BEST FOOD HOLDING COMPANY LIMITED
百福控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01488)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	For the six months ended	
	2020	2019
		(Restated)
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**243,816**	490,384
Gross profit	**146,787**	317,439
Gross profit margin	**60%**	65%
(Loss)/profit of controlling brands *(Note 1)*	**(76,697)**	16,946
Interest on convertible bonds	**(17,880)**	(18,067)
Share-based compensation expenses	**(6,041)**	—
Gain on fair value change on derivative financial instruments	**9,920**	—
Loss for the period from continuing operations	**(105,985)**	(17,719)
Loss per share for loss from continuing operations attributable to equity holders of the Company:		
Loss per share (RMB cents) — basic and diluted	**(5.99)**	(1.31)

Note 1: Including "Xinladao" and "HHG"

* *For identification purpose only*

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

As a result of the sudden outbreak of the novel coronavirus disease (COVID-19) pandemic (the "**COVID-19 Pandemic**") at the beginning of 2020, the highest level response (level 1) to major public health emergencies was activated twice in Beijing or certain areas within the city. Given that over 75.0% of the stores under the controlling brands of Best Food Holding Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") are located in Beijing, the operations of the Group were seriously affected. Some of the stores were closed down, while the opening of new stores and expansion of franchise business have been carried out prudently.

Despite the temporary suspension of our brand's operation due to the sudden outbreak of COVID-19 Pandemic, the Company has exerted efforts to boost sales and control costs with a view to minimizing impact of the COVID-19 Pandemic to the Group and weathering the periodic crisis. The measures implemented include, but not limited to: (i) in terms of boosting sales, as the Company noticed the shift of buying patterns of customers from in-store consumption to to-the-door delivery, the Company has been actively promoting the touchless food delivery and take-out options through online platforms; and (ii) in terms of cost control and cash flow management, the Company was closely communicating with the landlords to negotiate for rental discounts and negotiating with the raw material suppliers for credit extension. The Company has also taken measures to lower the labour costs, such as suspending recruitment of new employees and avoiding engagement of part-time workers for the time being.

Meanwhile, the Group re-examined the development opportunities and maintained its "dual-wheel driven" strategy. On one hand, the Group was even more determined to develop its operation through digitalized omni-channel and multi-scenario marketing, striving to secure cash flows required for its continuous operations and support its long-term development. On the other hand, it is committed to exploring financing and business expansion opportunities for the Company's joint-stock brands in the food and beverage category.

Currently, consumers' confidence has gradually revived and the sales of the Group have rebounded progressively. As the COVID-19 Pandemic had been gradually brought under control in the PRC, the sales of comparable stores under various brands of the Group for the six months ended 30 June 2020 (the "**Period**") have also gradually restored and reached 70% to 110% of that for the corresponding period in 2019. The Group remains confident in the economic growth and prospects of China's food and beverage industry in the long run. In the second half of 2020, in addition to continuing to improve profitability of its existing business, the Group will also prudently allocate resources on new business or asset acquisition opportunities.

In order to achieve the goal of digitalized operation and omni-channel sales, the Group's operational focuses in the first half of 2020 were as follows:

Digitalization System: In 2020, the Group continued to facilitate the digitalization system upgrade of controlling brands, while dedicating its efforts on improving customer experience and internal management efficiency. Beijing Dingding Technology Co., Ltd.* (北京頂頂科技有限公司), a joint-stock company, provided assistance to the Group in the implementation of customer operations with a focus on WeChat Mini Programs. For HHG, the Group implemented measures such as customer acquisition via the use of WeChat Mini Programs, community operation, integration of membership shared channels of various platforms, etc. For Xinladao, we utilized facial recognition technology to conduct works such as back office management and big data analysis.

Franchise Expansion: As affected by the COVID-19 Pandemic, in the first half of 2020, the Group's partners remained cautious with their franchise expansion. The Group provided quality service to its franchise partners by reducing or exempting franchise fees with a view to achieving mutual benefits and long-term development through the partnership. Franchise expansion is based on the optimization of single-store model for each brand. During the first half of 2020, the controlling brands made more progress in reducing single-store investment and upgrading store layout respectively. The Group also aimed at achieving breakthrough by regional franchises. The Group's franchise team has commenced promotion of regional franchise in several provinces and in-depth cooperation is expected in the second half of 2020 and in 2021.

