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BEST FOOD HOLDING COMPANY LIMITED

百福控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01488)

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 13 January 2020, the Company and the Investor entered into the Investment Agreement pursuant to which the Company agreed to issue and the Investor agreed to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$780,000,000.

As at the date of this announcement, the Company has a total of 1,578,644,000 Shares in issue. Assuming there is no change in the issued share capital of the Company and the Convertible Bonds are subscribed in full, and assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.18 per Share, the Convertible Bonds will be convertible into 661,016,949 Conversion Shares, representing approximately 41.87% of the existing issued share capital of the Company as at the date of this announcement and approximately 29.51% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to the Independent Shareholders' approval at the EGM. The net proceeds from the Subscription are estimated to be approximately HK\$779.3 million.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. Application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

* For identification purpose only

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sonic Tycoon holds 1,183,998,000 Shares, representing 75% of the existing issued share capital of the Company. Sonic Tycoon is a controlling shareholder of the Company. Sonic Tycoon is a non-wholly owned subsidiary of Fortune Eight Alps Limited, which is a wholly owned subsidiary of Hony Capital Fund VIII (Cayman), L.P., an exempted limited partnership managed by Hony Capital Fund VIII (as sole general partner), which is managed by its sole general partner, Hony Capital Fund VIII GP (Cayman) Limited, which is wholly owned by Hony Group Management, which is owned as to 80% by Hony Managing Partners, which is wholly owned by Exponential Fortune. As at the date of this announcement, the Investor is a wholly-owned subsidiary of Hony Capital, which is in turn wholly-owned by Hony Capital Group. Hony Capital Group is indirectly controlled by Hony Managing Partners, a wholly-owned subsidiary of Exponential Fortune, a controlling shareholder of the Company which is ultimately controlled by Mr. Zhao. The Investor is thus an associate of the controlling shareholder of the Company under Chapter 14A of the Listing Rules and a connected person of the Company. Accordingly, the Investment Agreement and the transactions contemplated thereunder constitute connected transaction of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to make recommendation to the Independent Shareholders regarding the Investment Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, *inter alia*, the Investment Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further information on (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the letter of recommendation from the Independent Board Committee in relation to the Investment Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser in relation to the Investment Agreement and the transactions contemplated thereunder; and (v) a notice of the EGM, is expected to be despatched by the Company to the Shareholders on or before 17 February 2020 as additional time is required for the preparation of the relevant information for inclusion in the circular.

As the Subscription is subject to the fulfilment (or waiver, as applicable) of the Conditions Precedent and may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.

INVESTMENT AGREEMENT

On 13 January 2020, the Company entered into the Investment Agreement with the Investor pursuant to which, among other things, the Company agreed to issue, and the Investor agreed to subscribe for the Convertible Bonds in the aggregate principal amount up to HK\$780,000,000.

Principal terms of the Investment Agreement are set out below.

Date

13 January 2020

Parties

- (1) The Company; and
- (2) the Investor.

Subscription

Subject to the fulfillment or, if applicable, waiver of the Conditions Precedent, the Investor agrees to subscribe for, and the Company agrees to issue to the Investor, the Convertible Bonds in the aggregate principal amount up to HK\$780,000,000 in accordance with the terms of the Investment Agreement.

At any time during the Availability Period, the Company may deliver Subscription Request(s) to the Investor requesting the Investor to subscribe for Convertible Bonds in the principal amount as specified in such Subscription Request(s). On the Closing Date of each of such Subscription, the Company shall issue Convertible Bonds in the principal amount as specified in the relevant Subscription Request and the Investor shall subscribe for such Convertible Bonds.

Conditions Precedent

The obligations of the Company to issue and the Investor to subscribe for the Convertible Bonds at an aggregate amount of up to HK\$780,000,000 in accordance with Investment Agreement is subject to the satisfaction of each of the following conditions:

- (a) the Stock Exchange having approved the listing of, and granted permission to deal in, the Conversion Shares;
- (b) the Company having obtained from the Shareholders all necessary approvals required under the Articles, applicable law and the Listing Rules:
 - (i) to issue the Convertible Bonds subscribed for under the Investment Agreement to the Investor;
 - (ii) to issue the Conversion Shares;

- (c) all necessary approvals and consents by government, regulatory authorities (including but not limited to the Stock Exchange and the SFC) and any other party in respect of the Investment Agreement and the transactions contemplated under the Investment Agreement (including the issuance of the Convertible Bonds) having been obtained or waived by the relevant party(ies); and
- (d) no court or other governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restricts, enjoins or otherwise prohibits consummation of the Subscription or any of the other transactions contemplated under the Investment Agreement.

