Tan'Sh
Global Food Group Co., Limited

TANSH Global Food Group Co., Ltd
國際天食集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3666)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018[4] **(unaudited)**	2017[4] (unaudited)	% Change *Increase/ (decrease)*
Revenue (RMB'000)	**770,085**	802,964	(4.1%)
Gross profit[1] (RMB'000)	**554,103**	582,966	(5.0%)
Gross profit margin[2]	**72.0%**	72.6%	(0.6%)
Profit for the period from continuing operations (RMB'000)	**33,734**	31,729	6.3%
Net profit margin[3]	**4.4%**	4.0%	0.4%
Earnings per share – Basic	**RMB1.37 cents**	RMB1.41 cents	
Number of restaurants (as at 30 June, excluded stores of Million Rank Limited)[4]	**99**	99	

Notes:

1 The calculation of gross profit is based on revenue less cost of sales (excluding the data of Million Rank Limited).

2 The calculation of gross profit margin is based on gross profit divided by revenue (excluding the data of Million Rank Limited).

3 Net profit margin is calculated as profit for the period from continuing operations divided by revenue.

4. The financial performance for the six-month period ended 30 June 2018 and 30 June 2017 have been presented excluding the discontinued operation regarding Million Rank Limited.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of TANSH Global Food Group Co., Ltd (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**") together with unaudited comparative figures for the corresponding period in the year 2017 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2018

	Notes	**Six-month period ended 30 June**	
		2018	2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
CONTINUING OPERATIONS			
REVENUE	*4*	**770,085**	802,964
Cost of sales		**(215,982)**	(219,998)
Gross profit		**554,103**	582,966
Other income and gains	*4*	**8,416**	8,219
Selling and distribution expenses		**(443,586)**	(474,895)
Administrative expenses		**(59,512)**	(62,440)
Other expenses		**(7,154)**	(2,920)
Finance costs	*6*	**(8,362)**	(7,345)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**43,905**	43,585
Income tax expense	*7*	**(10,171)**	(11,856)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**33,734**	31,729
DISCONTINUED OPERATION			
Loss after tax for the period from a discontinued operation	*15*	**(2,977)**	(1,042)
PROFIT FOR THE PERIOD		**30,757**	30,687

	Notes	Six-month period ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Attributable to:			
Owners of the parent		**30,293**	31,101
Non-controlling interests		**464**	(414)
		30,757	30,687
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the period	*9*	**RMB1.37 cents**	RMB1.41 cents
– For profit from continuing operations	*9*	**RMB1.46 cents**	RMB1.44 cents
Diluted			
– For profit for the period	*9*	**RMB1.37 cents**	RMB1.41 cents
– For profit from continuing operations	*9*	**RMB1.46 cents**	RMB1.44 cents

Details of the dividends declared for the period are disclosed in Note 8 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2018

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**30,757**	30,687
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**639**	(14,508)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax	**639**	(14,508)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax):		
Equity investments designated as fair value through other comprehensive loss:		
Changes in fair value	**(30,635)**	(79,860)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax	**(30,635)**	(79,860)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(29,996)**	(94,368)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**761**	(63,681)
Attributable to:		
Owners of the parent	**(395)**	(63,267)
Non-controlling interests	**1,156**	(414)
	761	(63,681)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	**30 June 2018 RMB'000 (unaudited)**	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment		**383,532**	550,055
Goodwill		**–**	12,645
Other intangible assets		**7,368**	37,050
Non-current financial assets		**36,946**	67,755
Long-term rental deposits		**88,435**	95,052
Deferred tax assets		**67,148**	65,729
Pledged deposits	*12*	**–**	11,564
Loan to a non-controlling shareholder		**–**	44,386
Other long-term receivables		**–**	24,241
Total non-current assets		**583,429**	908,477
CURRENT ASSETS			
Inventories		**26,756**	34,257
Trade receivables	*10*	**19,530**	26,287
Prepayments, deposits and other receivables	*11*	**190,139**	196,420
Financial asset at fair value through profit or loss		**–**	226
Pledged deposits	*12*	**125,482**	151,910
Cash and cash equivalents	*12*	**254,473**	305,224
Assets of a disposal group classified as held for sale	*15*	**322,869**	–
Total current assets		**939,249**	714,324
CURRENT LIABILITIES			
Trade payables	*13*	**34,595**	49,840
Interest-bearing bank loans		**262,051**	348,929
Tax payable		**21,153**	26,458
Dividends payable		**22,055**	–
Other payables and accruals		**94,395**	126,268
Deferred income		**–**	2,800
Contract liabilities		**5,993**	–