Supply Chain Collaboration: The Group continued to lower the total procurement costs by expanding centralized tenders for procurement and sharing infrastructure facilities. In the first half of 2020, the Group continued to organize its controlling brands to invite tenders for some of their procurement, which has lowered the costs of raw materials. The Group utilized its resources and provided assistance in respect of supply chains to joint-stock brands located in Southern China for their store expansion in Northern China. During the COVID-19 Pandemic, the Group also specified the central kitchen optimization plan of our controlling brand HHG and put in resources to expand its capacity, particularly the processing capacity of sauces and other major raw materials with a view to supporting future store expansions.

OPERATING RESULTS

For the Period, the total system sales, constituting sales of all restaurants (both owned and franchised), of food and beverage business under all the brands of the Group amounted to approximately RMB564.3 million, representing a decrease of 38.2% as compared to approximately RMB912.3 million for the corresponding period in 2019. The revenue presented under the consolidated statement of comprehensive income of the Group for the Period was approximately RMB243.8 million, representing a decrease of 50.3% as compared to approximately RMB490.4 million for the corresponding period in 2019. The gross profit of the Group for the Period amounted to approximately RMB146.8 million.

In the first half of 2020, non-operating items that had financial impacts on the Group were as follows:

(i) interest expenses of approximately RMB17.9 million during the Period arising from the convertible bonds issued by the Company on 23 November 2018, which is in line with that of the corresponding period in 2019; and

(ii) gain on fair value change on derivative financial instrument of approximately RMB9.9 million arising from the option to issue convertible bonds with an aggregate principal amount of HKD780 million to be issued by the Company pursuant to an investment agreement entered into between the Company and United Strength Victory Limited on 13 January 2020, which was approved by the shareholders of the Company at the extraordinary general meeting held on 28 May 2020.

Based on the above, the Group recorded loss for the Period of approximately RMB106.0 million, representing an increase in loss of approximately RMB88.3 million from the loss of approximately RMB17.7 million for the corresponding period in 2019. With efforts of raising income and cutting down expenditure, wealth management products and balance of cash and cash equivalents of the Group amounted to RMB183.4 million as at 30 June 2020, representing a slight decrease of 5.5% as compared to RMB194.1 million as at 31 December 2019.

Business Progress of Controlling Brands

HHG

In the first half of 2020, HHG continued to implement the strategy of "Activating Organization, Streamlining Varieties, Increasing Categories, Optimizing Quality; Capacity Upgrade, Value Realization; Customer Satisfaction, Employee Pride" proposed in 2019 and remained focus on product elevation and enhancing customer experience, which has made significant progress in boosting sales through multiple channels. With over 95% of its stores located in Beijing, HHG was affected by the COVID-19 Pandemic and its system sales for the Period decreased by approximately 37.5% as compared to the corresponding period in 2019. Gross profit also recorded a decrease of approximately 37.4% as compared to the corresponding period in 2019. The operating loss of HHG for the Period amounted to approximately RMB18.9 million, representing a decrease of approximately RMB29.1 million as compared to the corresponding period in 2019.

Brand Upgrade: In 2020, based on the rationalized branding strategy as advised by professional advisers in 2019, HHG opened new stores which require less investment in fixed assets and explored new business models.

Digitalization Upgrade: In 2020, HHG flexibly conducted online and offline multi-dimensional marketing, including posting short videos on Douyin (抖音), a social media platform, to interact with customers, as well as revamped its public accounts with a younger and more fashionable image to attract young consumers. The proportion of orders through WeChat Mini Programs also increased continuously, and the attraction of private traffic by WeChat Mini Programs will be further emphasized in the future.

Product Research and Development: In February 2020, HHG launched "anti-epidemic set meals", which include a self-developed refreshing drink for nourishing lungs. During March to June 2020, as official workers gradually returned to work, HHG relaunched certain products that had gained acclaims from customers in the pipelines based on market research, such as Spicy Stir-fry Pot (麻辣香鍋), Buddha's Feast (羅漢上素) and Vegetable Wonton (青菜餛飩), in order to meet customers' needs.

Supply Chain: Relying on the centralized procurement center of the Group, the Company enjoyed a centralized procurement price across multiple brands, which reduced the costs of some staple food. In addition to the sales of semi-finished vegetables to third party customers engaged in the food and beverage business, HHG also launched new retail products targeting end-customers, such as frozen breakfast, as a part of the "omni-channel" sales.

Xinladao

In 2020, Xinladao carried on its structural adjustment and brand upgrade. With nearly half of its stores located in Beijing, Xinladao was affected by the COVID-19 Pandemic and its system sales for the Period decreased by approximately 60.9% as compared to the corresponding period in 2019. Gross profit also recorded a decrease of approximately RMB118.8 million for the Period. Excluding the impact of impairment losses on assets and store suspended loss, the operating loss of Xinladao amounted to approximately RMB38.8 million for the Period representing a decrease of approximately RMB62.9 million as compared to the corresponding period in 2019.

