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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020 **(unaudited)**	2019 (unaudited)	*% Change (decrease)/ increase*
Revenue (RMB'000)	**252,250**	669,275	(62.3)%
Gross profit[1] (RMB'000)	**168,511**	473,499	(64.4)%
Gross profit margin[2]	**66.8%**	70.7%	(3.9)%
Loss for the period (RMB'000)	**(121,395)**	(26,650)	355.5%
Net loss margin[3]	**(48.1%)**	(4.0)%	(44.1)%
Loss per share – Basic	**RMB(5.80) cents**	RMB(1.27) cents	356.7%
Number of restaurants (as at 30 June)	**62**	94	

Notes:

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

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

3. Net loss margin is calculated as loss for the period divided by revenue.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of TANSH Global Food Group Co., Ltd (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**") together with unaudited comparative figures for the corresponding period in the year 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2020

		Six-month period ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**252,250**	669,275
Cost of sales		**(83,740)**	(195,776)
Gross profit		**168,510**	473,499
Other income and gains	*4*	**9,418**	6,636
Selling and distribution expenses		**(235,908)**	(420,243)
Administrative expenses		**(47,052)**	(56,000)
Other expenses		**(19,952)**	(16,739)
Finance costs	*6*	**(8,792)**	(17,036)
LOSS BEFORE TAX	*5*	**(133,776)**	(29,883)
Income tax credit	*7*	**12,381**	3,233
LOSS FOR THE PERIOD		**(121,395)**	(26,650)

	Notes	Six-month period ended 30 June **2020** *RMB'000* **(unaudited)**	2019 *RMB'000* (unaudited)
Attributable to:			
Owners of the parent		**(122,189)**	(28,076)
Non-controlling interests		**794**	1,426
		(121,395)	(26,650)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For loss for the period	*9*	**RMB(5.80) cents**	RMB(1.27) cents
Diluted			
– For loss for the period	*9*	**RMB(5.80) cents**	RMB(1.27) cents

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2020

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	**(121,395)**	(26,650)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,238)**	(281)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(4,238)**	(281)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated as fair value through comprehensive income/(loss):		
Changes in fair value	**1,953**	3,998
Income tax effect	**(11)**	(22)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,942**	3,976
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(2,296)**	3,695
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(123,691)**	(22,955)
Attributable to:		
Owners of the parent	**(124,485)**	(24,381)
Non-controlling interests	**794**	1,426
	(123,691)	(22,955)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment		**134,407**	169,881
Right-of-use assets		**230,049**	312,225
Goodwill		**1,679**	1,679
Other intangible assets		**8,755**	8,740
Equity investments designated at fair value through other comprehensive income		**16,566**	14,614
Long-term rental deposits		**58,152**	77,552
Deferred tax assets		**68,564**	55,455
Other long-term receivables		**46,857**	45,954
Total non-current assets		**565,029**	686,100
CURRENT ASSETS			
Inventories		**22,710**	22,318
Trade receivables	*10*	**12,583**	12,436
Prepayments, other receivables and other assets		**102,549**	141,549
Pledged deposits	*11*	**20,310**	11,996
Cash and cash equivalents	*11*	**129,754**	160,015
Total current assets		**287,906**	348,314
CURRENT LIABILITIES			
Trade payables	*12*	**68,730**	95,016
Other payables and accruals		**145,415**	116,181
Interest-bearing bank loans		**44,638**	12,362
Lease Liabilities		**98,899**	129,231
Tax payable		**11,680**	12,809
Total current liabilities		**369,362**	365,599
NET CURRENT LIABILITIES		**(81,456)**	(17,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		**483,573**	668,815

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease Liabilities		**162,459**	213,230
Long-term payables		**3,458**	4,081
Deferred tax liabilities		**1,198**	1,181
Total non-current liabilities		**167,115**	218,492
Net assets		**316,458**	450,323
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**18,393**	18,393
Treasury shares		**(9,626)**	–
Other reserves		**300,729**	425,333
		309,496	443,726
Non-controlling interests		**6,962**	6,597
Total equity		**316,458**	450,323

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2020

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 and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Net current liability

As at 30 June 2020, the current liabilities of the Group exceeded its current assets by approximately RMB81.5 million. In the opinion of the directors, the net current liability position was mainly caused by the loss from restaurant operations influenced by covid-19 pandemic and the recognition of lease liabilities(current portion) after the 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRS(s)") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