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Liabilities directly associated with the assets classified as held for sale	15	**103,671**	–
Total current liabilities		**543,913**	554,295
NET CURRENT ASSETS		**395,336**	160,029
TOTAL ASSETS LESS CURRENT LIABILITIES		**978,765**	1,068,506
NON-CURRENT LIABILITIES			
Long-term defer payment		**–**	24,241
Long-term payables		**70,787**	78,158
Interest-bearing bank loans		**28,834**	64,573
Deferred tax liabilities		**440**	1,129
Total non-current liabilities		**100,061**	168,101
Net assets		**878,704**	900,405
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**18,393**	18,393
Reserves		**792,744**	815,194
		811,137	833,587
Non-controlling interests		**67,567**	66,818
Total equity		**878,704**	900,405

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. CORPORATE INFORMATION

TANSH Global Food Group Co., Ltd is a limited liability company incorporated in the Cayman Islands. The registered address is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of restaurant chain stores in Chinese Mainland, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is TANSH Global Food Group Co., Ltd, which is incorporated in the Cayman Islands.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") as well as with all 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**").

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss and equity investments which have been measured at fair value. These interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 29 August 2018.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Group has early adopted IFRS 9 *Financial Instruments* on 1 January 2016. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and revised IFRSs and interpretations effective as of 1 January 2018, noted below:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements *2014-2016 Cycle*	*Amendments to IFRS 1 and IAS 28*

Other than explained below regarding the impact of adopting IFRS 15, the other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2017, thus the comparative figures have not been restated.

Except for the reclassification effect below, the adoption of IFRS 15 did not have material financial impact on the Group's condensed consolidated financial statements.

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15 and, accordingly, advances received from customers of RMB5,445,000 (for discontinued operation: nil) were reclassified from advance from customers under other payables and accruals to contract liabilities, and provision for loyalty points of RMB548,000 (deferred membership fee income for discontinued operation: RMB892,000) were reclassified from deferred income to contract liabilities.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRIC 23	*Uncertainly over Income Tax Treatments*[1]
IFRS 17	*Insurance Contract*[3]
Conceptual Framework	*The Conceptual Framework for Financial Reporting*[2]
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*[1]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Annual Improvements *2015-2017 Cycle*	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs except for IFRS 16 are unlikely to have a significant impact on the Group's results of operations and financial position. The Group expects to adopt IFRS 16 on 1 January 2019. Given the nature of the Group's operations, IFRS16 is expected to have impacts on the Group's consolidated financial statements. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in "operating lease arrangements", at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB962,043,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3. OPERATING SEGMENT INFORMATION

On 7 January 2015, since the Group completed the acquisition of Million Rank (HK) Limited and its subsidiary Pokka Coffee (Macau) Ltd., (collectively referred to as "**POKKA HK**", "**POKKA HK Business**"), the Group had the following two reportable operating segments based on their brands and services:

(a) TANSH Global Business (including main brands: Shanghai Min, Maison De L'Hui, the dining room, Oreno and Wolfgang Puck)

(b) POKKA HK Business (including main brands: Pokka Café and Tonkichi)

The direct holding company of POKKA HK Business is Million Rank Limited ("**MRL**"). As disclosed in Note 15 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The remaining business, the TANSH Global Business, continues to operate as one business unit and hence, there was only one reportable segment remained in the Group.

Geographical information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Chinese Mainland	**639,102**	672,938
Hong Kong	**130,983**	130,026
	770,085	802,964

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Chinese Mainland	**417,811**	470,869
Hong Kong	**61,524**	223,273
Others	**–**	660
	479,335	694,802

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the six-month period ended 30 June 2018 and 2017, segment information is not presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges.

An analysis of revenue, other income and gains from continuing operations is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Type of revenue		
Restaurant operations	**759,542**	786,681
Other revenue	**10,543**	16,283
	770,085	802,964
Timing of revenue recognition		
Goods transferred at a point in time	**766,027**	799,316
Services transferred over time	**4,058**	3,648
	770,085	802,964
Other income and gains		
Government grants*	**1,684**	5,446
Bank interest income	**981**	796
Dividend income from non-current financial assets	**400**	400
Gain on disposal of a subsidiary	**2,673**	–
Gain on disposal of items of property and equipment	**2,313**	208
Others	**365**	1,369
	8,416	8,219

* There is no unfulfilled conditions or contingencies attaching to government grants that had been recognized.

