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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	**% Change Increase/ (decrease)**
Revenue *(RMB'000)*	**1,497,589**	1,637,197	(8.5%)
Gross profit[1] *(RMB'000)*	**1,068,625**	1,186,132	(9.9%)
Gross margin[2]	**71.4%**	72.4%	(1%)
(Loss)/profit for the year *(RMB'000)*	**(79,596)**	101,938	(178.1%)
Net (loss)profit margin[3]	**(5.3%)**	6.2%	(11.5%)
(Loss)/earnings per share			
– Basic and diluted *(RMB cents)*	**(3.4)**	4.6	
Total dividend per share *(RMB cents)*	**2.3**	1.0	
Number of restaurants[4] (as at 31 December)	**99**	98	

Notes:

1. The calculation of gross profit is based on revenue less cost of sales.

2. The calculation of gross margin is based on gross profit divided by revenue.

3. Net (loss)profit margin is calculated as (loss)/profit for the year divided by revenue.

4. The number of restaurants excludes licensed stores. As at 31 December 2017, the number of restaurants also excludes 23 stores of POKKA HK, which was disposed in 2018.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of TANSH Global Food Group Co.,Ltd (the "**Company**" or "**TANSH Global**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**1,497,589**	1,637,197
Cost of sales		**(428,964)**	(451,065)
Gross profit		**1,068,625**	1,186,132
Other income and gains	*4*	**22,810**	27,043
Selling and distribution expenses		**(897,010)**	(928,306)
Administrative expenses		**(137,768)**	(120,773)
Other expenses		**(99,667)**	(8,371)
Finance costs	*6*	**(13,272)**	(16,668)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(56,282)**	139,057
Income tax expense	*7*	**(20,302)**	(36,924)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(76,584)**	102,133
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**(3,012)**	(195)
(LOSS)/PROFIT FOR THE YEAR		**(79,596)**	101,938
Attributable to:			
Owners of the parent		**(76,032)**	101,677
Non-controlling interests		**(3,564)**	261
		(79,596)	101,938

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For (loss)/profit for the year	*9*	**RMB(3.4) cents**	RMB4.6 cents
– For (loss)/profit from continuing operations	*9*	**RMB(3.3) cents**	RMB4.6 cents
Diluted			
– For (loss)/profit for the year	*9*	**RMB(3.4) cents**	RMB4.6 cents
– For (loss)/profit from continuing operations	*9*	**RMB(3.3) cents**	RMB4.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(79,596)**	101,938
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(23,609)**	(10,566)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(23,609)**	(10,566)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**(49,880)**	(156,615)
Income tax effect	**280**	880
	(49,600)	(155,735)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(49,600)**	(155,735)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(73,209)**	(166,301)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(152,805)**	(64,363)
Attributable to:		
Owners of the parent	**(161,782)**	(59,070)
Non-controlling interests	**8,977**	(5,293)
	(152,805)	(64,363)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**298,346**	550,055
Goodwill		**–**	12,645
Other intangible assets		**5,788**	37,050
Equity investments designated at fair value through other comprehensive income		**17,875**	67,755
Long-term rental deposits		**83,228**	95,052
Deferred tax assets		**69,056**	65,729
Pledged deposits		**11,660**	11,564
Loan to a non-controlling shareholder		**–**	44,386
Other long-term receivables		**44,949**	24,241
Total non-current assets		**530,902**	908,477
CURRENT ASSETS			
Inventories		**17,965**	34,257
Trade receivables	*10*	**17,308**	26,287
Prepayments, other receivables and other assets		**233,946**	196,420
Financial asset at fair value through profit or loss		**–**	226
Pledged deposits	*11*	**–**	151,910
Cash and cash equivalents	*11*	**413,220**	305,224
Total current assets		**682,439**	714,324
CURRENT LIABILITIES			
Trade payables	*12*	**147,044**	49,840
Other payables and accruals		**122,691**	126,268
Interest-bearing bank loans		**189,683**	348,929
Tax payable		**19,698**	26,458
Deferred income		**–**	2,800
Total current liabilities		**479,116**	554,295
NET CURRENT ASSETS		**203,323**	160,029
TOTAL ASSETS LESS CURRENT LIABILITIES		**734,225**	1,068,506