Brand Upgrade: The Group continued to promote the new store layout of Xinladao. Some of the stores have been refurbished with a new store layout and the 24-hours operation has been put into trial run in an attempt to capture the late night hotpot market, while the scale of subsequent trial run will be expanded gradually.

Digitalization Upgrade: In the first half of 2020, Xinladao launched the "check-out-at-table" service after optimizing its menus. Meanwhile, Xinladao opened a new Douyin (抖音) account to share its latest news with fans, at the same time interacting with fans via its posts on WeChat public account.

Supply Chain: Through systematically organizing market-based bidding for major raw materials and supplementary materials, raw material costs were reduced. A supply chain system was established for major raw materials and condiments. We have also launched new products such as blackfish fin and bullfrog with more new products to be rolled out successively in the subsequent period.

Franchise Expansion: On 13 January 2020, Xinlandao successfully opened its first franchise store in Hong Kong, which is set to explore overseas markets.

Joint-Stock Brands

In the first half of 2020, as affected by the COVID-19 Pandemic, the overall system sales of food and beverage business under the Group's joint-stock brands decreased by approximately 24.0% for the Period as compared to the corresponding period in 2019. As of 30 June 2020, all joint-stock brands of the Group have resumed normal operations. The single-month sales revenue of comparable stores recorded in June has rebounded to 70% to 110% of such sales revenue recorded in the corresponding period in 2019. The following is a summary of business data of the investees of the Group in 2020:

Yujian Xiaomian

In the first half of 2020, Yujian Xiaomian opened 11 new stores and recorded system sales of approximately RMB71.8 million for the Period, representing an increase of approximately 26.5% as compared to the corresponding period in 2019. During the outbreak of the COVID-19 Pandemic, Yujian Xiaomian recorded a growth despite the adversity, which benefitted from the preliminary foundation work such as proactive development and optimization of front-end stores and back office information system of the headquarters, as well as continuous exploration and optimization of store layout and product structure, and the promotion of franchise business. At the beginning of 2020, Yujian Xiaomian obtained new financing facilities from Jiumaojiu and other sources. During the COVID-19 Pandemic, Yujian Xiaomian opened its first store in Beijing, marking the first step of its expansion in the Northern China market.

West Master

During the Period, as affected by the COVID-19 Pandemic, the system sales of West Master amounted to approximately RMB58.4 million, representing a decrease of approximately 31.6% as compared to the corresponding period in 2019. At the beginning of 2020, the management put forward the big supply chain strategy, pursuant to which West Master has significantly reduced the cost of stores through international cooperations along the supply chain. In order to expand the franchise business, management team has proactively introduced external resources and established a joint venture in 2019, which is principally engaged in the franchise business in Beijing and Zhengzhou. In the first half of 2020, the joint venture has opened two franchise stores successfully.

Sexy Salad

Sexy Salad has further enhanced its edges in user management. Through online brand crossover joint promotion campaigns, Sexy Salad has expanded its customer base and continued to launch derivative products to expand its targeted customers. It has also developed new driver for business growth by consistently providing customized catering services to its major customers. During the COVID-19 Pandemic, "Wonderlab" launched in 2019 recorded a rapid growth in sales and was favored by various investors. It has also launched new retail products such as plant-based soya milk powder under "Oh Young Doudou" and healthy breakfast set in May 2020 with a view to building an integrated business.

Yuepin

During the Period, the total system sales of "Pho Nam" and "Muine", both being brands under Yuepin, amounted to approximately RMB43.7 million, representing a decrease of approximately 13.2% as compared to the corresponding period in 2019. Upon the abatement of the COVID-19 Pandemic, operating condition of Yuepin quickly recovered and rebound by over 100% in profits for both May and June 2020.

Dafulan

During the Period, as affected by the COVID-19 Pandemic, the system sales of Dafulan amounted to approximately RMB17.5 million, decreased by approximately 24.3% as compared to the corresponding period in 2019. New store layout has been launched and rice noodle were freshly made onsite, through which significant improvement has been seen in various aspects such as store image, store area efficiency and customer satisfaction. The optimized store layout has also expedited the expansion of franchise business and agreements were signed for regional franchise in Beijing.

Clay Pot King

In the first half of 2020, in order to accelerate the expansion of franchise business, Clay Pot King introduced franchisee from Nanjing and cooperated with developers of commercial properties. Currently, it has successfully opened 4 franchise stores in Nanjing and Hefei. Clay Pot King also continued to explore designs of its store layout. In order to adapt to the franchise market, Clay Pot King has formulated a strategy with small store layout, and is planning to complete the design of a light store layout which can facilitate quick opening of stores within the year.

