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 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	**% Change decrease**
Revenue *(RMB'000)*	**1,228,857**	1,497,589	(17.9%)
Gross profit[1] *(RMB'000)*	**857,043**	1,068,625	(19.8%)
Gross margin[2]	**69.7%**	71.4%	(1.7%)
Loss for the year *(RMB'000)*	**(163,260)**	(79,596)	(105.1%)
Net loss margin[3]	**(13.3%)**	(5.3%)	(8.0%)
Loss per share			
– Basic and diluted *(RMB cents)*	**(7.5)**	(3.4)	
Total dividend per share *(RMB cents)*	**–**	2.3	
Number of restaurants[4] (as at 31 December)	**86**	99	

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 margin is calculated as loss for the year divided by revenue.

4. The number of restaurants excludes licensed stores.

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 2019, together with comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**1,228,857**	1,497,589
Cost of sales		**(371,814)**	(428,964)
Gross profit		**857,043**	1,068,625
Other income and gains	*4*	**16,428**	22,810
Selling and distribution expenses		**(815,102)**	(897,010)
Administrative expenses		**(114,645)**	(137,768)
Other expenses		**(55,816)**	(99,667)
Finance costs	*6*	**(30,889)**	(13,272)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**(142,981)**	(56,282)
Income tax expense	*7*	**(20,279)**	(20,302)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(163,260)**	(76,584)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**–**	(3,012)
LOSS FOR THE YEAR		**(163,260)**	(79,596)
Attributable to:			
Owners of the parent		**(164,471)**	(76,032)
Non-controlling interests		**1,211**	(3,564)
		(163,260)	(79,596)

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	*9*	**RMB(7.5) cents**	RMB(3.4) cents
For loss from continuing operations	*9*	**RMB(7.5) cents**	RMB(3.3) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(163,260)**	(79,596)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,072)**	(23,609)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(3,072)**	(23,609)
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	**(3,261)**	(49,880)
Income tax effect	**996**	280
	(2,265)	(49,600)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(2,265)**	(49,600)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(5,337)**	(73,209)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(168,597)**	(152,805)
Attributable to:		
Owners of the parent	**(169,807)**	(161,782)
Non-controlling interests	**1,210**	8,977
	(168,597)	(152,805)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**169,881**	298,346
Right-of-use assets		**312,225**	–
Goodwill		**1,679**	–
Other intangible assets		**8,740**	5,788
Equity investments designated at fair value through other comprehensive income		**14,614**	17,875
Long-term rental deposits		**77,552**	83,228
Deferred tax assets		**55,455**	69,056
Pledged deposits		**–**	11,660
Other long-term receivables		**45,954**	44,949
Total non-current assets		**686,100**	530,902
CURRENT ASSETS			
Inventories		**22,318**	17,965
Trade receivables	*10*	**12,436**	17,308
Prepayments, other receivables and other assets		**141,549**	233,946
Pledged deposits	*11*	**11,996**	–
Cash and cash equivalents	*11*	**160,015**	413,220
Total current assets		**348,314**	682,439
CURRENT LIABILITIES			
Trade payables	*12*	**95,016**	147,044
Other payables and accruals		**116,181**	122,691
Interest-bearing bank loans		**12,362**	189,683
Lease liabilities		**129,231**	–
Tax payable		**12,809**	19,698
Total current liabilities		**365,599**	479,116
NET CURRENT (LIABILITIES)/ASSETS		**(17,285)**	203,323
TOTAL ASSETS LESS CURRENT LIABILITIES		**668,815**	734,225

	Notes	**31 December 2019** **RMB'000**	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**213,230**	–
Long-term payables		**4,081**	59,569
Deferred tax liabilities		**1,181**	7,888
Total non-current liabilities		**218,492**	67,457
Net assets		**450,323**	666,768
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**18,393**	18,393
Other reserves		**425,333**	645,867
		443,726	664,260
Non-controlling interests		**6,597**	2,508
Total equity		**450,323**	666,768

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

TANSH Global Food Group Co., Ltd (formerly named "**Xiao Nan Guo Restaurants Holdings Limited**") 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 and Hong Kong. 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 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.