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**–**	64,573
Long-term defer payment		**–**	24,241
Long-term payables		**59,569**	78,158
Deferred tax liabilities		**7,888**	1,129
Total non-current liabilities		**67,457**	168,101
Net assets		**666,768**	900,405
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**18,393**	18,393
Other reserves		**645,867**	815,194
		664,260	833,587
Non-controlling interests		**2,508**	66,818
Total equity		**666,768**	900,405

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

TANSH Global Food Group Co., Ltd is a limited liability company incorporated in the Cayman Islands. The registered office 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 chain restaurants in Chinese Mainland, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during the year.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They 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 financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has early adopted *IFRS 9 Financial Instruments* on 1 January 2016, and the Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Except for the amendments to IFRS 4 and Annual Improvements to IFRSs 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new 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 principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in Notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in Note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Liabilities		
Other payables and accruals	*(i), (ii), (iii)*	2,800
Deferred income	*(ii), (iii)*	(2,800)
Total liabilities		–

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Notes	**Amounts prepared under** **IFRS 15** *RMB'000*	**Previous IFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
CONTINUING OPERATIONS				
Revenue	*(iv)*	1,497,589	1,505,020	(7,431)
(Loss)/profit before tax from continuing operations		(56,282)	(48,851)	(7,431)
Income tax expense	*(v)*	(20,302)	(22,160)	1,858
(Loss)/profit for the year from continuing operations		(76,584)	(71,011)	(5,573)
Loss for the year		(79,596)	(74,023)	(5,573)
Attributable to:				
Owners of the parent		(76,032)	(73,039)	(2,993)
Non-controlling interests	*(v)*	(3,564)	(984)	(2,580)
		(79,596)	(74,023)	(5,573)
(Loss)/profit per share attributable to ordinary equity holders of the parent				
Basic				
– For loss for the year		RMB(3.4) cents	RMB(3.3) cents	RMB(0.1) cent
– For (loss)/profit from continuing operations		RMB(3.3) cents	RMB(3.2) cents	RMB(0.1) cent
Diluted				
– For loss for the year		RMB(3.4) cents	RMB(3.3) cents	RMB(0.1) cent
– For (loss)/profit from continuing operations		RMB(3.3) cents	RMB(3.2) cents	RMB(0.1) cent

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	Increase/
		IFRS 15	IFRS	(decrease)
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	*(i), (ii), (iv)*	122,691	114,835	7,856
Deferred tax asset	*(v)*	69,056	70,914	(1,858)
Deferred income			425	(425)
Retained profits	*(v)*	239,484	242,477	(2,993)
Non-controlling interests	*(v)*	2,508	5,088	(2,580)
Total equity		666,768	672,341	(5,573)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB3,635,000 within other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB1,732,000 within other payables was reclassified to contract liabilities in relation to the consideration received from customers in advance.

(ii) Provision for loyalty points

Before the adoption of IFRS 15, the Group recognised provision for loyalty points as deferred income. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB665,000 from deferred income to contract liabilities as at 1 January 2018 in relation to the provision for loyalty points as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB425,000 was reclassified from deferred income to contract liabilities in relation to the provision for loyalty points.

(iii) Deferred membership fee income

Before the adoption of IFRS 15, the Group recognised deferred membership fee income as deferred income. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB2,135,000 from deferred income to contract liabilities as at 1 January 2018 in relation to the deferred membership fee income as at 1 January 2018.

As at 31 December 2018, under IFRS 15, deferred membership fee income reclassified from deferred income to contract liabilities was nil as the Group disposed of subsidiaries that performed the transaction.

(iv) ***Management fee from franchisee***

Before the adoption of IFRS 15, the Group recognised management fee from franchisee when management services are rendered. Under IFRS 15, the revenue was recognised over the franchise terms on a straight line basis.

For the year ended 31 December 2018, under IFRS 15, management fee from franchisee amounting to RMB7,431,000 was deferred and remaining performance obligations were expected to be satisfied within seven years.

(v) ***Other adjustments***

In addition to the adjustments described above, other items of the primary financial statements such as tax and non-controlling interests were adjusted as necessary. Retained profits were adjusted accordingly.