Seesaw Coffee

During the Period, as affected by the COVID-19 Pandemic, the system sales of Seesaw Coffee amounted to approximately RMB25.7 million, representing a decrease of approximately 22.9% as compared to the corresponding period in 2019. The Company has adopted various marketing approaches to promote Seesaw Coffee, including communication via Douyin (抖音), interaction with fans via official WeChat account, promotion activities via WeChat Mini Programs, and launch of seasonal new products. In late June, the Company launched the "Easy Brew" coffee powder, a new retail product, on its T-Mall flagship store under the slogan of "Cold brew for 8 hours; Hot brew for 5 minutes". During the outbreak of the COVID-19 Pandemic, the Company took advantage of the crisis to optimize its management and strengthen the control over its costs and expenses.

Foook

The open and customisable spicy hot pot offered by Foook was greatly affected by the COVID-19 Pandemic. Re-adopting the "simplified and sophisticated" layout, Foook efficiently consolidated its supply chain and optimized the finance model of its stores, which laid a solid foundation for the franchise business. In June 2020, Foook entered into an agreement for regional franchise in Nanchang, Jiangxi with its partner, and the first single-store, which is a franchise store, in Shenzhen has been opened. Foook also actively strengthened the systematic management of stores and back office. Membership system was also launched and accumulated a large number of fans over a short period of time. Efforts have also been made to increase brand exposure through multiple channels, such as launch of retail products on T-mall including instant spicy hot pot products and sour-and-spicy noodle.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 together with comparative figures for the last corresponding period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
			Restated
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Continuing operations:			
Revenue	*3*	**243,816**	490,384
Cost of sales	*4*	**(97,029)**	(172,945)
Gross profit		**146,787**	317,439
Distribution and selling expenses	*4*	**(186,987)**	(254,756)
General and administrative expenses	*4*	**(44,460)**	(46,507)
Reversal of impairment losses/(net impairment losses) on financial assets		**128**	(113)
Gain on fair value change on derivative financial instruments		**9,920**	—
Other income	*5*	**3,191**	10,026
Other (losses)/gains, net		**(3,664)**	30
Finance income	*6*	**299**	642
Finance expenses	*6*	**(9,080)**	(15,913)
Interest on convertible bonds	*6*	**(17,880)**	(18,067)
Finance expenses — net	*6*	**(26,661)**	(33,338)
Share of loss of associates		**(11,839)**	(5,916)
Loss before taxation		**(113,585)**	(13,135)
Income tax credit/(expense)	*7*	**7,600**	(4,584)
Loss for the period from continuing operations		**(105,985)**	(17,719)
Discontinued operations:			
Profit for the period from discontinued operations		**—**	503
Loss for the period		**(105,985)**	(17,216)

	Notes	Six months ended 30 June 2020 RMB'000 (unaudited)	2019 Restated RMB'000 (unaudited)
Loss for the period attributable to:			
Equity holders of the Company		**(94,591)**	(19,523)
Non-controlling interests		**(11,394)**	2,307
		(105,985)	(17,216)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,712)**	6,717
Other comprehensive (loss)/income for the period		**(4,712)**	6,717
Total comprehensive loss for the period		**(110,697)**	(10,499)
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company		**(99,303)**	(12,806)
Non-controlling interests		**(11,394)**	2,307
		(110,697)	(10,499)
Total comprehensive loss for the period attributable to equity holders of the Company			
— Continuing operations		**(99,303)**	(9,060)
— Discontinued operations		**—**	(3,746)
		(99,303)	(12,806)
Loss per share (RMB cents) — Basic	*9*	**(5.99)**	(1.31)
Loss per share (RMB cents) — Diluted	*9*	**(5.99)**	(1.31)

CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**121,143**	151,830
Right-of-use assets		**299,752**	372,944
Investments in associates		**270,969**	273,054
Goodwill		**580,931**	580,931
Intangible assets		**506,299**	507,468
Derivative financial instruments	*10*	**56,551**	—
Deferred tax assets		**33,007**	25,205
Trade and other receivables	*11*	**37,936**	43,116
Financial assets at fair value through other comprehensive income		**5,000**	5,000
Other non-current assets		**1,986**	2,075
		1,913,574	1,961,623
CURRENT ASSETS			
Inventories		**32,993**	35,935
Trade and other receivables	*11*	**32,977**	29,338
Other current assets		**45,977**	59,392
Financial assets at fair value through profit or loss		**73,337**	62,792
Cash and cash equivalents		**110,088**	131,285
		295,372	318,742
Total Assets		**2,208,946**	2,280,365