Other than as explained below regarding the impact of Amendments to IFRS 16 Covid-19-Related Rent Concessions, the revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the revised IFRS is described below:

Amendment to IFRS16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's restaurant properties have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early concessions granted by 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB15,734,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

3. OPERATING SEGMENT INFORMATION

The Group operates as one business unit based on brands and services, 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 and AYO MAYA)

Geographical information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Chinese Mainland	**196,633**	551,846
Hong Kong	**55,617**	117,429
	252,250	669,275

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

(b) Non-current assets

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Chinese Mainland	**389,482**	491,599
Hong Kong	**43,560**	78,478
	433,042	570,077

The non-current asset information 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 six-month period ended 30 June 2020 and 2019, 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:

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers	**252,250**	669,275

Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Types of goods or services		
Restaurant operations	**233,043**	652,226
Sale of packed foods	**15,134**	7,557
Management fee from franchisee	**4,073**	9,492
Total revenue from contracts with customers	**252,250**	669,275

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Timing of goods or services		
Goods and services transferred at a point in time	**248,177**	659,783
Services transferred over time	**4,073**	9,492
Total revenue from contracts with customers	**252,250**	669,275

Other income and gains

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants*	**7,842**	1,544
Interest income	**352**	4,508
Management fee income	**286**	210
Gain on disposal of right-of-use assets for early terminated leases	**729**	–
Others	**209**	374
	9,418	6,636

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

5. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories consumed	**83,740**	195,776
Depreciation of property and equipment	**31,094**	44,907
Amortisation of other intangible assets	**833**	1,333
Lease payments not included in the measurement of lease liabilities	**13,944**	23,161
Depreciation of right-of-use assets	**65,952**	86,699
Impairment of property and equipment	**6,777**	8,665
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**100,684**	168,471
Defined contribution pension scheme	**12,248**	30,008
Share Award Scheme expenses	**5,648**	–
	118,580	198,479
Interest income	**(352)**	(4,508)
Loss on disposal of items of property and equipment	**1,502**	906
Gain on disposal of right-of-use assets for early terminated leases	**729**	–

6. FINANCE COSTS

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

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on lease liabilities	**8,222**	13,215
Interest on bank loans	**570**	3,894
Less: Interest capitalised	**–**	(73)
	8,792	17,036

7. INCOME TAX

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – Chinese Mainland charged for the period	**596**	4,701
Current – Hong Kong and elsewhere charged for the period	**126**	114
Deferred tax	**(13,103)**	(8,048)
Total tax credited for the period	**(12,381)**	(3,233)

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

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

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

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

8. DIVIDENDS

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Final declared Nil (2019: RMB2.3 cents) per ordinary share	**–**	50,727

No interim dividend was proposed during the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: Nil).

On 28 June 2019, the annual general meeting of the Company approved to declare a final dividend of RMB0.023 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 basic loss per share is based on the consolidated loss attributable to ordinary equity holders of the parent and weighted average number of ordinary shares of 2,108,336,000 (30 June 2019: 2,205,531,000) in issue throughout the period.

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

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

	Six-month period ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(122,189)**	(28,076)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**2,108,336,000**	2,205,531,000
Effect of dilution – weighted average number of ordinary shares**:		
Share options	**–**	–
Share Award Scheme	**–**	–
Number of ordinary shares used in the diluted earnings per share calculation	**2,108,336,000**	2,205,531,000

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

** Since the exercise prices of these options exceeded the average market price of ordinary shares during the period, there was no dilutive effect as of 30 June 2020.

10. TRADE RECEIVABLES

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:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**5,423**	7,329
1 to 2 months	**252**	746
2 to 3 months	**1,160**	181
Over 3 months	**5,748**	4,180
	12,583	12,436

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

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Cash and bank balances	**126,836**	146,760
Time deposits with original maturity of less than three months	**10,000**	23,784
Time deposits with original maturity of over three months	**13,228**	1,467
	150,064	172,011
Less: Pledged time deposits for bank loans:		
– Current portion	**(20,310)**	(11,996)
Cash and cash equivalents	**129,754**	160,015

As at 30 June 2020, RMB20,310,000 of time deposits were pledged for bank loans borrowed by the Group (31 December 2019: RMB11,996,000).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB123,468,000 (31 December 2019: RMB123,073,000). 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:

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Within 3 months	**41,112**	72,289
3 months to 1 year	**21,925**	20,741
Over 1 year	**5,693**	1,986
	68,730	95,016

The trade payables are non-interest-bearing and normally settled within 2 months after receiving the invoice.