(c) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(d) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

On 7 January 2015, since the Group completed the acquisition of Million Rank Limited and its subsidiaries Million Rank (HK) Limited, Million Rank (Macau) Ltd., etc. (collectively referred to as "**POKKA HK**", "**POKKA HK Business**"), the Group has 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**"). MRL is classified as a discontinued operation. And the disposal of MRL was completed on 21 July 2018. 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***

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Chinese Mainland	**1,229,289**	1,373,308
Hong Kong	**268,300**	263,889
	1,497,589	1,637,197

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

(b) ***Non-current assets***

	31 December	31 December
	2018	2017
	RMB'000	*RMB'000*
Chinese Mainland	**333,073**	470,869
Hong Kong	**54,289**	223,273
Others	**–**	660
	387,362	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 years ended 31 December 2018 and 2017, segment information is not presented in accordance with IFRS 8 Operating Segments.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,497,589**	–
Restaurant operations	**–**	1,613,740
Other revenue	**–**	23,457
	1,497,589	1,637,197

(i) Disaggregated revenue information

For the year ended 31 December 2018

	2018
	RMB'000
Type of goods or services	
Restaurant operations	**1,483,143**
Sale of foods	**5,572**
Management fee from franchisee	**8,874**
Total revenue from contracts with customers	**1,497,589**

For the year ended 31 December 2018

	2018
	RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	**1,488,715**
Services transferred over time	**8,874**
Total revenue from contracts with customers	**1,497,589**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December 2018
	RMB'000
Restaurant operations	**6,435**

There is no revenue recognised in the current reporting period from performance obligations satisfied in previous periods.

(ii) Performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**6,221**
More than one year	**3,367**
	9,588

The remaining performance obligations expected to be recognised in more than one year relate to management fee from a franchisee that is to be satisfied within two to seven years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Government grants*	**6,987**	7,639
Dividend income from equity investments at fair value through other comprehensive income	**800**	800
Bank interest income	**1,082**	2,241
Management fee income	**4,390**	2,233
Compensation income for a store with operation early terminated	**–**	2,170
Foreign exchange differences, net	**633**	–
Reversal of impairment provision for property and equipment	**–**	11,940
Others	**39**	20
Gain on disposal of subsidiaries	**8,879**	–
	22,810	27,043

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

5. (LOSS)/PROFIT BEFORE TAX

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

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Cost of inventories sold		**428,964**	451,065
Depreciation		**126,868**	132,255
Amortisation of other intangible assets		**2,858**	2,829
Minimum lease payments under operating leases on buildings		**276,162**	291,706
Auditor's remuneration		**2,600**	3,000
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**332,239**	340,122
Equity-settled share option expense		**1,809**	2,326
Defined contribution pension schemes		**78,465**	89,094
		412,513	431,542
Foreign exchange differences, net		**(633)**	619
Bank interest income	*4*	**(1,082)**	(2,241)
Loss on disposal of items of property and equipment*		**35,331**	4,407
Provision/(reversal) of impairment for property and equipment**		**28,430**	(11,940)
Gain on disposal of subsidiaries***		**(8,879)**	–

* Disposal of items of property and equipment is included in "Other expense" in the consolidated statement of profit or loss.

** Impairment provision for property and equipment is included in "Other expenses" in the consolidated statement of profit or loss. Reversal of impairment provision for property and equipment is included in "Other income and gains" in the consolidated statement of profit or loss.

*** Gain on disposal of subsidiaries 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:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**13,386**	16,921
Less: Interest capitalised	**(114)**	(253)
	13,272	16,668

7. INCOME TAX

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current – Chinese Mainland charged for the year	**13,890**	16,941
Current – Hong Kong and elsewhere charged for the year	**2,295**	4,543
Deferred tax	**4,117**	15,440
Total tax charge for the year from continuing operations	**20,302**	36,924
Total tax charge for the year from a discontinued operation	**(195)**	351
	20,107	37,275

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% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 tax at the rate of 12%.

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate for the jurisdiction in which the Group and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit before tax from continuing operations	**(56,282)**	139,057
(Loss)/profit before tax from a discontinued operation	**(3,207)**	156
	(59,489)	139,213
Tax at the statutory tax rate of 25% (2017: 25%)	**(14,872)**	34,803
Lower tax rates for specific provinces or enacted by local authorities	**–**	(187)
Income not subject to tax	**(1,466)**	(209)
Expenses not deductible for tax	**6,754**	983
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**5,073**	–
Tax losses not recognised during the year	**26,070**	3,221
Tax losses from previous periods utilised during the year	**(1,452)**	(1,336)
Tax charge at the Group's effective rate	**20,107**	37,275
Tax charge from continuing operations at the effective rate	**20,302**	36,924
Tax charge from a discontinued operation at the effective rate	**(195)**	351

8. DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Proposed final – RMB2.3 cents per ordinary share (2017: RMB1.0 cent per ordinary share)	**50,727**	22,055

The proposed final dividend for the year is subjected to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 29 June 2018, the annual general meeting of the Company approved to declare the final dividend of RMB1.0 cent per share of the Company for the year ended 31 December 2017.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the consolidated (loss)/profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,205,531,000 (31 December 2017: 2,205,531,000).