The obligation of the Investor to consummate a Subscription is further subject to the satisfaction or waiver (where permissible) of each of the following additional conditions:

- (a) the representations and warranties of the Company set out under the Investment Agreement being true and correct in all material respects as of the respective Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date (the “**Company Representations Condition**”);
- (b) the Company shall have performed or complied with, in all material respects, all agreements and covenants required by the Investment Agreement to be performed or complied with by it prior to the respective Closing Date;
- (c) the Company shall have delivered to the Investor a certificate, dated the respective Closing Date, signed by a Director, confirming or certifying as to the satisfaction of the conditions specified in paragraphs (a) and (b) above and (d) below; and
- (d) since the date of the Investment Agreement, there shall not have been any development, fact, circumstance, condition, event, change, occurrence or effect, individually or in the aggregate, that would have or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole.

The obligation of the Company to consummate a Subscription is further subject to the satisfaction or waiver (where permissible) of each of the following additional conditions:

- (a) the representations and warranties of the Investor set out under the Investment Agreement being true and correct in all material respects as of the respective Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date (the “**Investor Representations Condition**”); and
- (b) the Investor shall have performed or complied with, in all material respects, all agreements and covenants required by the Investment Agreement to be performed or complied with by it prior to the respective Closing Date.

Closing

Closing of a Subscription will take place on the respective Closing Date.

Termination of the Investment Agreement

The Investment Agreement may be terminated as follows:

- (a) upon occurrence of an event of Change of Control;
- (b) by mutual written consent of the parties;
- (c) by any party if:
 - (i) the other party shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Investment Agreement, which breach or failure to perform (A) would give rise to the failure of the Company Representations Condition or the Investor Representations Condition, as the case may be; and (B) if capable of being cured, has not been cured by the breaching party within fifteen (15) Business Days after its receipt of written notice of such breach from the non-breaching party; or
 - (ii) any governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any injunction, which shall have become final or non-appealable, that restrains, enjoins or otherwise prohibits the subscription of the Convertible Bonds.

Covenants of the Company

The Company has covenanted with the Investor that:

- (a) it shall pay any stamp, issue, registration, documentary or other taxes and duties payable in connection with the creation and issue of the Convertible Bonds, the issue and allotment of the Conversion Shares on the conversion of the Convertible Bonds or the execution or delivery of the Investment Agreement, the Bond Instrument and the Bond Certificate;
- (b) it shall promptly notify the Investor (and the Investor shall also promptly notify the Company) in writing of (i) any notice from any governmental authority in connection with the Investment Agreement or the Subscription or any person alleging that consent of such person is or may be required in connection with such Subscription; (ii) the discovery of any fact or circumstance that would reasonably be expected to cause or result in any Condition Precedent not being satisfied or the satisfaction of any Condition Precedent being materially delayed; or (iii) any change affecting any of its representations, warranties, agreements and indemnities in the Investment Agreement and take such steps as may be reasonably requested by the other party to remedy the same; and

- (c) as long as the Convertible Bonds remain outstanding (in part or in full), the Company will use its commercially reasonable endeavours to take all action necessary to maintain the listing of its Shares on the Stock Exchange.

Indemnity

Each of the Investor and the Company shall indemnify and keep indemnified the other party against any loss, liability, damages, costs or expenses (including legal expenses) suffered or incurred by the other party as a result of or in connection with, directly or indirectly, any breach of the representations, warranties and undertakings under the Investment Agreement.