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*12*	**121,114**	129,060
Contract liabilities		**65,347**	61,746
Lease liabilities		**122,516**	116,709
Borrowings	*13*	**14,250**	5,000
Tax payable		**2,845**	7,495
Convertible bonds-interest payable	*14*	**34,753**	34,183
		360,825	354,193
NON-CURRENT LIABILITIES			
Payable in relation to put right of non-controlling interests		**99,024**	99,024
Convertible bonds	*14*	**475,655**	448,380
Lease liabilities		**218,908**	263,580
Deferred tax liabilities		**123,579**	123,579
Borrowings	*13*	**—**	1,200
Deferred government grants		**4,014**	5,443
		921,180	941,206
TOTAL LIABILITIES		**1,282,005**	1,295,399
CAPITAL AND RESERVES			
Share capital		**133,023**	133,023
Reserves		**719,796**	766,427
Equity attributable to owners of the Company		**852,819**	899,450
Non-controlling interests		**74,122**	85,516
TOTAL EQUITY		**926,941**	984,966
TOTAL LIABILITIES AND EQUITY		**2,208,946**	2,280,365

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In December 2019, the Group completed the disposal of 100% equity interest in Lee & Man Development Company Limited (previously a wholly owned subsidiary of the Company) to South Land Development Company Limited. Comparative figures for the period ended 30 June 2019 are reclassified for consistent presentation purpose.

As of 30 June 2020, the Group's current liabilities exceeded its current assets by RMB65,453,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Group's ability to generate net cash inflows from its future operating activities and its unused bank facilities, the directors of the Company believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements during the 12 months period from 30 June 2020. Therefore, the condensed consolidated interim financial information has been prepared on the going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for investment properties, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, payable in relation to put right of non-controlling interests and defined benefit assets that are measured at fair values.

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2019, except for: (1) the estimation of income tax using the tax rate that would be applicable to expected total annual earnings; (2) the adoption of amendments to HKFRSs which become effective for the current reporting period; and (3) the early adoption of amendment to HKFRS 16 on COVID-19-Related Rent Concessions for the current reporting period.

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to standards which become applicable for the current reporting period.

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 7 and IFRS 9	*Interest Rate Benchmark Reform*

The Group also elected to adopt the following amendments early:

Amendment to HKFRS 16	*COVID-19-Related Rent Concessions*

Except for amendment to HKFRS 16 on COVID-19-Related Rent Concessions, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Amendment to HKFRS 16 on COVID-19-Related Rent Concessions provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Amendment to HKFRS 16 on COVID-19-Related Rent Concessions is mandatory for annual reporting periods beginning on or after 1 June 2020. The Group has elected to early adopt amendment to HKFRS 16 on COVID-19-Related Rent Concessions retrospectively from 1 January 2020 as permitted by this amendment.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. During the six months ended 30 June 2020, rent concessions totalling RMB9,580,000 have been recognised in profit or loss as negative variable lease payments with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 January 2020.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue by sub-business lines, based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance.

The segment information presented by product perspective has ceased since 1 January 2020 as the Group was principally engaged in a single line of business of the operation of chain restaurants and the CODM reviewed the performance of the Group as a whole, thus there was only one reportable segment and no segment information was presented.

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
		Restated
	RMB'000	*RMB'000*
Restaurant operation	**170,963**	384,835
Delivery business	**60,771**	88,580
Sale of food ingredients	**12,082**	16,969
Total	**243,816**	490,384

The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of revenue. Also, less than 10% of the Group's total non-current assets are located outside the PRC. Accordingly, no geographical information is presented.

4. EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
		Restated
	RMB'000	*RMB'000*
Raw material used and changes in inventories of finished goods, and online platform service charges	**108,102**	191,224
Employee benefit expense	**84,935**	129,580
Depreciation of right-of-use assets	**52,696**	63,537
Depreciation and amortisation	**22,684**	24,147
Property management fee	**10,648**	12,877
Impairment of property, plant and equipment	**10,199**	—
Water, electricity and fuel	**9,879**	18,399
Advertising costs	**4,602**	10,000
Consulting expenses and Auditors' remuneration	**3,792**	3,613
Transportation expenses	**3,147**	5,051
Expenses relating to short-term lease and variable lease payments not included in lease liabilities	**2,517**	4,032
Office expenses	**1,501**	1,958
Other expenses	**13,774**	9,790
Total cost of sales, distribution and selling expenses and general and administrative expenses	**328,476**	474,208