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories consumed	**215,982**	219,998
Depreciation	**64,181**	67,705
Amortisation of other intangible assets	**1,342**	500
Minimum lease payments under operating leases on buildings	**135,809**	130,829
Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	**173,131**	187,082
Defined contribution pension scheme	**32,773**	38,872
	205,904	225,954
Bank interest income	**(981)**	(796)
Gain on disposal of a subsidiary*	**(2,673)**	–
Gain on disposal of items of property and equipment	**(2,313)**	(208)

* Gain on disposal of a subsidiary is included in "Other income and gains" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loans	**8,507**	8,666
Less: Interest capitalised	**(145)**	(1,321)
	8,362	7,345

7. INCOME TAX

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – Chinese Mainland charged for the period	**12,115**	9,626
Current – Hong Kong and elsewhere charged for the period	**595**	967
Deferred tax	**(2,539)**	1,263
Total tax charge for the period from continuing operations	**10,171**	11,856
Total tax credited for the period from a discontinued operation	**(193)**	(276)
	9,978	11,580

According to the PRC Corporate Income Tax ("**CIT**") Law, the applicable income tax rates for both domestic and foreign investment enterprises in the People's Republic of China (the "**PRC**") are unified at 25%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

Pursuant to the International Business Companies Act, 1984 (the "**IBC Act**") of the BVI, international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

According to the Macau Complementary Tax ("**MCT**") Law, taxable profits below MOP600,000 are exempted from tax, and taxable profits over MOP600,000 are subject to the rate of 12%.

8. DIVIDENDS

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
2017 Final – RMB1.0 cents per ordinary share	**22,055**	–

No interim dividend was proposed during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: Nil).

On 29 June 2018, the annual general meeting of the Company approved to declare a final dividend of RMB0.01 per share of the Company for the year ended 31 December 2017. No final and interim dividend was declared in the six-month period ended 30 June 2017.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity holders of the parent and weighted average number of ordinary shares of 2,205,531,000 (30 June 2017: 2,205,531,000) in issue throughout the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**32,228**	31,778
From a discontinued operation	**(1,935)**	(677)
	30,293	31,101
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**2,205,531,000**	2,205,531,000
Effect of dilution – weighted average number of ordinary shares**:		
Share options	**–**	–
Number of ordinary shares used in the diluted earnings per share calculation	**2,205,531,000**	2,205,531,000

* Not taking into account the 7,500,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

** Since the exercise prices of these options exceeded the average market price of ordinary shares during the period, there was no dilutive effect as of 30 June 2018.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**11,935**	19,889
1 to 2 months	**980**	1,660
2 to 3 months	**500**	1,134
Over 3 months	**6,115**	3,604
	19,530	26,287

The Group applies the simplified approach to provide for expected credit losses prescribed in IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of the trade receivables to measure the expected credit losses. As all of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and there has not been a significant change in credit quality, the directors are of the opinion that no provision for impairment is necessary in respect of these balances.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2018** **RMB'000** **(unaudited)**	31 December 2017 *RMB'000* (audited)
Deposits and other receivables		**90,422**	84,457
Prepaid expense		**8,974**	15,585
Amount due from companies owned by the controlling shareholder	*(i)*	**62,122**	56,328
Amount due from a director of major subsidiaries in Hong Kong		**13**	190
Receivables from a non-controlling interest	*(ii)*	**–**	81,191
Prepayments		**28,608**	27,296
		190,139	265,047
Less: Non-current portion of receivables from a non-controlling interest			
– Loan to a non-controlling shareholder	*(ii)*	**–**	(44,386)
– Other long-term receivables	*(ii)*	**–**	(24,241)
Prepayments, deposits and other receivables		**190,139**	196,420

(i) Amounts due from companies owned by the controlling shareholder are unsecured, interest-free and repayable on demand.

(ii) The above amounts due from the non-controlling interest were RMB82,354,000 in total as at 30 June 2018 (31 December 2017: RMB81,191,000) of which the current portion was RMB18,194,000 and the non-current portion was RMB64,160,000 (RMB12,564,000 and RMB68,627,000 as at 31 December 2017). As disclosed in Note 15 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The above amounts due from the non-controlling interest were included in "assets of a disposal group classified as held for sale".

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Cash and bank balances	**254,473**	304,656
Time deposits with original maturity of less than three months	**113,482**	152,478
Time deposits with original maturity of over three months	**12,000**	11,564
	379,955	468,698
Less: Pledged time deposits for bank loans:		
– Current portion	**(125,482)**	(151,910)
– Non-current portion	**–**	(11,564)
Cash and cash equivalents	**254,473**	305,224

Included RMB125,482,000 of time deposits which were pledged for bank loans borrowed by the Group (31 December 2017: RMB163,474,000).

At the end of the Reporting Period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB354,554,000 (31 December 2017: RMB396,955,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

13. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**27,931**	42,715
3 months to 1 year	**5,163**	5,145
Over 1 year	**1,501**	1,980
	34,595	49,840

The trade payables included in a disposal group (Note 15) of RMB5,284,000 are all aged within three months.

The trade payables are non-interest-bearing and normally settled within 30 day after receiving the invoice.