The calculation of the diluted earnings per share amount is based on the (loss)/profit for the year 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 year, as used in the basic (loss)/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 Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation:		
From continuing operations	**(74,074)**	101,804
From a discontinued operation	**(1,958)**	(127)
	(76,032)	101,677
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/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 (loss)/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 exceed the average market prices of ordinary shares during the years, there was no dilutive effect as of 31 December 2018 and 2017.

10. TRADE RECEIVABLES

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Trade receivables	**17,308**	26,287
Impairment	**–**	–
	17,308	26,287

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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 and net of loss allowance, is as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Within 1 month	**9,695**	19,889
1 to 2 months	**1,023**	1,660
2 to 3 months	**809**	1,134
Over 3 months	**5,781**	3,604
	17,308	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 or 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. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Cash and bank balances	**409,506**	304,656
Time deposits with original maturity of less than three months	**2,492**	152,478
Time deposits with original maturity of over three months	**12,882**	11,564
	424,880	468,698
Less: Pledged time deposits for bank loans		
– Current portion	**–**	(151,910)
– Non-current portion	**(11,660)**	(11,564)
Cash and cash equivalents	**413,220**	305,224

As at 31 December 2018, RMB11,660,000 of time deposits were pledged for bank loans borrowed by the Group (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 RMB387,603,000 (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.

12. 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:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 3 months	**125,275**	42,715
3 months to 1 year	**17,881**	5,145
Over 1 year	**3,888**	1,980
	147,044	49,840

The trade payables are non-interest-bearing and normally settled within 3 months after receiving the invoice.

13. SHARE CAPITAL

Shares

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
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** *RMB'000*	**Share premium account** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Total** *RMB'000*
At 31 December 2017 and 31 December 2018	2,213,031,000	18,393	723,842	27	742,262

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2018, the international environment experienced significant change, with the trade frictions between China and the United States evolving in complex ways, and the domestic economic structural reform was constantly deepened. Faced with the changing and uncertain domestic and overseas economic situations, China's GDP achieved a year-on-year growth of 6.6%, and the per capita consumption expenditure increased by 6.2%. The total revenue of catering industry in China had a year-on-year growth of 9.5%, slightly lower than the year-on-year growth of 10.7% in 2017.

The catering industry was generally faced with a situation of oversupply in addition to the slowdown of total revenue growth, which was worsened by the oversupply of shopping centers. Meanwhile, takeaway operators in catering increased greatly in 2018. Apart from the impact of takeaway on eat-in, in terms of the practitioners participating in the takeaway industry, the takeaway discounts and platform costs in a highly competitive environment caused a relatively low level of profit in takeaway industry.

Consumers in domestic market continued to pursue new experiences and popular restaurants, the brand loyalty and consumption continuity of whom were low. While under the macro background that the whole catering industry faced a relatively large operating pressure, emerging brands and top brands stayed in a relatively good situation.

OPERATION REVIEW

As of 2018, the Group's revenue amounted to RMB 1,497.6 million, with a decrease of RMB 139.6 million or 8.5% from that as of 2017, which was RMB 1,637.2 million; the Group's gross profit amounted to RMB 1,068.6 million, with a decrease of RMB approximately 117.5 million or 9.9% from that as of 2017, which was RMB 1,186.1 million. In 2018, the loss attributable to the parent company owner was approximately RMB 76.0 million, representing a decrease of RMB 177.7 million, when compared with the profit of RMB 101.7 million in 2017. The main reason for the profit decrease in this year was that the Company closed and adjusted some stores to optimize its structure and incurred the non-recurring cost of RMB 133.8 million due to the closing cost and asset provision, and that the gross profit decreased due to the decline of 3.8% in the same-store sales of the stores.

In 2018, the Group operated a restaurant network of 65 "Shanghai Min" restaurants, 3 "Maison DeL'Hui" restaurants, 27 "The Dining Room" restaurants, 1 "Oreno" restaurant, 2 "Wolfgang Puck" restaurants, 1 "DOUTOR" café, which covers some of the most affluent and fast-growing cities in Chinese Mainland (Note(ii)), 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, in 2018 and 2017 respectively.