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
		Restated
	RMB'000	*RMB'000*
Government grants	**2,162**	2,669
Interest income on financial assets at fair value through profit or loss	**721**	1,076
Interest income on loans	**412**	392
Franchise related service income	**313**	4,088
Rental income	**—**	145
Others	**(417)**	1,656
	3,191	10,026

6. FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2020	2019
		Restated
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**299**	642
Finance expenses		
Interest on convertible bonds	**(17,880)**	(18,067)
Interest on lease liabilities	**(8,828)**	(11,852)
Interest on loan from third parties	**(58)**	(3,764)
Interest on bank borrowings	**(23)**	(339)
Others	**(171)**	36
Less: Interest expenses capitalised	**—**	6
	(26,960)	(33,980)
Finance expenses, net	**(26,661)**	(33,338)

7. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2020	2019
		Restated
	RMB'000	*RMB'000*
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**(202)**	(6,104)
	(202)	(6,104)
Deferred tax	**7,802**	1,520
	7,600	(4,584)

Cayman Islands

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2020 and 2019.

PRC

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. DIVIDENDS

The board of directors of the Company has resolved not to declare interim dividend for the six months ended 30 June 2020 (2019: nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the Company of RMB94,591,000 (2019: RMB20,026,000) and the weighted average number of ordinary shares in issue of 1,578,664,000 (2019: 1,525,825,695) shares during the period.

Diluted loss per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. The Company's dilutive potential shares comprise shares to be issued under convertible bonds, share option scheme and share award scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The computation of diluted loss per share for the six months ended 30 June 2020 and 2019 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease loss per share.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Non-current		
Put option on issuance of convertible bonds *(a)*	**56,551**	—

Notes:

(a) Derivative financial instruments

The balance represented the fair value of the Company's put option on issuance of convertible bonds as at the end of reporting period.

On 13 January 2020, the Company and United Strength Victory Limited ("Investor", an associate of the controlling shareholder of the Company under Chapter 14A of the Listing Rules and a connected person of the Company) entered into an agreement (the "2020 Investment Agreement") in relation to the issuance of convertible bonds in the aggregate principal amount up to HK$780,000,000 for a total consideration equal to the principal amount of the convertible bonds. The 2020 Investment Agreement was approved by the Company's shareholders on 28 May 2020.

Pursuant to the 2020 Investment Agreement, at any time during the 2 years commencing from 29 May 2020 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). As a result, the directors of the Company are of the view that the above put option constituted a derivative financial instrument for the Company and should be accounted for as a financial asset at fair value through profit or loss.

The initial fair value of the derivative financial instrument at the recognition date which amounted to RMB46,631,000 was recognised as a deemed contribution from shareholder and recorded in shareholder's equity on special reserve. Subsequent change in fair value of the derivative financial instrument is recognised in profit or loss.

As at 28 May 2020 and 30 June 2020, the fair values of the derivative financial instrument were determined using the binomial valuation model, and the key inputs into the model at the respective dates were as follows:

	As at 30 June 2020	**As at 28 May 2020**
Conversion price	**HK$1.180**	**HK$1.180**
Share price	**HK$0.850**	**HK$0.900**
Expected volatility	**17.8%**	**17.6%**
Remaining life	**1.91 years**	**2.00 years**
Risk-free rate	**0.26%**	**0.61%**

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Trade receivables	**12,190**	14,142
Other receivables	**61,444**	61,161
	73,634	75,303
Less: provision for impairment	**(2,721)**	(2,849)
Trade and other receivables — net	**70,913**	72,454
Less: Non-current portion	**(37,936)**	(43,116)
Trade and other receivables — current portion	**32,977**	29,338

The aging analysis of trade receivables based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Within 6 months	**12,132**	13,856
Over 6 months	**58**	286
	12,190	14,142

12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Trade payables	**49,034**	50,915
Other payables and accruals	**72,080**	78,145
	121,114	129,060

The aging analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Within 6 months	**47,088**	50,658
Over 6 months	**1,946**	257
	49,034	50,915

13. BORROWINGS

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Current		
Secured		
Bank borrowings (d)	**13,050**	5,000
Unsecured		
Loans from third parties (c)	**1,200**	—
	14,250	5,000
Non-current		
Unsecured		
Loans from third parties (c)	**—**	1,200
Total borrowings	**14,250**	6,200

(a) Maturity of borrowings

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
6 months or less	**—**	5,000
6–12 months	**14,250**	—
1–2 years	**—**	1,200
2–5 years	**—**	—
	14,250	6,200

(b) Weighted average annual interest rates

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Bank borrowings	**4.35%**	5.22%
Loans from third parties	**9.60%**	3.48%

(c) Loans from third parties

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Beijing Qingsongchou Network Technology Co., Ltd (i)	**1,200**	1,200
	1,200	1,200

(i) The amount represents loans from third parties which bear interest at 10% per annum and are repayable in April 2021.