14. SHARE CAPITAL

Shares

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Authorised:		
Ordinary shares of HK$0.01 each	**10,000,000,000**	10,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**2,213,031,000**	2,213,031,000
Equivalent to RMB'000	**18,393**	18,393

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**	**Share premium account**	**Capital redemption reserve**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017, 31 December 2017 and 30 June 2018	2,213,031,000	18,393	723,842	27	742,262

15. DISCONTINUED OPERATION

MRL and its subsidiaries were primarily engaged in the operation of restaurants and coffee shops in Hong Kong and Macau. Bright Charm Development Limited ("**Bright Charm**") (a wholly-owned subsidiary of the Company) and Rosy Metro Investment Limited ("**Rosy Metro**") (a company wholly-owned by Ms. Wong Shui Ching) owned as to 65% and 35% of the issued share capital of MRL respectively.

On 29 June 2018, Bright Charm (as vendor) entered into an agreement with Rosy Metro (as purchaser) and Ms. Wong Shui Ching (as the guarantor), pursuant to which, Bright Charm has conditionally agreed to transfer 65% of the total issued share capital in MRL to Rosy Metro at a consideration of HK$175.5 million. Subject to the fulfilment of the conditions and upon completion, MRL would cease to be a subsidiary of the Company.

The Group has decided to dispose of its interest in MRL because the integration of the operation and the overall business development of the TANSH Global Business and the POKKA HK Business have not met the synergy effect as envisaged by the Company. The management considered that the disposal enables the Group to optimize its branding strategy and to explore new business opportunities more effectively. The disposal of MRL was completed on 21 July 2018. As at 30 June 2018, the disposal was in progress and MRL was classified as a disposal group held for sale and as a discontinued operation. With MRL being classified as a discontinued operation, the POKKA HK Business is no longer included in the note for operating segment information.

The results of MRL for the period are presented below:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
CONTINUING OPERATIONS		
REVENUE	**127,024**	139,951
Cost of sales	**(31,141)**	(32,584)
Gross profit	**95,883**	107,367
Other income and gains	**3,111**	4,478
Selling and distribution expenses	**(91,673)**	(100,302)
Administrative expenses	**(8,509)**	(9,813)
Other expenses	**(1,485)**	(2,516)
Finance costs	**(497)**	(532)
LOSSES BEFORE TAX FROM DISCONTINUED OPERATION	**(3,170)**	(1,318)
Income tax expense	**193**	276
LOSSES FOR THE PERIOD FROM DISCONTINUED OPERATION	**(2,977)**	(1,042)

The major classes of assets and liabilities of MRL classified as held for sale are as follows:

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Assets		
Property and equipment	**101,068**	–
Goodwill	**12,754**	–
Other intangible assets	**28,110**	–
Long-term rental deposits	**17,739**	–
Deferred tax assets	**663**	–
Loan to a non-controlling shareholder of the Group	**44,769**	–
Other long-term receivables	**19,391**	–
Inventories	**7,460**	–
Trade receivables	**5,311**	–
Prepayments, deposits and other receivables	**68,027**	–
Financial asset at fair value through profit or loss	**228**	–
Pledged deposits	**9,570**	–
Cash and cash equivalents	**7,779**	–
Assets classified as held for sale	**322,869**	–
Liabilities		
Trade payables	**5,284**	–
Interest-bearing bank loans	**54,262**	–
Tax payable	**3,434**	–
Other payables and accruals	**19,763**	–
Contract liabilities	**892**	–
Deferred tax liabilities	**55**	–
Long-term payables	**590**	–
Deferred payable	**19,391**	–
Liabilities directly associated with the assets classified as held for sale	**103,671**	–
Net assets directly associated with the disposal group	**219,198**	–

The net cash flows incurred by MRL are as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Operating activities	**(7,230)**	2,669
Investing activities	**(4,614)**	(5,528)
Financing activities	**(9,224)**	(3,910)
Net cash outflow	**(21,068)**	(6,769)
Losses per share:		
Basic, from the discontinued operation	**RMB(0.09) cents**	RMB(0.03) cents
Diluted, from the discontinued operation	**RMB(0.09) cents**	RMB(0.03) cents

The calculations of basic and diluted losses per share from the discontinued operation are based on:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Losses attributable to ordinary equity holders of the parent from the discontinued operation	**(1,935)**	(677)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(Note 9)*	**2,205,531,000**	2,205,531,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(Note 9)*	**2,205,531,000**	2,205,531,000

16. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (Note 15).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The National Bureau of Statistics of China announced that, during the first half of 2018, total national food and beverage revenue amounted to RMB1,945.7 billion, representing a period-to-period increase of 9.9%. The growth rate was stable compared with 11.2% of first half of 2017, but is lower than market expectation. The revenue of the catering enterprises above designated size increased by 7.2%. These reflect that the growth of the catering industry tends to be stable. Besides, the impact of the rapid development of the Internet on consumption patterns has also created new challenges for industry product development, consumption channels, brand building and management.