13. SHARE CAPITAL

Shares

	30 June 2020 *RMB'000* **(unaudited)**	31 December 2019 *RMB'000* (audited)
Authorised:		
Ordinary shares of HK$0.01 each	**10,000,000,000**	10,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**2,213,031,000**	2,213,031,000
Equivalent to RMB'000	**18,393**	18,393

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

	Share capital *RMB'000*	**Treasury shares** *RMB'000*	**Share premium account** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Total** *RMB'000*
At 1 January 2019 and 31 December 2019	18,393	–	723,842	27	742,262
Share repurchased	–	(15,393)	–	–	(15,393)
Transfer of treasury shares upon vesting under Share Award Scheme	–	5,767	(119)	–	5,648
At 30 June 2020	18,393	(9,626)	723,723	27	732,517

The trustee under the Share Award Scheme purchased 110,652,000 shares and 1,910,000 shares on The Stock Exchange of Hong Kong Limited on 24 January 2020 and 22 April 2020, respectively for a total consideration of HK$17,370,000 and 37,842,831 shares vested on 30 June 2020 under the Share Award Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The year of 2020 beheld the onslaught of the COVID-19 pandemic on the catering industry in the PRC. As shown in the information sourced from the National Bureau of Statistics, during the period from January to May of 2020, a year-on-year decrease in the revenue of 32.8% was recorded in the catering industry across the country, in particular, the adverse impact when the pandemic was at its peak from January to April. The industry suffered serious losses in term of revenue, representing a decrease of 41.2% year-on-year nationwide. Since May of the year, the catering industry responded to the government's call for facilitation of resumption and production in a consistent and solid manner. Despite a negative growth as displayed for the time being, the decline continued to diminish. For the three months from May to July of 2020, the revenue in the catering industry recorded a decrease of –18.9%, –15.2% and –11.0%, respectively.

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group's revenue amounted to RMB252.2 million, which comprised the revenue of restaurant operations of RMB233.0 million and other revenue of RMB19.2 million (including the revenue from Mai Chi Ling licensed stores of RMB4.1 million and sales of packed goods of RMB15.1million), with a decrease of RMB417.0 million or 62.3% from RMB669.3 million in the corresponding period of last year; the Group's gross profit amounted to RMB168.5 million, with a decrease of approximately RMB305.0 million or 64.4% from RMB473.5 million in the corresponding period of last year. During the six months ended 30 June 2020, the loss attributable to the parent company owner was approximately RMB122.2 million, representing an increase of RMB94.1million in the corresponding period of last year. The main reason for the loss increase in this period was due to a decrease in revenue from restaurant operations and a closing cost incurred from adjustment of store layout.

As of 30 June 2020, the Group operated a restaurant network of 41 "Shanghai Min" restaurants, 2 "Maison De L' Hui" restaurants, 15 "The Dining Room" restaurants, 1 "WolfgangPuck" restaurant, 1 "DOUTOR" café and 2 "AYO MAYA", which covers some of the most affluent and fast-growing cities in Mainland China (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, for the six-month periods ended 30 June 2020 and 2019, respectively.

	For the six months ended 30 June			
	2020		2019	
	Number of restaurants *(Note (iii))*	**Revenue** ***RMB'000*** **(unaudited)**	Number of restaurants	Revenue *RMB'000* (unaudited)
The PRC *(Note (ii))*				
– Shanghai Min and Maison De L'Hui	**40**	**146,722**	58	432,440
– The Dining Room	**10**	**25,833**	19	76,519
– Other brands *(Note (iv))*	**4**	**4,871**	4	25,838
Hong Kong				
– Shanghai Min	**3**	**20,811**	5	50,509
– The Dining Room	**5**	**34,806**	8	66,920
Total Revenue of restaurant operations *(Note (ii))*	**62**	**233,043**	94	652,226
Other revenue		**19,207**		17,049
Total Revenue		**252,250**		669,275

Notes:

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

(ii) The PRC (Mainland China), 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 Mai Chi Ling, Shanghai Min and The Dining Room stores.