(d) As at 30 June 2020, all of the Group's bank borrowings are secured, including bank borrowings of RMB10 million which are guaranteed by certain non-controlling shareholders (together with their respective spouses) of a subsidiary and bank borrowings of RMB3.05 million which are secured by property, plant and equipment of the Group with a carrying value of approximately RMB23.5 million.

14. CONVERTIBLE BONDS

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Current		
Convertible bonds — interest payable	**34,753**	34,183
Non-current		
Convertible bonds — debt portion	**475,655**	448,380

On 18 September 2016 and 10 October 2016, the Company and Sonic Tycoon Limited (shareholders of the Company) entered into an agreement and a supplementary agreement (collectively, the "Investment Agreements") in relation to the issuance of convertible bonds (the "Convertible Bonds") in the aggregate principal amount up to HK$1,500,000,000 for a total consideration equal to the principal amount of the Convertible Bonds. The Investment Agreements were approved by the Company's shareholders on 13 November 2016. The major terms and conditions of the Convertible Bonds are the same as those disclosed in the annual financial statements for the year ended 31 December 2019.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond at the issue date. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity on special reserve.

As at 30 June 2020, current portion of the Convertible Bonds represented interest payable calculated at the coupon rate of 3% per annum, which amounted to HK$38,053,000 (equivalent to approximately RMB34,753,000). The remaining amount of the Convertible Bonds were classified as non-current liabilities.

The movement in the components of the Convertible Bonds during the six months ended 30 June 2019 and 2020 are as follows:

	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2019			
As at 1 January 2019	537,392	128,088	665,480
Interest expenses (i)	18,067	—	18,067
Conversion of convertible bonds (ii)	(101,818)	(23,794)	(125,612)
Exchange difference	385	—	385
As at 30 June 2019	454,026	104,294	558,320
Six months ended 30 June 2020			
As at 1 January 2020	**482,563**	**104,294**	**586,857**
Interest expenses (i)	**17,880**	**—**	**17,880**
Exchange difference	**9,965**	**—**	**9,965**
As at 30 June 2020	**510,408**	**104,294**	**614,702**

Notes:

(i) The interest expense of RMB17,880,000 (2019: RMB18,067,000) was calculated using the effective interest method.

(ii) During six months ended 30 June 2020, none of the Convertible Bonds was converted.

During six months ended 30 June 2019, Convertible Bonds with principal amount of HK$139,323,520 were converted into 118,070,780 ordinary shares of the Company, which resulted in an increase in share capital of HK$11,807,000 (equivalent to approximately RMB10,073,000) and share premium of HK$130,690,000 (equivalent to approximately RMB111,503,000), respectively.

15. SHARE-BASED PAYMENTS

(a) Employee Share Option Scheme

Movements in the number of share options outstanding during the six months ended 30 June 2020 under this scheme and their weighted average exercise prices are as follows:

	Average exercise price per share option *HK$*	**Number of options** *(Thousands)*
As at 1 January and 30 June	1.08	31,573
Exercisable at 30 June	—	—

No options expired during the periods covered by the above tables.

Share options outstanding at 30 June 2020 have the following exercise period and exercise prices:

Exercise period	**Exercise Price (per share)** *HK$*	**Number of options** *(Thousands)*
From 31 December 2019 to 30 December 2024 (both days inclusive)	1.08	6,315
From 31 December 2020 to 30 December 2025 (both days inclusive)	1.08	6,315
From 31 December 2021 to 30 December 2026 (both days inclusive)	1.08	6,315
From 31 December 2022 to 30 December 2027 (both days inclusive)	1.08	6,315
From 31 December 2023 to 30 December 2028 (both days inclusive)	1.08	6,315

Weighted average remaining contractual life of options outstanding at 30 June 2020 is 6.5 years (31 December 2019: 7 years).