	As of 31 December			
	2018		2017	
	Number of restaurants *(Note (iii))*	**Revenue** ***RMB'000*** **(audited)**	Number of restaurants	Revenue *RMB'000* (audited)
The PRC (Chinese Mainland)*(Note (ii))*				
– Shanghai Min and Maison DeL'Hui	**61**	**993,430**	63	1,143,130
– The Dining Room	**19**	**167,932**	16	146,208
– Other brands *(Note (iv))*	**4**	**53,543**	4	60,605
Hong Kong				
– Shanghai Min	**7**	**132,779**	7	142,774
– The Dining Room	**8**	**135,459**	7	118,136
– Other brands *(Note (iv))*	**–**	**–**	1	2,887
Total Revenue of restaurant operations *(Note (i))*	**99**	**1,483,143**	98	1,613,740
Other income		**14,446**		23,457
Total Revenue		**1,497,589**		1,637,197

Notes:

(i) Total revenue of restaurant operations includes revenue of restaurant operations, takeaway business and packaging products of restaurants.

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

(iii) The number of restaurants excludes licensed stores.

(iv) Other brands in the PRC include Oreno, Wolfgang Puck and DOUTOR. Other brands in Hong Kong include Oreno.

The selling of POKKA HK business

On 21 July 2018, the Group completed the selling of POKKA HK business, including the Pokka Café, Tonkichi and other restaurants operated in Hong Kong and Macau. After the selling of POKKA HK business, the Group will focus on its core brands. The proceeds from such disposal will be used as the Group's general working capital.

OPTIMIZATION OF STORE ASSET STRUCTURE

Because some stores of the Group had long-term poor performance and failed to meet the revenue targets set by the management even after the Group's best effort in operation and trial of various marketing strategies, and it will cause severe and ongoing drag on the economic performance and resources of the Group in the long term, the Group made asset impairment write-off and provision for the closed stores and stores suffering loss in 2018 (including the non-recurring asset write-off related to the closing of "The BOATHOUSE" stores and the Hong Kong stores under "Oreno" brands).

FINANCIAL REVIEW

Total Revenue

Revenue of the Group decreased by RMB139.6 million, or 8.5%, from RMB1,637.2 million in 2017 to RMB1,497.6 million in 2018. This decrease was due to the decrease in revenue for stores closed, decorated and rectified during the year.

Total Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB130.6 million, or 8.1% from RMB1,613.7 million in 2017 to RMB1,483.1 million in 2018, primarily reflecting:

- an increase of RMB76.4 million in revenue contributed by restaurants newly opened as of 31 December 2018;
- a decrease of RMB52.5 million (or decrease by 3.8%), in comparable restaurants sales in 2018 as compared with that of 2017;
- the relocation, adjustment, transfer, closing stores and decrease in restaurant revenue as of 31 December 2018 resulted in a decrease in overall revenue of RMB154.5 million.

Other revenue

Other revenue decreased by RMB9.1 million, from RMB23.5 million in 2017 to RMB14.4 million in 2018.

Cost of Sale

The cost of sale decreased by RMB22.1 million, or 4.9%, from RMB451.1 million in 2017 to RMB429.0 million in 2018.

The cost of sales as a percentage of revenue increased from 27.6% in 2017 to 28.6% in 2018.

Other income and gains

Other income and gains decreased by RMB4.2 million, from RMB27.0 million in 2017 to RMB22.8 million in 2018. This change was mainly driven by: (1) The income of RMB 2.17 million from the compensation for surrender of tenancy of some stores in 2017 and the reversal of store impairment of RMB 11.94 million; (2) the proceeds of approximately RMB 8.9 million from disposal of POKKA HK and other relevant subsidiaries in 2018.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB31.3 million, or 3.4%, from RMB928.3 million in 2017 to RMB897.0 million in 2018.

Labor costs relating to the restaurants operations decreased by RMB20.9 million, or 5.7%, from RMB366.7 million in 2017 to RMB345.8 million in 2018. As a percentage of the Group's revenue, labor costs increased from 22.4% in 2017 to 23.1% in 2018.

Rental costs relating to restaurants operations decreased by RMB16.4 million, or 5.7%, from RMB288.6 million for the year ended 2017 to RMB272.2 million for the year ended 2018. As a percentage of the Group's revenue, rental costs increased from 17.6% in 2017 to 18.2% in 2018.