Net current liability

As at 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately RMB17.3 million. In the opinion of the Directors, the net current liability position was mainly caused by the loss from restaurant operations and the recognition of lease liabilities (current portion) after the first adoption of IFRS16. The Directors have prepared these financial statements on a going concern basis based on the cash flow forecast which indicated the Group will generate sufficient cash inflows from operating activities and financing from bank loans, to meet its financial obligations when they fall due.

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 2019. 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 adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and Annual Improvements to IFRSs 2015-2017 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) IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/ terminate the Lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	497,144
Decrease in property and equipment	(21,647)
Decrease in prepayments, other receivables and other assets	(11,360)
Increase in total assets	464,137
Liabilities	
Increase in lease liabilities	518,516
Decrease in other payables and accruals	(634)
Decrease in long-term payables	(53,745)
Increase in total liabilities	464,137
Decrease in retained earnings	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	745,600
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(52,660)
Non-lease components under IFRS16 included in lease commitments as at 31 December 2018	117,494
Add: Payments for optional extension periods not recognised as at 31 December 2018	26,110
	601,556
Weighted average incremental borrowing rate as at 1 January 2019	5.53%
Discounted operating lease commitments as at 1 January 2019	518,516
Lease liabilities as at 1 January 2019	518,516

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. Based on the Group's tax compliance study, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group operates as one business unit based on brands and services, and there was only one reportable segment, the TANSH Global Business, in the Group.

(a) TANSH Global Business (including main brands: Shanghai Min, Maison De L'Hui, the Dining Room, Oreno, Wolfgang Puck, Doutor, COCO2NUTS and AYO MAYA)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Chinese Mainland	**1,018,514**	1,229,289
Hong Kong	**210,343**	268,300
	1,228,857	1,497,589

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

(b) Non-current assets

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Chinese Mainland	**491,599**	333,073
Hong Kong	**78,478**	54,289
	570,077	387,362

The non-current asset information of the continuing operations above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income, other long-term receivables 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 2019 and 2018, 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	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,228,857**	1,497,589

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Type of goods or services		
Restaurant operations	**1,196,123**	1,483,143
Sale of packed foods	**15,127**	5,572
Management fee from franchisee	**17,607**	8,874
Total revenue from contracts with customers	**1,228,857**	1,497,589
Timing of revenue recognition		
Goods and services transferred at a point in time	**1,211,250**	1,488,715
Services transferred over time	**17,607**	8,874
Total revenue from contracts with customers	**1,228,857**	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	
	2019	2018
	RMB'000	*RMB'000*
Restaurant operations	**6,221**	6,435

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

(ii) Performance obligations

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**4,861**	6,221
After one year	**2,170**	3,367
	7,031	9,588

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to management fees from franchisees, of which the performance obligations are to be satisfied within two to six years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Government grants*	**1,588**	6,987
Interest income	**6,156**	1,082
Management fee income from landlord	**1,131**	4,390
Compensation income from landlord	**933**	–
Dividend income from equity investments at fair value through other comprehensive income	**800**	800
Gain on disposal of right-of-use assets for early terminated leases	**5,220**	–
Foreign exchange differences, net	**–**	633
Gain on disposal of subsidiaries	**–**	8,879
Others	**600**	39
	16,428	22,810

* There are no unfulfilled conditions or contingencies attaching to government grants that had been recognised.

5. LOSS BEFORE TAX

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

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Cost of inventories sold		**371,814**	428,964
Depreciation of property and equipment		**83,659**	132,797
Depreciation of right-of-use assets		**177,744**	–
Amortisation of other intangible assets		**2,852**	3,837
Minimum lease payments under operating leases on buildings		**–**	276,162
Lease payments not included in the measurement of lease liabilities		**35,185**	–
Auditor's remuneration		**2,550**	2,600
Employee benefit expense (including directors' and chief executive's remuneration:			
Wages and salaries		**330,392**	332,239
Defined contribution pension schemes		**60,168**	78,465
Equity-settled share option expense		**–**	1,809
		390,560	412,513
Foreign exchange differences, net		**1,488**	(633)
Interest income	*4*	**(6,156)**	(1,082)
Loss on disposal of items of property and equipment*		**11,463**	35,331
Impairment of property and equipment*		**25,740**	28,430
Impairment of right-of-use assets*		**2,104**	–
Gain on disposal right-of-use assets for early terminated leases**		**(5,220)**	–
Gain on disposal of subsidiaries**		**–**	(8,879)

* Included in "Other expense" in the consolidated statement of profit or loss.