Business Performance

Facing the complicated market environment, with the goal of continuously improving the long-term value and excellent customer service of the Company, the Group firmly promotes the "brand + standard supply chain" strategy, and gradually transits to the accelerated growth phase of upgrading Chinese fine dining restaurant, expanding casual dining stores, and keeps improving Internet take-away and retail business. Since 2017, the Company has persisted in promoting and optimizing the strategic upgrading and transformation of "brand + supply chain", and successively implemented various business initiatives such as rebuilding supply chain system, formation of light asset brand profit model, organisational efficiency reform and mechanism innovation. In the first half of 2018, with the deepening of strategic transformation, in the aspects of the overall business development, the Company is entering into the rapid development stage of the following: upgrading mid- to Chinese fine dining restaurants, expanding high-efficiency casual dining restaurants, and overall improving Internet take-away business. During the Reporting Period, the major development events of the Company were reviewed as follows:

1. ***Brand business development:***

   For Chinese fine dining restaurant, the Company continued to increase investment in brand marketing, and continued to consolidate the value building of Chinese fine dining restaurant brands such as "Maison DeL'Hui" and "Shanghai Min". The first new model store of "Shanghai Min" was upgraded and completed in Super Brand Mall, Lujiazui, Pudong, Shanghai, and was opened on 27 June 2018. On the basis of optimized dishes and services, this store presents a new brand image of high-quality food with Shanghai culture elements to the target customers.

   For casual dining brand, all the stores under "The Dining Room" and "The Dining Room • Dessert BAR (「南小館 • 點心餐BAR」)" brand represented by the mass consumption casual dining brand showed strong customer acquisition ability. During the Reporting Period, the revenue of "The Dining Room" brand restaurants increased by 26.0% over the same period in 2017, and the same store revenue increased by 13.0% over the same period and the preparation for expanding was fully completed.

For brand take-away business, with the Company's strong restaurant network and supply chain capabilities, the Company set up a special development plan for brand takeaways. During the Reporting Period, we has transformed/completed 74 new takeaway business points, and launched 67 takeaway products. The income from take-away sale increased significantly to RMB55.7 million.

During the Reporting Period, there were a total of 121 stores located in Hong Kong, Chinese mainland and other regions. Excluding POKKA HK, the Company operated a total of 99 stores, 85 stores out of which are located in Chinese mainland, 14 stores out of which are in Hong Kong. POKKA HK operated 22 stores in Hong Kong and Macau.

2. ***Standardized supply chain development:***

Based on the strategic cooperation with Shanghai Zhongmin Supply Chain Management Co., Ltd (上海眾敏供應鏈管理有限公司) ("**Zhongmin Supply Chain**"), the Group carried out more active joint research and development, OEM production, Standard Operating Procedures (SOP) specifications and procurement supply services with source suppliers. During the Reporting Period, the Company added 7 cooperative R&D suppliers, 11 OEM factories, and completed dishes upgrades for 141 Stock Keeping Units (SKUs). The Company has achieved full coverage service of standard supply chain for its main brands such as "Shanghai Min", "The Dining Room" and "Maison DeL'Hui" in Chinese Mainland.

3. ***Others:***

The incentive mechanism reform of active partnership implemented by the Group in 2017 has achieved remarkable results. In the first half of 2018, the Company established an operation objective-oriented incentive bidding mechanism to motivate key management personnel in the Mainland and Hong Kong stores. The Company's headquarters continued to reform by building strategic headquarters and operational headquarters for the Company, streamlining the middle management and improving management and empowerment. Adhering to strategic business objective-oriented principle and focusing on the customer value, the Company clarified powers and responsibilities, and decomposed functional indicators and operational indicators, supported and encouraged internal innovation, promoted organizational value system, enhancing the abilities of headquarters teams to adapt and compete under complex environment.

Future Outlook

In the second half of 2018, despite the steady growth of China's catering industry, the macroeconomic environment is expected to be challenging. The growth rate of the consumer market is not as good as expected, and competition is still intensifying. However, the ever-changing market environment may render more development opportunities for companies that adhere to quality and customer value. While firmly promoting the "brand + supply chain" development strategy, the management of the Group will continue to invest resources in the following five business directions and fully promote the Company's business growth with full confidence.

1. ***Continue to renovate mid- to Chinese fine dining restaurants to consolidate the status of Chinese dinner brands***

Start with the successfully transformed "Shanghai Min" Super Brand Mall new model store, the Group will continue to invest in the upgrading of the old restaurants. Based on the existing main brands, we will target different consumer scenarios and customer groups, adhere to superior product and service quality, and continuously improve customer experience and store operating returns.

2. ***Fully accelerate the expansion of casual dining restaurants with high efficiency***

The Group will continue to strengthen the operating efficiency and profitability of casual dining brand restaurants such as "The Dining Room" and "Doutor Coffee", and fully expand the restaurants of casual dining brands for mass consumption with high operating efficiency, so to expand business scale.

