Stock Exchange), Gold-Face (being an indirect wholly-owned subsidiary of the Company), as lender, entered into the Supplemental Loan Agreement with Customer A, as borrower, pursuant to which Gold-Face has agreed to extend the maturity date of the Loan for 6 months to 15 August 2024 conditional upon, among others, the Chargor A granting the Share Charge A2 and the Chargor B granting the Share Charge B in favour of Gold-Face as additional security for the Loan.

Conditions

The Supplemental Loan Agreement shall take retrospective effect from the Effective Date as Gold-Face has received the following payment or documents on or before the date of the Supplemental Loan Agreement:

- (a) half of the interest on the outstanding principal amount of the Loan of HK\$115,000,000 up to 15 February 2024 in clear available fund on or before 15 February 2024;
- (b) post-dated and signed cheque(s) dated 15 March 2024 in the amount of the remaining half of the interest on the outstanding principal amount of the Loan of HK\$115,000,000 up to 15 February 2024, drawn in favour of Gold-Face;
- (c) post-dated and signed cheque(s) dated the Repayment Date in the principal amount of the Loan together with all interests accrued thereon calculated from 16 February 2024 up to the Repayment Date, drawn in favour of Gold-Face;
- (d) the Share Charge A2 duly executed by the Chargor A and the related ancillary documents required thereunder duly executed by the Chargor A or the person(s) named therein;

- (e) resolutions of the board of directors or the sole director of the Chargor A approving the execution of the Share Charge A2 and the transactions contemplated thereunder and delivery of the Share Charge A2 and authorizing a person or persons to sign on its behalf the Share Charge A2;
- (f) the Share Charge B duly executed by the Chargor B and the related ancillary documents required thereunder duly executed by the Chargor B or the person(s) named therein; and
- (g) resolutions of the board of directors or the sole director of the Chargor B approving the execution of the Share Charge B and the transactions contemplated thereunder and delivery of the Share Charge B and authorizing a person or persons to sign on its behalf the Share Charge B.

Principal terms of the Loan Agreement

Upon the Supplemental Loan Agreement taking effect, the principal terms of the Loan Agreement as amended and supplemented by the Supplemental Loan Agreement are as follows:

- Lender : Gold-Face, an indirect wholly-owned subsidiary of the Company
- Borrower : Customer A
- Principal loan amount : HK\$115.0 million
- Interest rate : 12.0% per annum
- Default interest rate : 12.0% per annum
- Repayment date: : the date falling on the last day of the 18th month period from the date of advance of the Loan, i.e. 15 August 2024 (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 rights 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 rights, 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 involved : (1) the Share Charge A1;
(2) the Share Charge A2;
(3) the Share Charge B;
(4) the Second Legal Charge;
(5) the Debt Assignment; and
(6) the Corporate Guarantee.

INFORMATION ON THE CREDIT RISK RELATING TO THE EXTENSION OF THE LOAN

The extension of the Loan was made on the basis of the Group's credit assessments on (i) the value of all the collaterals provided by Customer A; (ii) the loan-to-value ratio of the charged assets under the Loan of approximately 10% (which has not reflected the value of the PRC Property owned by the PRC Subsidiaries of approximately RMB8.58 billion (equivalent to approximately HK\$9.22 billion) as at 31 December 2023); (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 extension. 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.

Set out below are the latest valuation of all the collaterals provided by Customer A available to the Group:

Share Charge A1 and Share Charge A2

The securities created under the Share Charge A1 and the Share Charge A2 together constitute 100% of the issued share capital of the HK Charged Company. As disclosed in the 2023 Announcements, the HK Charged Company is the holding company of the PRC Subsidiaries which are the registered owners of the PRC Property. The book value of the PRC Property attributable to the PRC Subsidiaries is approximately RMB3.64 billion (equivalent to approximately HK\$3.91 billion) as at 31 December 2023. According to the valuation performed by an independent valuer, the market value of the PRC Property attributable to the PRC Subsidiaries amounted to approximately RMB8.58 billion (equivalent to approximately HK\$9.22 billion) as at 31 December 2023, which was assessed (a) for such property held for sale in the PRC, using market comparison method which makes reference to comparable sales evidence as available in the relevant market; (b) for such property held for investment in the PRC, using investment method which assesses the value by capitalizing the rental derived from existing tenancies with due provision of the reversionary rental potential of the PRC Property; and (c) for such property held under development in the PRC, using market comparison method which makes reference to comparable sales transactions as available in the relevant market and, where appropriate, takes into account the expended construction costs and the costs that will be expended to complete the developments.