** 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	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**5,420**	13,386
Interest on lease liabilities	**25,542**	–
Less: Interest capitalised	**(73)**	(114)
	30,889	13,272

7. INCOME TAX

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current – Chinese Mainland charged for the year	**3,245**	13,890
Current – Hong Kong charged for the year	**8,892**	2,295
Deferred tax	**8,142**	4,117
Total tax charge for the year from continuing operations	**20,279**	20,302
Total tax credit for the year from a discontinued operation	**–**	(195)
	20,279	20,107

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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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.

A reconciliation of the tax expense applicable to loss 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	
	2019	2018
	RMB'000	*RMB'000*
Loss before tax from continuing operations	**(142,981)**	(56,282)
Loss before tax from a discontinued operation	**–**	(3,207)
	(142,981)	(59,489)
Tax at the statutory tax rate of 25% (2018: 25%)	**(35,745)**	(14,872)
Lower tax rates for specific provinces or enacted by local authorities	**4,619**	–
Income not subject to tax	**(200)**	(1,466)
Expenses not deductible for tax	**1,030**	6,754
Effect of withholding tax at 10% on the distributable profits	**3,819**	5,073
Tax losses not recognised during the year	**47,827**	26,070
Tax losses from previous periods utilised during the year	**(1,071)**	(1,452)
Tax charge at the Group's effective rate	**20,279**	20,107
Tax charge from continuing operations at the effective rate	**20,279**	20,302
Tax credit from a discontinued operation at the effective rate	**–**	(195)

8. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Proposed final – 2019: Nil (2018: RMB2.3 cents per ordinary share)	**–**	50,727

On 29 June 2019, the annual general meeting of the Company approved to declare the final dividend of RMB2.3 cents per share of the Company for the year ended 31 December 2018.

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

The calculation of the basic loss per share amount is based on the consolidated loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,205,531,000 (31 December 2018: 2,205,531,000).

The calculation of the diluted loss per share amount is based on the loss 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 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 2019 and 2018.

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(164,471)**	(74,074)
From a discontinued operation	**–**	(1,958)
	(164,471)	(76,032)

Shares

Weighted average number of ordinary shares in issue during the year used in the basic loss 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 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 2019 and 2018.

10. TRADE RECEIVABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade receivables	**12,436**	17,308
Impairment	**–**	–
	12,436	17,308

The Group's trading terms with its customers are mainly on cash, credit card settlement, Alipay and Wechat payment. 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 2019	31 December 2018
	RMB'000	*RMB'000*
Within 1 month	**7,329**	9,695
1 to 2 months	**746**	1,023
2 to 3 months	**181**	809
Over 3 months	**4,180**	5,781
	12,436	17,308

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. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Cash and bank balances	**146,760**	409,506
Time deposits with original maturity of less than three months	**23,784**	2,492
Time deposits with original maturity of over three months	**1,467**	12,882
	172,011	424,880
Less: Pledged time deposits for bank loans		
– Current portion	**(11,996)**	–
– Non-current portion	**–**	(11,660)
Cash and cash equivalents	**160,015**	413,220

As at 31 December 2019, time deposits of RMB11,996,000 were pledged for bank loans borrowed by the Group (2018: RMB11,660,000). The bank loans amounted to RMB12,362,000 were subsequently settled in January 2020 and relevant pledged time deposits were released accordingly.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB123,073,000 (2018: RMB387,603,000). 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 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 3 months	**72,289**	125,275
3 months to 1 year	**20,741**	17,881
Over 1 year	**1,986**	3,888
	95,016	147,044

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

13. SHARE CAPITAL

Shares

	31 December 2019 *RMB'000*	31 December 2018 *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 1 January 2018, 31 December 2018 and 31 December 2019	2,213,031,000	18,393	723,842	27	742,262

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2019, China's economy was under downward pressure in respect of various aspects amid the ongoing trade tension between China and the United States. According to the latest data released by the National Bureau of Statistics of China, China's GDP grew by 6.1% in 2019 compared to 2018, representing a further slowdown of growth compared to 6.6% in 2018. Against the backdrop of slowing economic growth, the catering industry as a whole showed an oversupply situation. The oversupply of shopping centers further worsened the oversupply situation in catering industry.