(iv) Other brands include Wolfgang Puck, DOUTOR and AYO MAYA.

In the first half of 2020, the catering industry was severely hit by the COVID-19 pandemic, amid such predicament, the Group strived to implement measures for cost control in all aspects and concentrated on the core business and core marketplace by introduction of the below measures, enabling itself to surmount a number of difficulties brought about by the pandemic:

1. Accelerating store adjustment while maintaining the store layout optimization

In the first half of 2020, in order to minimize the negative impact from the pandemic, the Group adjusted its stores at a faster pace, closing 24 stores and withdrawing from three cities, and consolidating its restaurant operation in such major cities as Shanghai, Hong Kong and Beijing.

2. Adopting multiple measures to reduce costs for operation and management

In the first half of 2020, in the face of collapse in the revenue ensuing from the pandemic, the Group managed to keep the staff cost under control by means of reformulation of plan for remuneration and appraisal, implementation of policy of reward based on workload, flexible assignment of human resources and other ways for optimization of labour cost. Furthermore, the Group maintained a smooth flow of information exchange with the landlords in places where our restaurants were in operation and negotiated for solutions to survive the crisis. We received discounts for rental from most landlords thanks to the efforts. The Group also adopted a wide range of measures to cut cost incurred for the headquarter so as to reduce substantial expenses for various purposes, thereby a decrease of 35% in the headquarter expenses was registered after the deduction one-off expenditure.

3. Optimizing our products for rapid post-pandemic revenue recovery

In the first half of 2020, confronted with the pandemic, in addition to its measures to control various costs for more savings, the Group prioritized products optimization and upgrading and timely rolled out new menu at the Shanghai Min restaurants on 16 July 2020 in which over 20% of dishes were updated and upgraded. As a fresh taste experience we aimed to give customers, the new menus also demonstrated better value for money. With the offer of new menus, in August this year, the sales amount realized in the restaurants of Shanghai Min in the Mainland has recovered to the level of the corresponding period of last year.

4. **Expanding online channels to exert more efforts in sales of branded products**

   In the first half of 2020, in light of the surge in the sales of products available online arising from the measures for home quarantine, the Group capitalized on the opportunities emerging in the market to put great efforts in the sales of our branded products. Focusing on optimization and improvement of our hit product – noodles mixed with shallot oil, we opened new sales channels such as our self-operated flagship store established on Tmall, an online shopping platform, in addition to JD and DingDong platforms. As a result of the foregoing, our branded products recorded an increase of 24% in the first half of 2020 as compared with the corresponding period of last year.

FINANCIAL REVIEW

REVENUE

Revenue of the Group decreased by RMB417.0 million or 62.3%, from RMB669.3 million for the six months ended 30 June 2019 to RMB252.3 million for the six months ended 30 June 2020.

Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB419.2 million, or 64.3% from RMB652.2 million for the six months ended 30 June 2019 to RMB233.0 million for the six months ended 30 June 2020:

- For the six months ended 30 June 2020, the revenue from newly opened stores increased by RMB2.9 million;

- A decrease of RMB252.8 million in revenue in the same store sales for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019;

- A decrease of RMB169.3 million in revenue as a result of a decrease in the number of stores and suspension of business due to store renovation for the six months ended 30 June 2020.

Other revenue

For the six months ended 30 June 2020, other revenue amounted to RMB19.2 million, which mainly comprises of income from sales of packed goods and Mai Chi Ling licensed stores.

COST OF SALES

The cost of sales decreased by RMB112.1 million, or 57.2% from RMB195.8 million for the six months ended 30 June 2019 to RMB83.7 million for the six months ended 30 June 2020.

The cost of sales as a percentage of revenue increased from 29.3% for the six months ended 30 June 2019 to 33.2% for the six months ended 30 June 2020.

OTHER INCOME

Other income increased by RMB2.8 million from RMB6.6 million for the six months ended 30 June 2019 to RMB9.4 million for the six months ended 30 June 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB184.3 million, or 43.9% from RMB420.2 million for the six months ended 30 June 2019 to RMB235.9 million for the six months ended 30 June 2020.