3. ***Fully expand the layout of Internet take-out retail through multiple channels***

The Group will make overall planning for the layout of brand take-away outlets and fully optimize the take-out foods. The Group will make full use to its brand operation and supply chain basic advantages, and provide safe, convenient and high-quality choices for a wider range of different take-away customers with more diversified brands and products.

4. ***Continued deepening of the standard supply chain***

The Group will further strengthen the cooperation in supply chain platform with Zhongmin Supply Chain, and actively cooperate with source suppliers in joint research and development, OEM production, SOP specifications, and procurement and supply services. Leverage on comprehensive food safety control and effective supply chain cost control, we strive to develop more healthy and more delicious food ingredients and dishes, fully enhance product experience and operational efficiency, in order to accelerate the development of store expansion, take-out extensions and retail food channel development under the Group's brand integration strategy.

5. ***Fully upgrade membership system and service mechanism***

The Group will unify the planning of each brand to form a membership management mechanism with online and offline organic integration, collect and respond to customer needs in a timely manner, organise online and offline theme promotion activities through several social media, and provide customers with more diverse interactive consumer services in different consumption scenarios.

FINANCIAL REVIEW

The Group's revenue for the first half of 2018 was RMB770.1 million (excluding POKKA HK) and its gross profit during the Reporting Period was RMB554.1 million, gross profit margin slightly declined by 0.6% to 72.0% from 72.6% in the corresponding period of last year. Net profit for the first half of 2018 was approximately RMB30.8 million, representing an increase of approximately RMB0.1 million from approximately RMB30.7 million in the corresponding period in 2017. Excluding POKKA HK Business, which is proposed to be sold, the net profit was RMB33.7 million, representing a period to period increase of RMB2.0 million or 6.3%.

As at 30 June 2018, the Group operated a restaurant network of 66 Shanghai Min restaurants, 3 Maison De L'Hui restaurants, 26 The Dining Room restaurants, 1 Oreno restaurant, 2 Wolfgang Puck restaurants, 1 The Boathouse restaurant and 22 restaurants under POKKA HK brands, which covers some of the most affluent and fast-growing cities in Chinese mainland (Note(i)), Hong Kong and other regions. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, during the periods for the six months ended 30 June 2018 and 2017, respectively.

	For the six months ended 30 June			
	2018		2017	
	Number of restaurants	**Revenue *RMB'000* (unaudited)**	Number of restaurants	Revenue *RMB'000* (unaudited)
Chinese mainland *(Note (i))*				
– Shanghai Min & Maison De L'Hui	**62**	**525,250**	65	567,032
– The Dining Room	**19**	**78,204**	16	62,708
– Other Brands	**4**	**25,105**	4	31,519
Hong Kong				
– Shanghai Min	**7**	**66,616**	7	68,882
– The Dining Room	**7**	**64,367**	6	50,404
– Other Brands	**–**	**–**	1	6,136
Total revenue of restaurant operations	**99**	**759,542**	99	786,681
Other revenue		**10,543**		16,283
Total revenue from continuing operations		**770,085**		802,964
POKKA HK brands *(Note ii)*	**22**	**127,024**	25	139,951

Notes

(i) Chinese Mainland, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

(ii) As at 30 June 2018, there were 22 stores under brands of POKKA Café, Tonkichi, etc, operated by MRL in Hong Kong and Macau.

REVENUE

Revenue of the Group (excluding MRL) decreased by RMB32.9 million, or 4.1% from RMB803.0 million for the six months ended 30 June 2017 to RMB770.1 million for the six months ended 30 June 2018. The decrease was due to the suspension of operations or closure of stores during the Reporting Period.

Total Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB27.2 million from RMB786.7 million for the six months ended 30 June 2017 to RMB759.5 million for the six months ended 30 June 2018, primarily reflecting:

- For the six months ended 30 June 2018, the revenue from newly opened stores increased by RMB30.0 million;

- For the six months ended 30 June 2018, due to the temporary closure for renovation, relocation and upgrade or closure of stores, which resulted in a decrease in revenue of RMB57.9 million in general; and

- an increase of RMB0.7 million in revenue in the same store sales in the first half of 2018 as compared to the same period of 2017.

Other revenue

Other revenue represents a decrease of RMB5.8 million from RMB16.3 million for the six months ended 30 June 2017 to RMB10.5 million for the six months ended 30 June 2018. Other revenue mainly comprises of income of Mai Chi Ling and value-added goods sales. The decrease was due to the revenue decrease in external raw material sales compared to the same period last year.

COST OF SALES AND INVENTORY

The cost of sales decreased by RMB4.0 million, or 1.8% from RMB220.0 million for the six months ended 30 June 2017 to RMB216.0 million for the six months ended 30 June 2018.