Depreciation expenses relating to the restaurants operations decreased by RMB9.3 million, or 7.1%, from RMB131.5 million in 2017 to RMB122.2 million in 2018. As a percentage of the Group's revenue, depreciation expenses increased from 8.0% in 2017 to 8.2% in 2018.

Administrative expenses

Administrative expenses increased by RMB17 million, or 14.1%, from RMB120.8 million in 2017 to RMB137.8 million in 2018, and as a percentage of revenue, administrative expenses increased from 7.4% to 9.2% over the same period.

Other expenses

Other expenses of RMB99.7 million in 2018 were mainly attributable to the asset depreciation loss of money-losing stores of RMB28.4 million and the loss of closed stores of RMB40.6 million. Among them, the loss of disposal of assets was RMB32.6 million, other loss of closed stores was approximately RMB8.0 million, and the loss of provision for bad debts was RM13.1 million.

Income Tax Expense

Income tax expenses decreased by RMB16.6 million or 45.0%, from RMB36.9 million in 2017 to RMB20.3 million in 2018.

Profit for the year

As a result of the foregoing, the profit for the year decreased by RMB181.5 million from RMB101.9 million in 2017 to the loss of RMB79.6 million in 2018. The net profit margin decreased from 6.2% in 2017 to –5.3% in 2018.

Liquidity, capital resources and cash flow

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

As at 31 December 2018, the Group's total interest-bearing bank loans were RMB189.7 million. The gearing ratio was 6.5%, which decreased by 18.9% from 25.4% of gearing ratio as at 31 December 2017. Gearing ratio represents net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank loans, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

The Group had net cash inflows from operating activities of RMB141.7 million in 2018 (2017: RMB226.9 million). As at 31 December 2018, the Group had RMB412.0 million in cash and cash equivalents (31 December 2017: RMB305.2 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2018 and 2017: (The data in this paragraph and in the following table includes the influence produced by POKKA HK Business):

	As of 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(audited)	(audited)
Net cash flows generated from operating activities	**141,698**	226,884
Net cash flows used in investing activities	**41,475**	(140,842)
Net cash flows (used in)/generated from financing activities	**(57,453)**	(19,179)
Net increase in cash and cash equivalents	**125,720**	66,863
Cash and cash equivalents at the beginning of the year	**305,224**	233,390
Effect of foreign exchange, net	**(18,946)**	4,971
Cash and cash equivalents at the end of the year	**411,998**	305,224

Operating activities

Net cash inflow from operating activities decreased by RMB85.2 million from RMB226.9 million as at 31 December 2017 to RMB141.7 million as of 31 December 2018, which was mainly due to the decrease in profit before tax.

Investing activities

Net cash flow from investing activities was RMB41.5 million as of 31 December 2018, compared with net cash flow used in investing activities of RMB140.8 million in 2017. In 2018, cash flow from disposal of POKKA HK and its subsidiaries was RMB63.6 million and cash flow used in decoration of new stores and investment in equipment was RMB43.5 million. The cash outflow from major investment activities was the final payment for acquiring equity interest of non-current financial assets, JMU Limited (formerly known as "Wowo Limited") in 2017.

Financing activities

Net cash flow generated from financing activities increased by RMB38.3 million from a cash outflow of RMB19.2 million as of 31 December 2017 to a cash outflow of RMB57.5 million as of 31 December 2018. This was mainly due to the decrease in pledged time deposits of RMB140.8 million, the repayment of bank loans amounting to RMB213.5 million, the addition of bank loans amounting to RMB45.2 million, the payment of interest amounting to RMB13.9 million and the dividends amounting to RMB22.1 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 twelve-month periods ended 31 December 2018 and 31 December 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

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary violated registered trademarks and unfair competition in Chinese Mainland. The plaintiff claims for compensation amounted to RMB10,000,000. The Group's attorney considers that the possibility and amount of compensation cannot be estimated for the time being. Accordingly, the Company have not provided for any claim arising from the litigation, other than the related legal and other costs.

SUBSTANTIAL DISPOSALS

The Group had disposed the POKKA HK Business for the year ended 31 December 2018.

SUBSTANTIAL DISPOSALS

The Group had not made any material investment for the year ended 31 December 2018.