(b) Share Award Scheme

Movement of the shares granted under the Share Award Scheme during the six months ended 30 June 2020 is as follows:

	Average exercise price per awarded share	**Number of awarded shares**
	HK$	*(Thousands)*
As at 1 January and 30 June	0.54	43,413

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employees benefit expenses were as follows:

	Six months ended 30 June 2020
	RMB'000
Share option scheme	2,185
Share award scheme	3,856
	6,041

16. The condensed consolidated interim financial information is unaudited, but has been reviewed by the Audit Committee.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2020 (2019: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2020 was approximately RMB926.9 million (31 December 2019: approximately RMB985.0 million). As at 30 June 2020, the Group had current assets of approximately RMB295.4 million (31 December 2019: approximately RMB318.7 million) and current liabilities of approximately RMB360.8 million (31 December 2019: approximately RMB354.2 million). The current ratio was 0.82 as at 30 June 2020 as compared to 0.90 as at 31 December 2019.

The Group generally finances its operations with internally generated cash flow and convertible bonds issued to Shareholder of the Company. As at 30 June 2020, the Group had outstanding borrowings of approximately RMB14.3 million (31 December 2019: approximately RMB 6.2 million). As at 30 June 2020, the Group maintained cash and cash equivalents of approximately RMB110.1 million (31 December 2019: approximately RMB131.3 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total borrowings over shareholders' equity) was 0.10 as at 30 June 2020 (31 December 2019: 0.13).

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

As disclosed in Note 11 to the financial information in this announcement, the Company and the Investor entered into the 2020 Investment Agreement in relation to the issuance of convertible bonds in the aggregate principal amount up to HK$780,000,000. Pursuant to the 2020 Investment Agreement, at any time during the 2 years commencing from 29 May 2020 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). The proposed issuance represents a good opportunity for the Company to raise a substantial amount of funds for its future acquisitions with no immediate cost impact and will facilitate the Company to better structure its acquisitions in a more efficient and cost effective way. No subscription request has been issued during the Period.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no capital expenditure contracted for but not provided in the unaudited condensed consolidated interim financial information in respect of the property, plant and equipment improvement.

The Group has sufficient cash and ability to obtain bank borrowings to meet the Group's capital commitments and working capital requirements.

SIGNIFICANT INVESTMENTS

During the period, the Company has no significant investment, with a value of 5% or more of the Company's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition and disposals of subsidiaries, associates or joint ventures of the Group during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed, the Group did not have definite plans for material investments and capital assets as at the date of this announcement.

CHARGE ON ASSETS

As at 30 June 2020, save for buildings with net book value of RMB23.5 million were pledged as securities for the Group's borrowings, there was no charge over the assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are principally conducted in HK dollars, RMB and US dollars which are exposed to foreign currency risk with respect to transactions denominated in currencies other than HK dollars, RMB and US dollars. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the period ended 30 June 2020 (31 December 2019: nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no significant events after the reporting period.

HUMAN RESOURCES

As at 30 June 2020, the Group had a workforce of about 3,210 people. The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staff is remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the period ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. During the Period, an independent non-executive Director did not comply with the requirement under rule A.3(a) and B.8 of the Model Code. To the best knowledge of the Company, on 17 March 2020, the relevant Director disposed of 4,000 shares of the Company on the open market at the price of HK$1 per share without notifying the Company prior to such disposal. The relevant Director reported that the non-compliance of rule A.3(a) and B.8 of the Model Code was inadvertent and he has no intention to commit such breaches. The relevant Director also confirmed that he did not possess any inside information of the Company when the dealing took place and he will apply closer scrutiny towards rule A.3(a) and B.8 of the Model Code to avoid committing similar breaches in the future.

Upon becoming aware of the above incident, the Company has immediately reminded the Directors and senior management again of the requirements of the Model Code and the importance of compliance with the Model Code. In order to ensure compliance of the Model Code and prevent similar incidents in the future, the Company will continue to provide regular training to the Directors, senior management and staff of the Company so as to keep them abreast of the relevant requirements. The Company will also circulate the Model Code and remind the Directors to comply with the Model Code more frequently (in addition to reminders before the commencement of each blackout period that dealing during the blackout period is prohibited) to ensure compliance with and enhance their awareness of good corporate governance practices.

The Company has made specific enquiries with all Directors and save as disclosed above, they have confirmed that they have complied with the Model Code during the Period.

AUDIT COMMITTEE

The unaudited interim results of the Group for the Period have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company, which comprises all the independent non-executive Directors. The audit committee of the Company has also discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

INTERIM REPORT

This results announcement is published on The Stock Exchange of Hong Kong Limited's website (www.hkex.com.hk) and the Company's website (http://www.bestfoodholding.com). The interim report of the Company will be despatched to the Company's shareholders and available on websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

On behalf of the Board
Zhao John Huan
Chairman

Hong Kong, 25 August 2020

As at the date of this announcement, the Board of the Company comprises 3 executive Directors, namely, Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr. Jing Shen and 3 independent non-executive Directors, namely, Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man, Terence.