Specific Mandate

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

Application for listing

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out below:

Principal amount:	An amount to be specified in the Subscription Request.
Issue price:	100% of the principal amount.
Interest:	The Convertible Bonds do not carry any interest.
Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company shall repay to the Bondholders an amount equal to the principal amount on the fifth anniversary of the Issue Date, or, subject to the agreement of the Bondholders, the seventh anniversary of the Issue Date.
Conversion rights:	The Bondholder(s) have the right to convert the Convertible Bonds into Shares at any time on or before the Maturity Date.
Conversion Price:	Conversion Price of the Convertible Bonds shall be HK\$1.18 per Conversion Share, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds.

Adjustments to the
Conversion Price:

The Conversion Price is subject to adjustment upon the occurrence of certain prescribed events under the control of the Company, namely, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, dividends or capital distribution, rights issues of shares or options over shares, rights issues of other securities and modification of rights of conversion, other offers to shareholders such as an issue, sale or distribution of securities by or on behalf of the Company or any of its subsidiary and other event determined by the Company that an adjustment should be made to the conversion price after consulting a leading investment bank of international repute selected by the Company and approved by an ordinary resolution of the Bondholders, to be in their opinion appropriate to give the intended result that such adjustment would be fair and reasonable to take provided that the per Share value of such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Company's equity caused by such event.

Conversion period:

The Bondholders have the right to convert any Convertible Bond into Shares at any time on or after the Issue Date up to and including the Maturity Date.

Redemption and purchase:

Unless previously redeemed, purchased, cancelled or converted, the outstanding Convertible Bonds will only be redeemed by the Company on the Maturity Date at an amount equal to its principal amount plus accrued interest (if any) and all other amounts accrued or outstanding under the Convertible Bond which remain unpaid on the Maturity Date.

Following the occurrence of a Change of Control, each Bondholder will have the right at such Bondholder's option, to require the Company to redeem in whole but not in part such Bondholder's Convertible Bonds at the HK\$ equivalent of their Early Redemption Amount.

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right to require the Company to redeem, in whole but not in part only, such Bondholder's Convertible Bonds on the 20th Business Day after the notice to the Company of such request for redemption, at the Early Redemption Amount.

The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations upon which such Convertible Bonds shall be cancelled.

Events of default:

If any of the following events occurs, the Bondholders may, acting by ordinary resolution, declare the relevant Convertible Bonds immediately due and payable at the Early Redemption Amount:

- (a) the Shares (as a class) cease to be listed on the Stock Exchange;
- (b) a default is made by the Company in the payment of any principal, premium or any other amount due in respect of the Convertible Bonds within ten (10) Business Days from the due date for payment (except where failure to pay is caused by administrative or technical error and payment is made within five days of its due date);
- (c) failure by the Company to deliver the Shares as and when such Shares are required to be delivered following conversion of a Convertible Bond and such failure continues for a period of ten days;
- (d) the Company fails to perform or comply with one or more of its other obligations in the Convertible Bonds which default is incapable of remedy or, if capable of remedy, is not remedied within thirty (30) Business Days after written notice of such default shall have been given to the Company by a Bondholder;
- (e) the Company or any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due or takes any proceeding under any law for readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or by reason of actual financial difficulties commences negotiation with its creditors generally with a view to rescheduling any or all of its debts, or proceedings for any of the foregoing are initiated and are not discharged or stayed within a period of 30 days;

- (f) any final judgment or order for the payment of money in excess of HK\$50,000,000 (or the equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any Principal Subsidiary and shall not be bonded, paid or discharged for a period of 90 days following such judgment during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) (i) any other present or future indebtedness of the Company or any of its Principal Subsidiaries for or in respect of monies borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Company or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this condition (g) have occurred equals or exceeds HK\$50,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the HK\$ as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- (h) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its Principal Subsidiaries, which is material to the Company and its Subsidiaries as a whole, and is not discharged or stayed within 30 days;
- (i) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Principal Subsidiaries, or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by a Special Resolution of the Bondholders;

- (j) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Company or any of its Principal Subsidiaries (as the case may be) and is not discharged within 30 days;
- (k) it is or will become unlawful for the Company to perform or comply with any one or more of its material obligations under the Convertible Bonds;
- (l) any seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Principal Subsidiaries, which is material to the Company and its Subsidiaries as a whole;
- (m) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to exercise its rights and perform and comply with its obligations under the Convertible Bonds; or (ii) to ensure that these obligations are legally binding and enforceable, is not taken, fulfilled or done; or
- (n) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this condition.