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:

	31 December 2018 *RMB'000* **(audited)**	31 December 2017 *RMB'000* (audited)
Within one year	**256,094**	249,504
In the second to fifth years, inclusive	**467,190**	649,867
After five years	**22,316**	158,791
	745,600	1,058,162

Capital commitment

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

Pledge of group assets

As at 31 December 2018, the Group's total interest-bearing bank loans were RMB189.7 million, of which bank loans of HK$27.4 million (equivalent to RMB24.0 million) were secured by the pledge of fixed deposits of RMB11.7 million.

Human resources and remuneration policies

As of 31 December 2018, the Group employed approximately 2,280 people in Chinese Mainland, Hong Kong, including 2,060 employees in restaurants and 220 employees in functional departments (2,957 employees in 2017, a year-on-year decrease of 22.9%).

In 2018, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic institutions. And the Group continued to carry out a number of incentive assessment policies formulated, so as to increase the overall income of employees and to achieve the sharing of benefits between the Company and employees, as well as to improve employee work enthusiasm.

STRATEGIC OUTLOOK

Reform the dishes of Shanghai Min brand to consolidate and expand customer groups

Good dishes is one of the core competitiveness of a catering enterprise. In 2019, the Group will concentrate its energy to focus on the dish reform of Shanghai Min brand, and analyse and build the dish structure of Shanghai Min brand to meet the needs of mid-range business banquet and that of ordinary family consumption, thus injecting new energy into such a Shanghai local catering brand over 30-year-old, bringing better and newer dishes as well as better experiences to our customers. In terms of customer management, the Group will fully turn to the faster and more convenient mobile phone CRM system to build a more convenient customer entrance, record customers' consumption process, and offer them feedback of different levels through consumption bonus points, so as to form a targeted marketing model. By combining the above plans, the Group will be carefully prepared for 2019 to create a new generation of brand model stores representing Shanghai cuisine.

Expand the league cooperation of The Dining Room brand with aiming at young consumers

Undergoing 6 years of management and operation under the Group, The Dining Room has been successfully built as a leisure catering brand that is popular among youngsters. While the operation model of such brand is mature, the Group will start to initiate the piloting of league cooperation business in domestic key cities by taking advantage of the restaurant management and operation ability, product R&D ability, and raw and supplementary material distribution ability that it already has.

Actively expand opportunities in high-end private consumption markets for Maison De L'Hui brand

As a high-end brand created by the Group with heart locating at carefully selected sites, Maison De L'Hui owns well-deserved reputation in high-end consumption market. In 2019, Maison De L'Hui will actively seek growth opportunities in the high-end private consumption market to obtain the possibility of opening new stores and new theme stores.

SUBSEQUENT EVENTS

After December 31, 2018, the Company or the Group has no material subsequent events.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.023 per share (approximately HK$0.026 per share) for the year ended 31 December 2018, paid out of the Company's share premium account, subject to the approval of the Company's shareholders at the Annual General Meeting. The 2018 final dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average mid-point of exchange rate between RMB and HKD as quoted by The People's Bank of China in the previous week before the date of the final dividend declaration.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited as its own code of corporate governance. Save as disclosed in this announcement, the Company has complied with all the applicable code provisions as set out in CG Code for the year ended 31 December 2018.

The CG Code provision A.2.1 stipulates that the roles of the chairman and the chief executive officer position should be separated and should not be performed by the same individual. Due to changes of the management personnel of the Company, both the roles of chairman and chief executive officer have been performed by Ms. Wang Huimin until 6 December 2018. 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 highquality 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 chairman and the chief executive officer enables the Company to make and implement decisions promptly and efficiently which is beneficial to the Company as a whole. Mr. Sun Yong has been appointed the chief executive officer of the Company to take up such role from Ms. Wang Huimin, with effect from 6 December 2018. The change of the chief executive officer will enable the Company to enhance its corporate governance practices and to comply with the CG Code provision A.2.1 as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 December 2018.

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

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the year ended 31 December 2018.

REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management of the Company with respect to the internal control and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2018. The Audit Committee of the Company has also reviewed the Company's consolidated financial statements for the year ended 31 December 2018. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Company's financial results for the year ended 31 December 2018 as set out in this preliminary announcement have been audited by Ernst & Young ("**EY**") the Company's independent auditor, to be consistent with the amounts set out in the Company's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND THE 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tanshglobal.com), and the Company's 2018 Annual Report which contains all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Shanghai, the People's Republic of China, 29 March 2019

As at the date of this announcement, the executive directors of the Company are Ms. WANG Huimin, Mr. Sun Yong 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.