The cost of sales as a percentage of revenue slightly increased by 0.6 percentage point from 27.4% for the six months ended 30 June 2017 to 28.0% for the six months ended 30 June 2018. Meanwhile, the gross profit margin of the Group as of 30 June 2018 was 72.0%, representing a decrease of 0.6 percentage point compared with 72.6% of the corresponding period in 2017, which was mainly due to that the proportion of O2O take-away revenue of the Group has been improved in the Reporting Period while its gross profit was relatively lower than that of dine-in.

The inventory decreased by RMB7.5 million, or 21.9% from RMB34.3 million as at 30 June 2017 to RMB26.8 million as at 30 June 2018, which mainly because the inventory of MRL as at 30 June 2018 was reclassified to “assets of a disposal group classified as held for sale”.

The inventory turnover days is 22.2 days for the six months ended 30 June 2018, which is basically the same compared with 22.2 days for the six months ended 30 June 2017.

OTHER INCOME AND GAINS

Other income and gains increased by RMB0.2 million from RMB8.2 million for the six months ended 30 June 2017 to RMB8.4 million for the six months ended 30 June 2018.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB31.3 million, or 6.6% from RMB474.9 million for the six months ended 30 June 2017 to RMB443.6 million for the six months ended 30 June 2018. Selling and distribution expenses were mainly comprised of the labor costs, rental costs and depreciation expenses in relation to restaurants.

Labor costs decreased by RMB26.2 million, or 13.6% from RMB193.2 million for the six months ended 30 June 2017 to RMB167.0 million for the six months ended 30 June 2018. The labor costs as a percentage of revenue decreased from 24.1% for the six months ended 30 June 2017 to 21.7% for the six months ended 30 June 2018, which was mainly due to the reform of staff streamlining and efficiency optimization.

Rental costs decreased by RMB7.8 million, or 5.5% from RMB142.8 million for the six months ended 30 June 2017 to RMB135.0 million for the six months ended 30 June 2018. The rental costs as a percentage of revenue decreased from 17.8% for the six months ended 30 June 2017 to 17.5% for the six months ended 30 June 2018.

Depreciation expenses decreased by RMB7.7 million, or 11.7% from RMB65.6 million for the six months ended 30 June 2017 to RMB57.9 million for the six months ended 30 June 2018. The depreciation expenses as a percentage of the revenue decreased from 8.2% for the six months ended 30 June 2017 to 7.5% for the six months ended 30 June 2018.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by RMB2.9 million, or 4.6% from RMB62.4 million for the six months ended 30 June 2017 to RMB59.5 million for the six months ended 30 June 2018, which is mainly due to the decrease in rent as a result of the relocation of the headquarters.

INCOME TAX EXPENSE

For the six months ended 30 June 2018, income tax expenses was RMB10.2 million, with an effective income tax rate of 23.2%, representing a decrease of 4.0 percentage points as compared to 27.2% for the six months ended 30 June 2017.

PROFIT FOR THE PERIOD

As a result of the foregoing reasons, the profit for the Reporting Period from continuing operations of the Group increased by RMB2.0 million, or 6.3% from RMB31.7 million for the six months ended 30 June 2017 to RMB33.7 million for the six months ended 30 June 2018. Net profit margin from continuing operations increased from 4.0% for the six months ended 30 June 2017 to 4.4% for the six months ended 30 June 2018.

DIVIDENDS PAYABLE

As at 30 June 2018, there were outstanding dividends payable amounting to RMB22,055,000.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

The Group funded our liquidity and capital requirements primarily through cash inflows generated from the operating activities and bank loans.

As at 30 June 2018, the gearing ratio was 16.9%, and the gearing ratio was net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

For the six months ended 30 June 2018, the Group had net cash inflows generated from operating activities of RMB30.1 million (for the six months ended 30 June 2017: RMB12.1 million). As at 30 June 2018, the Group had RMB245.9 million in cash and cash equivalents (30 June 2017: RMB131.5 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2018 and 2017.

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash flows generated from operating activities	**30,082**	12,130
Net cash flows used in investing activities	**(22,294)**	(122,718)
Net cash flows (used in)/generated from financing activities	**(67,722)**	11,009
Net decrease in cash and cash equivalents	**(59,934)**	(99,579)
Cash and cash equivalents at the beginning of the period	**305,224**	233,390
Effect of foreign exchange rate changes, net	**569**	(2,278)
Cash and cash equivalents at the end of the period	**245,859**	131,533

OPERATING ACTIVITIES

Net cash inflow generated from operating activities increased by RMB18.0 million, from RMB12.1 million for the six months ended 30 June 2017 to RMB30.1 million for the six months ended 30 June 2018. That was mainly due to the decrease of centralized procurement compared with the same period of last year.