At the same time, the CPI for food in China increased by 9.2% in 2019, of which the CPI for meat showed an increase of 29.1% (including significant increase in pork by 42.5%), putting the Company under stronger pressure from the cost of food procurement. Takeaway operators in catering continued to increase in 2019. Apart from the impact of takeaway on eat-in, in terms of the players 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.

Since the beginning of June 2019, the Hong Kong region where the Company operates has been affected by the social events, which led to a sharp decrease in visitors. Visitor arrivals dropped by 39.1% in the second half of 2019 according to the Hong Kong Tourism Development Bureau. The social unrest and slump in visitor arrivals had a huge impact on the catering market in Hong Kong.

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 greater operating pressure, emerging brands and top brands stayed in a relatively good situation.

OPERATION REVIEW

As of 2019, the Group's revenue amounted to RMB1,228.9 million, with a decrease of RMB268.7 million or 17.9% from that as of 2018, which was RMB1,497.6 million; the Group's gross profit amounted to RMB857.0 million, with a decrease of approximately RMB211.6 million or 19.8% from that as of 2018, which was RMB1,068.6 million. In 2019, the loss attributable to the parent company owner was approximately RMB164.5 million, representing more loss of RMB88.5 million, when compared with the loss of RMB76.0 million in 2018. 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 costs of RMB55.8 million for store closing and asset provision, interest expense of lease liabilities increased by RMB14.4 million due to the adaptation of IFRS 16 and that the gross profit decreased due to the decline of 15% in the same-store sales of the stores.

In 2019, the Group operated a restaurant network of 55 “Shanghai Min” restaurants, 2 “Maison DeL’Hui” restaurants, 22 “The Dining Room” restaurants, 1 “Oreno” restaurant, 1 “Wolfgang Puck” restaurant, 1 “DOUTOR” café, 1”COCO2NUTS” restaurant and 3 “AYO MAYA” restaurants, which covers some of the most affluent and fast-growing cities in Chinese Mainland (Note(ii)), and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, in 2019 and 2018, respectively.

	As of 31 December			
	2019		2018	
	Number of restaurants *(Note (iii))*	**Revenue** ***RMB'000***	Number of restaurants	Revenue *RMB'000*
The PRC (Chinese Mainland *(Note (ii))*				
–Shanghai Min and Maison DeL’Hui	**53**	**780,738**	61	993,430
–The Dining Room	**14**	**148,535**	19	167,932
–Other brands *(Note (iv))*	**7**	**56,507**	4	53,543
Hong Kong				
– Shanghai Min	**4**	**84,395**	7	132,779
– The Dining Room	**8**	**125,948**	8	135,459
Total revenue of restaurant operations *(Note (i))*	**86**	**1,196,123**	99	1,483,143
Other revenue		**32,734**		14,446
Total revenue		**1,228,857**		1,497,589

Notes:

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

(ii) The PRC (Chinese Mainland), 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, DOUTOR, COCO2NUTS and AYO MAYA.

In 2019, the Group is committed to the turnaround and improvement of its operating results by focusing on the following reform initiatives for its core businesses:

1. Implementing product reform and improving customer experience of our core brand "Shanghai Min"

In 2019, the Group restructured and strengthened its R&D team and optimized the processes of market research, R&D and launch of new dishes, which significantly improved the creativity, quality and launch of new dishes.