Limitation on conversion:

The Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules or result in any mandatory general offer obligation being triggered under the Hong Kong Code on Takeovers and Mergers unless the mandatory general offer obligation is being complied with or otherwise a waiver by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission is obtained.

Transferability:

The Convertible Bonds are freely transferrable by the Investor in whole or in to any person subject to compliance with all applicable Laws, provided that the principal amount to be assigned shall be at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 (or a smaller amount representing the whole Convertible Bonds).

Voting:	The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Bondholders.
Ranking of the Convertible Bonds:	The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions provided by mandatory provisions of applicable laws under the terms and conditions of the Convertible Bonds, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.
Form and denomination:	The Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each. A certificate will be issued to each Bondholder in respect of its registered holding of the Convertible Bonds.
Listing:	No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.
Default interest:	If the Company fails to pay any sum in respect of the Convertible Bonds when it becomes due and payable, interest shall accrue on the overdue sum at the rate of 5% per annum.

Number of Conversion Shares

As at the date of this announcement, the Company has a total of 1,578,644,000 Shares in issue. Assuming there is no change in the issued share capital of the Company and the Convertible Bonds are subscribed in full, and assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.18 per Share, the Convertible Bonds will be convertible into 661,016,949 Conversion Shares, representing approximately 41.87% of the existing issued share capital of the Company as at the date of this announcement and approximately 29.51% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Price

The initial Conversion Price for each Conversion Share is set at HK\$1.18. This represents:

- (i) a premium of approximately 7.27% to the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a premium of approximately 9.87% to the average closing price of approximately HK\$1.074 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 10.69% to the average closing price of approximately HK\$1.066 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day; and
- (iv) a premium of approximately 9.19% to the average closing price of approximately HK\$1.08 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiation between the Company and the Investor with reference to, among other things, the initial conversion price of the Existing CBs of HK\$1.18 per Share, the recent trading price and trading volume of the Shares on the Stock Exchange, as well as the assets, liabilities, financial performance and business condition of the Company.

Specific mandate

The Company will seek approval of the Specific Mandate from the Independent Shareholders at the EGM to allot and issue the Conversion Shares.

Application for listing

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. Application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE GROUP

The Group is principally engaged in the implementation of the dual-wheel driven strategy in chain restaurant business using investment management and operation management.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

Use of Proceeds

Subject to completion of the Subscription of the Convertible Bonds in full, the aggregate gross proceeds from the Subscription will be HK\$780 million, and the aggregate net proceeds from the Subscription, after deduction of all the relevant costs and expenses, are estimated to be approximately HK\$779.3 million. Based on such estimated net proceeds and the total number of Conversion Shares (assuming conversion of the Convertible Bonds in full at the initial Conversion Price of HK\$1.18 per Conversion Share), the net price received by the Company for each Conversion Share is approximately HK\$1.1789.

The Company intends to apply the net proceeds arising from the issue of the Convertible Bonds in the following manner:

- (a) approximately HK\$500 million for funding potential acquisitions of branded chain restaurants;
- (b) approximately HK\$50 million for expanding store network by establishment of direct stores and franchise. The Group currently targets to open or decorate more than 20 direct stores and open more than 50 franchise stores in the year 2020;
- (c) approximately HK\$15 million for upgrading digital operation system and the development of the central kitchen in Tianjin, including upgrading hardware system of the Group, purchase of new machinery and software, recruitment of professionals, and also purchase of new equipment, renovation of the building and enlargement of the warehouses;
- (d) approximately HK\$74.3 million for general working capital of the Group and financing operating costs including administrative expenses and distribution expenses; and
- (e) approximately HK\$140 million for the payment in relation to the put right of non-controlling interests of Beijing New Spicy Way Catering Management Ltd. (if applicable).

Reasons for and benefits of the Subscription

The Company has been considering and exploring appropriate business development by acquisitions and/or expansion of existing business. As stated in the section headed “Management Discussion and Analysis” in the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), the Group intends to improve the store coverage of its food and beverage business by various means such as establishing direct stores and franchises, as well as allocate resources on new business or asset acquisition opportunities.