INVESTING ACTIVITIES

For the six months ended 30 June 2018, net cash outflow used in investing activities was RMB22.3 million, and RMB122.7 million outflow for the same period in 2017. The decrease was mainly because the Group made balance payment for the acquisition transaction of 9.82% interests in JMU Limited during the six-month period ended 30 June 2017.

FINANCING ACTIVITIES

Net cash flow generated from financing activities changed from a cash inflow of RMB11.0 million for the six months ended 30 June 2017 to a cash outflow of RMB67.7 million for the six months ended 30 June 2018. This was mainly because the Company actively managed the debt financing structure during the period, and made net repayment amounting to RMB96.3 million.

FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, investment activities and overseas financing income or expenses (when revenue or expenses from investment activities and overseas financing are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six months ended 30 June 2018 and 30 June 2017 are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2018 and 31 December 2017.

OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its offices and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 3 to 12 years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within one year	**230,214**	249,504
In the second to fifth years, inclusive	**631,417**	649,867
After five years	**100,412**	158,791
	962,043	1,058,162

CAPITAL COMMITMENT

Capital commitments were approximately RMB2.9 million and RMB7.4 million, respectively, as at 30 June 2018 and 31 December 2017.

PLEDGED OF GROUP ASSETS

As at 30 June 2018, the interest-bearing bank loans of the Group totaled RMB290.9 million, of which bank loans of HK$152.2 million (equivalent to RMB128.3 million) were secured by the pledge of certain fixed deposits of RMB125.5 million by the Group.

The bank loans borrowed by POKKA HK are secured by POKKA HK's building, which had a net carrying value of approximately RMB70.2 million as at 30 June 2018. In April 2018, POKKA HK repaid the loan and replaced with a new loan. The new loan was also secured by POKKA HK's building. As at 30 June 2018, the bank overdrafts of POKKA HK amounted to HK$11.2 million (equivalent to RMB9.4 million) were secured by the pledge of certain fixed deposits of HK$11.4 million (equivalent to RMB9.6 million) by POKKA HK. As disclosed in Note 15 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The pledged building and fixed deposits were included in "assets of a disposal group classified as held for sale".

SIGNIFICANT ACQUISITION AND DISPOSAL

For the six months ended 30 June 2018, there were no material acquisitions and disposals of subsidiaries or associated companies.

HUMAN RESOURCES

The salary level of employees in the restaurant industry in China has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2018, the Group recruited approximately 2,465 employees in China, Hong Kong and other regions. For the six months ended 30 June 2018, the total staff cost was RMB205.9 million, (for the six months ended 30 June 2017: RMB226.0 million), which mainly comprises wages and salaries.

SUBSEQUENT SIGNIFICANT EVENTS

As disclosed in the announcement of the Company dated 29 June 2018, Bright Charm (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with, among others, Rosy Metro, pursuant to which, Bright Charm has conditionally agreed to transfer 65% of the total issued share capital in MRL to Rosy Metro at a consideration of HK$175.5 million. The conditions of the disposal have been fulfilled and the disposal was completed on 21 July 2018. Saved as disclosed above, there was no significant event affecting the operation, finance and future prospect of the Group since 30 June 2018 and up to the date of this announcement.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its code of corporate governance. Except as disclosed below, for the Reporting Period, the Company has complied with the applicable code provisions set out in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairlady and chief executive officer should be separated and should not be performed by the same individual. At present, the roles of the chairlady and the chief executive officer of the Company are performed by Ms. Wang Huimin as a result of the change in management members. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high-quality individuals who meet regularly to discuss issues relating to the operations of the Company. The Board has full confidence in Ms. Wang Huimin and believes that having Ms. Wang Huimin performing the roles of the chairlady and the chief executive officer enables the Group to make and implement decisions promptly and efficiently which is beneficial to the Group as a whole. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer in the future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding directors' transactions of securities. After specific enquires to all Directors, all the Directors have confirmed that they have complied with the required standard of dealings set out in the Model Code for the Reporting Period.

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

For the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") on 30 August 2011 with written terms of reference formulated in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

The members of the Audit Committee include Mr. Lui Wai Ming, Dr. Wu Chun Wah and Mr. Lin Lijun. Mr. Lui Wai Ming is the chairman of the Audit Committee.

The Audit Committee has discussed with the management of the Company and the external auditor about the accounting principles and practices adopted by the Company and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.tanshglobal.com). The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
TANSH Global Food Group Co., Ltd
WANG Huimin
Chairlady and Chief Executive Officer

Shanghai, the People's Republic of China, 29 August 2018

As at the date of this announcement, the executive directors of the Company are Ms. WANG Huimin and Ms. ZHU Xiaoxia; the non-executive directors of the Company are Ms. WANG Huili and Ms. WU Wen; and the independent non-executive directors of the Company are Dr. Wu Chun Wah, Mr. LUI Wai Ming and Mr. LIN Lijun.