"Shanghai Min" brand launched a brand-new menu at its stores on 12 September 2019, replacing 50% of the old menus with its new products. While improving the quality of our products, the new menu also significantly improved the value for money of our products. As at the end of December 2019, 15 stores have started to use our new menu. In 2019, the number of customer visits of stores offering the new menu has increased by 15% and the revenue has increased by 8% as compared to those offering the existing menu. The Company plans to complete the full launch of the new menu by the end of June 2020.

2. Optimizing "The Dining Room" and "Wolfgang Puck" brand models to drive the casual Chinese cuisine dining and casual dining market

In 2019, the Group optimized the brand of "The Dining Room", and the business model of "The Dining Room" brand in Mainland China was greatly optimized. In the fourth quarter, the revenue of "The Dining Room" brand increased to 1% year-on-year, achieving a turnaround.

The Western cuisine brand "Wolfgang Puck" recorded a year-on-year increase of 23% in revenue in the third quarter of 2019, a year-on-year increase of 51% in revenue in the fourth quarter.

3. Optimizing our geographical layout and focusing on key areas

In 2019, the Group optimized its store layout by closing a total of 19 stores and reducing the number of cities with directly operated stores by 3. After the optimization of our geographical layout, the Group's directly operated stores are more concentrated in the three most developed city clusters in China, namely the Yangtze River Delta, the Greater Bay Area and the Beijing-Tianjin-Hebei Region, with Shanghai, Hong Kong and Beijing as the centers. The Company improved its operational efficiency, supply chain efficiency and management efficiency through the improvement of store concentration in cities.

4. Optimizing the structure of our headquarters and improving management efficiency

In 2019, the Group promoted the optimization of its organizational structure. By adopting a flat management approach, the administrative expenses decreased by 16.8% as compared with that of 2018. The Group not only reduced its administrative expenses, but also improved its efficiency in responding to market feedback, as well as communication and management efficiency.

FINANCIAL REVIEW

Total Revenue

Revenue of the Group decreased by RMB268.7 million, or 17.9%, from RMB1,497.6 million in 2018 to RMB1,228.9 million in 2019. This decrease was due to store closure, renovation and rectification, and decrease in same-store sales during the year.

Total revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB287.0 million, or 19.4% from RMB1,483.1 million in 2018 to RMB1,196.1 million in 2019, primarily reflecting:

- an increase of RMB51.1 million in revenue contributed by restaurants newly opened as of 31 December 2019;
- a decrease of RMB171.0 million (or 15.0%) in comparable restaurant sales in 2019 as compared with that of 2018;
- the relocation, adjustment and closure of stores and decrease in restaurant revenue as of 31 December 2019 resulted in a decrease in overall revenue of RMB167.1 million.

Other revenue

Other revenue increased by RMB18.3 million, from RMB14.4 million in 2018 to RMB32.7 million in 2019. The increase was mainly due to an increase of RMB9.6 million in sales of packed sales, and an increase of RMB8.7 million in franchise fees and management fees charged by Michelin compared to last year.

Cost of Sale

The cost of sale decreased by RMB57.2 million, or 13.3%, from RMB429.0 million in 2018 to RMB371.8 million in 2019.

The cost of sales as a percentage of revenue increased from 28.6% in 2018 to 30.3% in 2019.

Other income and gains

Other income in 2019 amounted to RMB16.4 million, mainly comprised of RMB6.2 million from interest income, RMB1.1 million from management fee income, RMB5.2 million from gain on disposal of rights-of-use assets for early terminated leases and RMB1.6 million from government subsidies.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB81.9 million, or 9.1%, from RMB897.0 million in 2018 to RMB815.1 million in 2019.

Labor costs relating to the restaurants operations decreased by RMB19.5 million, or 5.6%, from RMB345.8 million in 2018 to RMB326.3 million in 2019. As a percentage of the Group's revenue, labor costs increased from 23.1% in 2018 to 26.6% in 2019.

Rental costs relating to restaurants operations decreased by RMB179.5 million, or 65.9%, from RMB272.2 million for the year ended 2018 to RMB92.7 million for the year ended 2019. As a percentage of the Group's revenue, rental costs decreased from 18.2% in 2018 to 7.5% in 2019. Such rental expenses were reflected as depreciation of right-of-use assets and interest on lease liabilities mainly as a result of the initial application of IFRS 16.