Based on the unaudited financial statements of the Company for the six months ended 30 June 2019 as stated in the 2019 Interim Report, the cash and cash equivalents of the Group decreased by over 56.23% from approximately RMB302,277,000 as at 31 December 2018 to RMB132,296,000 as at 30 June 2019. Such decrease was mainly attributable to the payment of consideration payable for acquisition of Beijing New Spicy Way Catering Management Ltd. in the amount approximately equal to RMB139,500,000 and the purchases of property, plant and equipment in the amount approximately RMB25,160,000.

The Directors consider that it is in the interests of the Company to raise funds for long-term development and strengthen the financial position of the Group, such that the Company will have available funds to capture business opportunities and develop its existing businesses. The Company is in the course of discussing with potential targets and identifying acquisition opportunities in the food and beverage industry. As the Company plans to conduct acquisitions when appropriate opportunities arise, the Company considers that having a substantial amount of readily available funds will enable it to be more flexible and competitive when negotiating acquisitions against other competitors.

As such, the Directors consider that the Subscription (i) represents a good opportunity for the Company to raise a substantial amount of funds for its future acquisitions with no immediate cost impact and (ii) will facilitate the Company to better structure its acquisitions in a more efficient and cost effective way.

Alternative means of financing

Apart from the Subscription, the Company has also considered other financing alternatives such as bank borrowings and other equity financing:

- (a) With respect to bank borrowings, the Directors note that the ability for the Group to obtain bank borrowings largely depends on the Group's profitability, financial position and the then prevailing market condition. However, given the less than satisfactory financial performance of the Group, the highest amount of the facility proposed to be granted by a bank was limited with a higher interest rate and the requirement of collateral from the Group as security for the facility.
- (b) With respect to equity financing, the Group has considered several means including (such as placement of Shares or convertible bonds to independent third parties, rights issue and/or open offer). The Group has approached two securities brokerage firms between December 2019 and January 2020 to explore the possibility and feasibility to identify potential investors for equity financing, but did not receive any concrete feedback from those financiers in light of the financial position of the Group and the sluggish stock market sentiment.

Having considered the alternative fund raising methods, the Company resolved to proceed with the Subscription as (i) the Subscription enables the Company to raise a considerable amount of fund for a longer period to strengthen the financial position of the Group; (ii) pursuant to the Investment Agreement, no Convertible Bonds will be issued by the Group unless and until the Company delivers a Subscription Request within the Availability Period; (iii) save in the event of early redemption by the Bondholder whereby interest representing 8% of the internal rate of return of the principal amount of the Convertible Bonds will be applicable, the Convertible Bonds bears zero coupon interest, which will not create cash flow burden to the Group; and (iv) the Group is yet to receive any concrete feedback from potential financiers or investors.

Having considered the above, the Directors (excluding members of the Independent Board Committee whose opinion will be set forth in the circular after having been advised by the Independent Financial Adviser) consider that notwithstanding that the entering of the Investment Agreement is not in the ordinary and usual course of business of the Company, the terms of the Investment Agreement (including the initial Conversion Price of the Conversion Shares) are on normal commercial terms and the Subscription is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE INVESTOR

To the best of the knowledge, information and belief of the Company after having made all reasonable enquiries, as at the date of this announcement, the Investor is a wholly-owned subsidiary of Hony Capital, which is in turn wholly-owned by Hony Capital Group. Hony Capital Group is indirectly controlled by Hony Managing Partners, a wholly-owned subsidiary of Exponential Fortune Group, a controlling shareholder of the Company which is ultimately controlled by Mr. Zhao. The Investor is principally engaged in investment holding.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.18 per Share (assuming none of the Existing CBs has been converted), and (iii) upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.18 per Share (assuming all of the Existing CBs have been converted), and in each case, assuming that there is no other change in the issued share capital and the shareholding structure of the Company from the date of this announcement and the Convertible Bonds are subscribed in full:

Shareholder	As at the date of this announcement		Upon full conversion of the Convertible Bonds (assuming no conversion of the Existing CBs)		Upon full conversion of the Convertible Bonds (assuming full conversion at the Existing CBs)	
	Number	Approx.	Number	Approx.	Number	Approx.
	of Shares	%	of Shares	%	of Shares	%
Sonic Tycoon ^(Note)	1,183,998,000	75%	1,183,998,000	52.86%	1,701,520,440	61.71%
The Investor	0	0%	661,016,949	29.51%	661,016,949	23.97%
Sub-total	<u>1,183,998,000</u>	<u>75%</u>	<u>1,845,014,949</u>	<u>82.38%</u>	<u>2,362,537,389</u>	<u>85.69%</u>
Other Shareholders	<u>394,666,000</u>	<u>25%</u>	<u>394,666,000</u>	<u>17.62%</u>	<u>394,666,000</u>	<u>14.31%</u>
Total	<u><u>1,578,664,000</u></u>	<u><u>100%</u></u>	<u><u>2,239,680,949</u></u>	<u><u>100%</u></u>	<u><u>2,757,203,389</u></u>	<u><u>100%</u></u>

Note: As at the date of this announcement, Sonic Tycoon holds 1,183,998,000 Shares and is beneficially interested in the Existing CBs in the principal amount of HK\$610,676,480 which is convertible into 517,522,440 Shares at the initial conversion price of HK\$1.18 per Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities from the issue of equity securities in the twelve-month period immediately preceding the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sonic Tycoon holds 1,183,998,000 Shares, representing 75% of the existing issued share capital of the Company. Sonic Tycoon is a controlling shareholder of the Company. Sonic Tycoon is a non-wholly owned subsidiary of Fortune Eight Alps Limited, which is a wholly owned subsidiary of Hony Capital Fund VIII (Cayman), L.P., an exempted limited partnership managed by Hony Capital Fund VIII (as sole general partner), which is managed by its sole general partner, Hony Capital Fund VIII GP (Cayman) Limited, which is wholly owned by Hony Group Management, which is owned as to 80% by Hony Managing Partners, which is wholly owned by Exponential Fortune. As at the date of this announcement, the Investor is a wholly-owned subsidiary of Hony Capital, which is in turn wholly-owned by Hony Capital Group. Hony Capital Group is indirectly controlled by Hony Managing Partners, a wholly-owned subsidiary of Exponential Fortune, a controlling shareholder of the Company which is ultimately controlled by Mr. Zhao. The Investor is thus an associate of the controlling shareholder of the Company under Chapter 14A of the Listing Rules and a connected person of the Company. Accordingly, the Investment Agreement and the transactions contemplated thereunder constitute connected transaction of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, Sonic Tycoon holds 1,183,998,000 Shares, representing 75% of the existing issued share capital of the Company. Sonic Tycoon shall abstain from voting on the resolution to be proposed at the EGM for approving the Investment Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to make recommendation to the Independent Shareholders regarding the Investment Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, *inter alia*, to the Investment Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further information on (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the letter of recommendation from the Independent Board Committee in relation to the Investment Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser in relation to the Investment Agreement and the transactions contemplated thereunder; and (v) a notice of the EGM, is expected to be despatched by the Company to the Shareholders on or before 17 February 2020 as additional time is required for the preparation of the relevant information for inclusion in the circular.

As the Subscription is subject to the fulfilment (or waiver, as applicable) of the Conditions Precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Articles”	the memorandum and articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Availability Period”	a period of two years commencing on the next Business Day of the date when the Conditions Precedent set out in the Investment Agreement are fulfilled
“Board”	the board of Directors
“Bond Certificate”	a certificate in respect of a Bondholder’s registered holding of Convertible Bonds issued to each Bondholder pursuant to the terms of the Bond Instrument
“Bond Instrument”	the instrument to be executed as a deed by the Company constituting the Convertible Bonds
“Bondholder(s)”	at any time the person who is (are) for the time being the registered holder(s) of the Convertible Bonds
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of a surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered
“Change of Control”	<p>(i) Sonic Tycoon ceases, directly or indirectly, to be able to exercise or control the exercise of 30% or more of the voting rights attaching to the issued share capital of the Company (a “Control Stake”);</p> <p>(ii) Sonic Tycoon ceases to be the single largest shareholder of the Company;</p> <p>(iii) any person or persons (other than the Investor), acting individually or together, directly or indirectly, acquires a Control Stake in the Company; or</p>

(iv) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring a Control Stake in the Company or the successor entity