Labor expenses decreased by RMB80.6 million from RMB168.9 million for the six months ended 30 June 2019 to RMB88.3 million for the six months ended 30 June 2020. The labor costs as a percentage of revenue increased from 25.2% for the six months ended 30 June 2019 to 35.0% for the six months ended 30 June 2020. Dismissal compensation resulting from the closure of stores amounted to approximately RMB6.4 million.

Rental expenses decreased by RMB2.8 million, or 12.1% from RMB23.2 million for the six months ended 30 June 2019 to RMB20.4 million for the six months ended 30 June 2020. The rental expenses as a percentage of revenue increased from 3.5% for the six months ended 30 June 2019 to 8.1% for the six months ended 30 June 2020.

Depreciation expenses decreased by RMB38.0 million, or 29.4% from RMB129.3 million for the six months ended 30 June 2019 to RMB91.3 million for the six months ended 30 June 2020. The depreciation expenses as a percentage of the sale revenue increased from 19.3% for the six months ended 30 June 2019 to 36.2% for the six months ended 30 June 2020.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB8.9 million, or 15.9% from RMB56.0 million for the six months ended 30 June 2019 to RMB47.1 million for the six months ended 30 June 2020, which is mainly due to the streamlining of staff in headquarters and efficiency optimization.

OTHER EXPENSES

Other expenses amounted to RMB20.0 million for the six months ended 30 June 2020, representing an increase of RMB3.3 million as compared with the corresponding period of last year, which is mainly due to an impairment provision of RMB6.8 million for store assets in the current period.

FINANCE COSTS

Finance costs amounted to RMB8.8 million for the six months ended 30 June 2020, representing an decrease of RMB8.2 million for the corresponding period of last year.

INCOME TAX CREDIT

Income tax credit increased by RMB9.2 million from RMB3.2 million for the six months ended 30 June 2019 to RMB12.4 million for the six months ended 30 June 2020.

LOSS FOR THE PERIOD

As a result of the foregoing reasons, the loss for the Reporting Period of the Group increased by RMB94.7 million from RMB26.7 million for the six months ended 30 June 2019 to RMB121.4 million for the six months ended 30 June 2020. Net loss margin increased from 4.0% for the six months ended 30 June 2019 to 48.1% for the six months ended 30 June 2020.

DIVIDENDS PAYABLE

As at 30 June 2020, there were no outstanding dividends payable.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

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

As at 30 June 2020, the Group's interest-bearing bank loans amounted to RMB44.6 million. The gearing ratio was 26.0%, and the gearing ratio was net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

For the six months ended 30 June 2020, the Group had net cash outflows used in operating activities of RMB7.7 million (for the six months ended 30 June 2019: inflows of RMB81.6 million). As at 30 June 2020, the Group had RMB126.8 million in cash and cash equivalents (30 June 2019: RMB224.5 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2020 and 2019.

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash flows (used in)/generated from operating activities	**(7,671)**	81,612
Net cash flows used in investing activities	**(5,095)**	(14,751)
Net cash flows used in financing activities	**(13,768)**	(253,917)
Net decrease in cash and cash equivalents	**(26,534)**	(187,056)
Cash and cash equivalents at the beginning of the period	**158,548**	411,998
Effect of foreign exchange rate changes, net	**(5,178)**	(444)
Cash and cash equivalents at the end of the period	**126,836**	224,498

OPERATING ACTIVITIES

Net cash inflow generated from operating activities decreased by RMB89.3 million, from RMB81.6 million for the six months ended 30 June 2019 to net cash outflow RMB7.7 million for the six months ended 30 June 2020. That was mainly due to the impact from outbreak of COVID-19 pandemic upon the Group's revenue in the first half of year.

INVESTING ACTIVITIES

For the six months ended 30 June 2020, net cash flow used in investing activities was RMB5.1 million, and RMB14.8 million for the same period in 2019.

FINANCING ACTIVITIES

Net cash flow used in financing activities decreased from RMB253.9 million for the six months ended 30 June 2019 to RMB13.8 million for the six months ended 30 June 2020. During the period, the Group had an additional loan of RMB44.5 million. RMB12.5 million and RMB19.6 million were paid for repayment of the bank loans and for rental, respectively. There was a cash outflow of RMB15.4 million for purchase of shares under the share award scheme of the Company.

FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six months ended 30 June 2020 and 30 June 2019 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 the requirements in respect of registered trademarks and became involved in unfair competition in Mainland China. The plaintiff claims for a compensation amounting to RMB10,000,000. The Group's attorney considers that the possibility and the 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.

Except for those disclosed above, the Group did not have any material contingent liability.

CAPITAL COMMITMENT

Capital commitments were approximately RMB3.6 million and RMB5.1 million, respectively, as at 30 June 2020 and 31 December 2019.

PLEDGED OF GROUP ASSETS

As at 30 June 2020, bank loans of HK$20.0 million were guaranteed by the pledge of certain fixed deposits of RMB20.3 million by the Group.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2020.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2020, there were no other material acquisitions or disposals of the Group and its subsidiaries and associated companies.

Human resources

As at 30 June 2020, the Group employed approximately 1,948 staff in Mainland China and Hong Kong. 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 education institutions. 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.

For the six months ended 30 June 2020, total staff cost was RMB118.6 million, accounting for 47.0% of the revenue (for the six months ended 30 June 2019: RMB198.5 million), which mainly comprised wages and salaries.

STRATEGIC OUTLOOK

Facing this sudden and unprecedented pandemic, the Group expects that the next half of 2020 will still be full of challenges. However, opportunity arises alongside with threats. Recovery of market and the innovation of new consumption mode of catering in the after-epidemic period will also bring great market opportunities to brand catering enterprises.

Continuous optimization of the Shanghai Min brand

Since 2019, the Group has been committed to returning to the essence of catering, improving product quality and improving price-quality ratio from a consumer perspective, and these initiatives have been gradually gaining results over the past year and a half. The number of passengers traffic in the year-on-year stores of the Shanghai Min brand has been picking up, and customer satisfaction with the product has also improved significantly. In the second half of 2020, the Group plans to further improve customer experience and satisfaction by means of brand upgrade, product optimization, and improvement in price-quality ratio. Shanghai Min brand will meet the needs of mid-range business banquet and that of ordinary family consumption, thus injecting new energy into a Shanghai local catering brand accumulating over 33-year experience, reshaping the benchmark height of Shanghai's food and beverage brand.

The casual meal model focuses on breakthroughs

The Group has been trying and expanding in the field of casual dining for 8 years, starting with the successful development of The Dining Room brand of casual dining for young people. In the second half of 2020 , the Group will sort its brands such as The Dining Room, Oreno, Wolfgang Puck, Doutor and other catering brands, sum up the development experience of the past few years, integrate the group's resources, focus on the selection of one or two categories to make breakthroughs. The Group plans to commence the league cooperation business of The Dining Room brand in core cities by taking advantage of the restaurant management and operation ability, product R&D ability, and raw and supplementary material supply chain ability that it already has.

Strengthen headquarter capacity

The Group established standardized management of the headquarter back-office management departments in the past 33 years, and has a strong precipitation on product development, supply chain capacity. In response to future innovation in the food and beverage market and the challenges of the normalization of the epidemic over a period of time, the Group will further focus on enhancing its core capability of headquarter in the second half of 2020. On the situation of reduction on stores and cities, the Group will strengthen the core capability of headquarter on research and development, supply chain, marketing, IT, finance, HR, etc. Build a agile and efficient headquarters team through a more flattened architecture and market-oriented mechanisms to give stronger support to front-end business units.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Group did not have any significant events from 30 June 2020 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its code of corporate governance. For the six months ended 30 June 2020, the Company has complied with the applicable code provisions set out in the CG Code.

SHARE AWARD SCHEME

Pursuant to the share award scheme of the Company (the "**Share Award Scheme**") (please refer to the announcement of the Company dated 20 December 2019 for details), the trustee of the Share Award Scheme (the "**Trustee**") purchased 110,652,000 Shares and 1,910,000 Shares on the Stock Exchange on 24 January 2020 and 22 April 2020, respectively, for a total consideration of HK$17,370,000.

As at 30 June 2020, 112,562,000 Shares were purchased and held on trust by the Trustee. Of which, 37,842,831 Shares were vested under the Share Award Scheme.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Save as the purchase pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

INTERIM RESULTS REVIEW

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

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

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

PUBLICATION OF INTERIM REPORT

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

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

Shanghai, the People's Republic of China, 28 August 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.