Depreciation expenses relating to the restaurants operations increased by RMB134.3 million, or 109.9%, from RMB122.2 million in 2018 to RMB256.5 million in 2019. As a percentage of the Group's revenue, depreciation expenses increased from 8.2% in 2018 to 20.9% in 2019. This was mainly due to the increase in depreciation expenses of right-of-use assets as a result of the initial application of IFRS 16.

Administrative expenses

Administrative expenses decreased by RMB23.1 million, or 16.8%, from RMB137.8 million in 2018 to RMB114.6 million in 2019, and as a percentage of revenue, administrative expenses increased from 9.2% to 9.3% over the same period.

Other expenses

Other expenses of RMB55.8 million in 2019 were mainly attributable to the fixed asset impairment loss of money-losing stores of RMB25.7 million, the loss of closed stores of RMB24.0 million (of which the loss of disposal of assets was RMB15.0 million), and other loss of closed stores of approximately RMB9.0 million.

Income Tax Expense

Income tax expenses remained substantially unchanged at RMB20.3 million in 2019 and RMB20.3 million in 2018.

Loss for the year

As a result of the foregoing, the loss for the year increased by RMB83.7 million from the loss of RMB79.6 million in 2018 to the loss of RMB163.3 million in 2019. The net profit margin decreased from -5.3% in 2018 to -13.3% in 2019.

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 2019, the Group's total interest-bearing bank loans were RMB12.4 million. The gearing ratio was 10.4% (31 December 2018: 4.9%). 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 and pledged deposits. Capital represents equity attributable to owners of the parent.

The Group had net cash inflows from operating activities of RMB133.1 million in 2019 (2018: RMB141.7 million). As at 31 December 2019, the Group had RMB158.5 million in cash and cash equivalents (31 December 2018: RMB412.0 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**133,086**	141,698
Net cash flows generated from investing activities	**43,811**	41,475
Net cash flows used in financing activities	**(426,537)**	(57,453)
Net (decrease)/increase in cash and cash equivalents	**(249,640)**	125,720
Cash and cash equivalents at the beginning of the year	**411,998**	305,224
Effect of foreign exchange, net	**(3,810)**	(18,946)
Cash and cash equivalents at the end of the year	**158,548**	411,998

Operating activities

Net cash inflow from operating activities decreased by RMB8.6 million from RMB141.7 million as at 31 December 2018 to RMB133.1 million as of 31 December 2019, which was mainly due to the decrease in profit before tax.

Investing activities

Net cash flow generated from investing activities was RMB43.8 million as of 31 December 2019, compared with net cash flow generated from investing activities of RMB41.5 million in 2018.

Financing activities

Net cash flow used in financing activities increased by RMB369.0 million from a cash outflow of RMB57.5 million as of 31 December 2018 to a cash outflow of RMB426.5 million as of 31 December 2019, which was primarily attributable to the repayment of bank loans of RMB178.5 million, interest payment of RMB5.4 million, dividend payment of RMB50.7 million, and rental payments related to lease contracts included in cash used in financing activities of approximately RMB191.6 million as a result of the application of IFRS 16.

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 2019 and 31 December 2018 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 amounting 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 has not provided for any claim arising from the litigation, other than the related legal and other costs.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals for the year ended 31 December 2019.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the year ended 31 December 2019.

Capital commitment

Capital commitments were approximately RMB5.1 million and RMB7.4 million as at 31 December 2019 and 31 December 2018, respectively.

Pledge of group assets

As at 31 December 2019, the Group's total interest-bearing bank loans were RMB12.4 million, of which bank loans of HK$13.8 million (equivalent to RMB12.4 million) were secured by the Group's pledge of certain fixed deposits of RMB12.0 million.

Human resources and remuneration policies

As of 31 December 2019, the Group employed approximately 1,805 people in Chinese Mainland and Hong Kong, including 1,607 employees in restaurants and 198 employees in functional departments (2,280 employees in 2018, a year-on-year decrease of 20.8%).

In 2019, 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. The Group continued to carry out a number of established incentive assessment policies, so as to increase the overall income of employees, to achieve the sharing of benefits between the Company and employees, and to improve employee work enthusiasm.