“Closing”	the completion of the Subscription in accordance with the terms of the Investment Agreement
“Closing Date”	a Business Day to be determined and agreed by the Company and the Investor as an appropriate date for Closing to take place pursuant to the Investment Agreement following satisfaction (or, to the extent legally permissible, waiver) of all Conditions Precedent (which shall be no later than the 21st day from the date of the relevant Subscription Request or such other time and/or later date as the Company and the Investor may agree in writing)
“Company”	Best Food Holding Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1488)
“Conditions Precedent”	each of the conditions precedent under the Investment Agreement as set out in the paragraph headed “Conditions Precedent” above
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds
“Conversion Share(s)”	the Shares to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of up to HK\$780,000,000 having a denomination of HK\$1,000,000 each, which are convertible into Shares in accordance with the terms of the Bond Instrument
“Director(s)”	the director(s) of the Company
“Early Redemption Amount”	the outstanding principal amount of the Convertible Bonds plus the amount of interest representing 8% of the internal rate of return of the principal amount of the Convertible Bonds from the Issue Date to the date of payment

“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Investment Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate
“Existing CBs”	convertible bonds with a coupon rate of 3% per annum issued by the Company to Sonic Tycoon pursuant to an investment agreement dated 18 September 2016 (as amended by the supplemental investment agreement dated on 10 October 2016), the aggregate outstanding principal amount of which is HK\$610,676,480 as at the date of this announcement
“Exponential Fortune”	Exponential Fortune Group Limited, a company incorporated under the laws of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hony Capital”	Hony Capital Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability
“Hony Capital Fund VIII”	Hony Capital Fund VIII GP (Cayman), L.P., a limited partnership established under the laws of the Cayman Islands
“Hony Capital Group”	Hony Capital Group, L.P., a limited partnership established under the laws of the Cayman Islands
“Hony Group Management”	Hony Group Management Limited, a company incorporated in the Cayman Islands with limited liability
“Hony Managing Partners”	Hony Managing Partners Limited, a company incorporated under the laws of the Cayman Islands
“Hony Partners Group”	Hony Partners Group, L.P., a limited partnership established under the laws of the Cayman Islands
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors established by the Board to advise the Independent Shareholders in relation to the Subscription

“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) Sonic Tycoon (together with its associates) and (ii) any Shareholder who is involved in or interested in the Investment Agreement and/or the respective transactions contemplated thereunder
“Investment Agreement”	the investment agreement dated 13 January 2020 entered into between the Company and the Investor in relation to the Subscription
“Investor”	United Strength Victory Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Issue Date”	in respect of any Convertible Bond, the date of issue of such Convertible Bond
“Last Trading Day”	10 January 2020, being the last full trading day immediately prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	in respect of any Convertible Bond, the maturity date of such Convertible Bonds, being the fifth anniversary of the Issue Date, or, subject to the agreement of the Bondholders, the seventh anniversary of the Issue Date
“Mr. Zhao”	Mr. Zhao John Huan, the chairman of the Board and an executive Director of the Company
“PRC” or “China”	the People’s Republic of China
“Principal Subsidiary”	any subsidiary (a) whose revenues or consolidated revenues are at least 10% of the consolidated revenues of the Company and its subsidiaries; or (b) whose gross assets or gross consolidated assets exceed 10% of the consolidated gross assets of the Company and its subsidiaries; or (c) whose profits or consolidated profits before taxation and extraordinary items exceed 10% of the consolidated profits before taxation and extraordinary items of the Company and its subsidiaries, as shown in the latest audited accounts of the relevant subsidiary and the then most recent audited consolidated accounts of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sonic Tycoon”	Sonic Tycoon Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders for the issue and allotment of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by the Investor pursuant to the Investment Agreement
“Subscription Request”	a notice to be delivered by the Company to the Investor setting out, among others, the principal amount of the Convertible Bonds to be subscribed by the investor, in accordance with the relevant form set out in the Investment Agreement
“%”	per cent

By order of the Board
BEST FOOD HOLDING COMPANY LIMITED
WANG Xiaolong
Executive Director

Hong Kong, January 13, 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr. Jing Shen and three independent non-executive Directors, namely, Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man Terence.