Based on the latest available management accounts of the HK Charged Company, the HK Charged Company has net assets of approximately RMB647 million (equivalent to approximately HK\$695 million) as at 31 December 2023. The HK Charged Company is an investment holding company, the principal assets of which are the investment in the PRC Subsidiaries (which in turn hold the PRC Property) and is financed by shareholder's loan (which has already been assigned to Gold-Face by way of the Debt Assignment). The latest valuation of the PRC Property attributable to the PRC Subsidiaries disclosed above has not been reflected in the aforesaid net assets value of the HK Charged Company. Compared with the audited financial statements as at 31 December 2022 provided to Gold-Face, the nature of principal business, assets and liabilities of the HK Charged Company have remained the same.

Share Charge B

The recoverable value of the Share Charge B is approximately HK\$296 million based on the latest available closing price per H share of the Listco up to the date of this announcement.

Second Legal Charge

The recoverable value of the Second Legal Charge is approximately HK\$26.5 million after taking into account the updated valuation as at 15 February 2024 performed by an independent property valuer engaged by Gold-Face on the Property which was assessed on a market value basis and the First Legal Charge.

Debt Assignment

The outstanding balance of the shareholder's loan due from the HK Charged Company to the Assignor amounts to approximately RMB128.2 million (equivalent to approximately HK\$137.8 million) as at 31 December 2023.

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.

Based on an updated 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 within 12 months. Customer A is also an existing customer with no default record.

The outstanding amount of approximately HK\$35 million owed by Customer A and his associates, as disclosed in the 2023 Announcements, have been fully repaid as at the date hereof. Apart from the Loan Agreement, there is no other outstanding loan due from Customer A and its associates to the Company.

INFORMATION ON CHARGOR A, CHARGOR B AND THE LISTCO

Chargor A

Chargor A is a company incorporated in the British Virgin Islands with limited liability which is now indirectly wholly-owned by Customer A. As at the date of this announcement, Customer A is also the sole director of Chargor A. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Chargor A and its ultimate beneficial owner (i.e. Customer A) is an Independent Third Party.

Chargor B

Chargor B is a company incorporated in Hong Kong with limited liability which is indirectly wholly owned by Customer A. As at the date of this announcement, Customer A is also the sole director of Chargor B. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Chargor B and its ultimate beneficial owner (i.e. Customer A) is an Independent Third Party.

Listco

Listco is a joint stock company incorporated in the PRC with limited liability, the issued H shares of which are listed on main board of the Stock Exchange, which is principally engaged in banking business and provision of financial services in the PRC.

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

As money lending is one of the principal business activities of the Group, the extension of the Loan to Customer A is in the ordinary and usual course of business of the Group.

The terms of the Supplemental Loan Agreement were arrived at by Gold-Face and

Customer A after arm's length negotiations, with reference to the prevailing commercial practice. In assessing the credit risks involved in the extension of the Loan, the Group considered that Customer A is willing to grant further security for the Loan including (a) the Share Charge A2 involving 70% of the issued share capital of the HK Charged Company, which together with the security constituted by the Share Charge A1 amounts to 100% of the issued share capital of the HK Charged Company; and (b) the Share Charge B involving approximately 4% of the issued H shares of the Listco with a recoverable value of approximately HK\$296 million. As such, the Group agreed to extend the maturity date of the Loan for 6 months at the request of Customer A.

Coupled with the additional interest income to be generated by the extension of the Loan and the provision of the Share Charge A2 and the Share Charge B as additional security for the Loan, the Directors consider that the terms of the Supplemental Loan Agreement are of normal commercial terms, fair and reasonable and the entering into of the Supplemental 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 extension of the Loan under the Supplemental Loan Agreement 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 current transaction is not a new grant of loan or an entirely new transaction but an extension of the previous Loan, the information of which has also been disclosed in the 2023 Announcements; (ii) the disclosure of Customer A's identity serves little purpose in assisting the Shareholders to evaluate the creditworthiness of Customer A and the risks and exposure of the extension of the Loan; and (iii) the Company has made alternative disclosures in respect of the extension of the Loan in this announcement, including but not limited to, the updated credit rating of Customer A, details of the collaterals and loan-to-value of the collaterals under the Loan, which would be much more meaningful for the Shareholders in assessing the risks and exposure of the extension 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:

“Assignor”	a Hong Kong individual and the spouse of Customer A
“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 held not less than 99.99% of the issued share capital of the Sports Team immediately before the release of the Released Share Charge and the Released Debt Assignment
“Charged Shares B”	approximately 53 million issued H shares of the Listco held by the Chargor B which are subject to a prior charge for a loan due from Customer A in favour of an Independent Third Party, representing approximately 4% of the issued H shares of the Listco as at the date hereof
“Chargor A”	a company incorporated in the British Virgin Islands with limited liability which beneficially owns the entire issued share capital of the HK Charged Shares
“Chargor B”	a company incorporated in Hong Kong with limited liability which beneficially owns the Charged Shares B

“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)
“Corporate Guarantee”	a guarantee dated 24 July 2023 executed by the HK Charged Company in favour of Gold-Face
“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 an individual and a merchant independent of and not connected with the Group, whose information is set out in the section headed “Information on Customer A” in this announcement
“Debt Assignment”	a deed of assignment dated 24 July 2023 in respect of a shareholder’s loan in the sum of approximately RMB121,985,000 (equivalent to approximately HK\$131,134,000) owed by the HK Charged Company to the Assignor and all obligations, liabilities and other debts owing or incurred by the HK Charged Company to the Assignor from time to time
“Director(s)”	the director(s) of the Company
“Effective Date”	15 February 2024
“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

“HK Charged Company”	a company incorporated in Hong Kong with limited liability which is wholly and beneficially owned as to 100% by a company incorporated in the British Virgin Islands with limited liability which is in turn indirectly wholly-owned by Customer A
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Listco”	a joint stock company incorporated in the PRC with limited liability and the issued H shares of which are listed on main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan with the principal amount of HK\$115 million granted by Gold-Face to Customer A pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 10 February 2023 entered into between Gold-Face and Customer A in respect of the Loan
“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 purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“PRC Property”	a property development project for mixed residential, commercial and recreation use in Foshan, the PRC which the PRC Subsidiaries are involved in
“PRC Subsidiaries”	the subsidiaries of the HK Charged Company in the PRC which are principally engaged in property development in the PRC
“Property”	a residential property and a car park located in Mid-Levels Central, Hong Kong registered in the name of Customer A
“Released Debt Assignment”	a deed of assignment dated 10 February 2023 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 which was released and discharged on 30 August 2023
“Released Share Charge”	a share charge dated 10 February 2023 over the entire equity interest in the Charged Company in favour of Gold-Face which was released and discharged on 30 August 2023
“Repayment Date”	the date falling on the last day of the 18 th month period from the date of advance of the Loan, i.e. 15 August 2024 (or such other date as may be extended by Gold-Face), or where relevant, the date referred to in the Loan Agreement (as supplemented by the Supplemental Loan Agreement) when the Loan and all monies payable under the Loan Agreement (as supplemented by the Supplemental Loan Agreement) shall be due and payable
“Second Legal Charge”	a second legal charge dated 10 February 2023 in respect of a residential property and a car park located in Mid-Levels Central, Hong Kong 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

“Security Documents”	including the Share Charge A1, the Share Charge A2, the Share Charge B, the Second Legal Charge, the Debt Assignment and the Corporate Guarantee
“Share Charge A1”	a share charge dated 24 July 2023 over 30% of the issued share capital of the HK Charged Company in favour of Gold-Face
“Share Charge A2”	a share charge executed by Chargor A over 70% of the issued share capital of the HK Charged Company (other than those issued shares of the HK Charged Company already charged to Gold-Face under the Share Charge A1) in favour of Gold-Face
“Share Charge B”	a second priority share charge executed by Chargor B over the Charged Shares B in favour of Gold-Face
“Sports Team”	a sports team participating in Ligue 2, the French professional football league
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Agreement”	the supplemental loan agreement dated 29 February 2024 entered into between Gold-Face and Customer A in relation to the extension of the Loan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By order of the Board
Upbest Group Limited
AU-YONG Shong, Samuel
Company Secretary

Hong Kong, 29 February 2024

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rates of RMB1.00 to HK\$1.0750. These exchange rates are adopted for the purpose of illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at these rates or any other rates at all.

As at the date of this announcement, the Board of the Company 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 and Mr. CHENG Wai Lun, Andrew 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*