STRATEGIC OUTLOOK

After the outbreak of the novel coronavirus (COVID-19) epidemic in late January 2020, the catering industry was greatly affected in the first wave. According to the data from Evergrande Research Institute (恒大研究院), the epidemic caused a loss of approximately RMB500 billion in the retail sales of catering industry only within seven days of the Chinese New Year. Although the development of the epidemic has been contained within several regions in China since mid-March 2020 and all regions across the country have been actively preparing for the resumption of production, it still takes some time for catering enterprises to resume production and recover due to the impact of the global spread of the epidemic and the world's economic situation. At the same time, after the epidemic is controlled and the economy gradually recovers, the reshuffle and reduction of catering supply side and the opportunity of rental cost optimization also bring new development opportunities to large and medium-sized brand chain enterprises.

Impact of the epidemic and our response

After the occurrence of the COVID-19 epidemic, the Company immediately established an epidemic response team and took various measures to minimize the impact of the epidemic on the Company.

- The Company has closed all stores in Chinese Mainland and some stores in Hong Kong since 26 January 2020 to ensure employee safety as preventive and control measures.

- Through active communication with landlords and arrangement of leave for employees, the Company reduced rental and labor costs.

- The Company has expanded the takeaway business during this period through selection of branded takeaway products and safe direct delivery.

- The Company has actively communicated with banking and financial institutions to obtain incremental banking facilities and maintain a good cash reserve.

During the epidemic period, the Company actively promoted product research and development, and fully leveraged its brand advantages to emphasize the product safety attributes. As the development of the epidemic gradually stabilizes, the Company plans to gradually resume the dine-in business in the stores in early April 2020.

"Shanghai Min" brand

Through the continuous adjustment in 2018-2019, "Shanghai Min" brand reduced the number of cities with directly-operated stores, focused more on core areas with advantages, and concentrated its business in developed cities such as the surrounding areas of Shanghai, Beijing, Hong Kong to improve our store layout. By increasing the store concentration in cities, the Company improved its operational efficiency, supply chain efficiency and management efficiency.

Strengthening brand building: As a 33-year brand serving Shanghainese cuisine, "Shanghai Min" has brand awareness and reputation in Shanghai and its surrounding areas as well as in Beijing and Hong Kong. In 2020, the Company will deeply explore the brand advantages of "Shanghai Min" brand accumulated over the years, strengthen the exquisite and elegant essence of Shanghai culture and moderately inject young and stylish elements, making "Shanghai Min" brand a representative of Shanghai cuisine combining style and classic. At the same time, the Company classified and sorted community stores and commercial stores, and subdivided market segments and differentiated positioning through different sub-brands.

Continuous product optimization: The new menu of Shanghai Min launched in September 2019 has significantly improved the customer flow and revenue of the stores. The Company plans to complete the launch of the new menu in all stores in the first half of 2020 to provide customers with products of higher value for money and better customer experience.

"The Dining Room" brand

After 6 years of management and operation under the Group, "The Dining Room" brand has been successfully built as a casual catering brand that is popular among youngsters. In 2019, the Company has completed the optimization and upgrade of the brand. In 2020, the Group will start the pilot franchise business in key cities in China by taking advantage of its existing restaurant operation and management capabilities, product research and development capabilities and raw materials distribution capabilities. Meanwhile, the Group will negotiate with hotels to expand its store network through asset-light model.

SUBSEQUENT EVENTS

Except for the impact of epidemics, after 31 December 2019, the Company or the Group has no material subsequent events.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

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 2019.

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 2019.

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 2019.

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 2019. The Audit Committee has also reviewed the Company's consolidated financial statements for the year ended 31 December 2019. 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 AUDITOR

The figures in respect of the Company's financial results for the year ended 31 December 2019 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 2019 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 2019 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
Baixuan Tiffany Wang
Chairlady

Shanghai, the People's Republic of China, 30 March 2020

As at the date of this announcement, the executive directors of the Company are Ms. Baixuan Tiffany Wang and Mr. Sun Yong; 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. ZHANG Zhenyu.