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Global Food Group Co., Limited

## TANSH Global Food Group Co., Ltd

### 國際天食集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3666)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

### FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change decrease
	2020	2019	
Revenue (RMB'000)	<b>644,386</b>	1,228,857	(47.6%)
Gross profit <sup>1</sup> (RMB'000)	<b>436,728</b>	857,043	(49.0%)
Gross margin <sup>2</sup>	<b>67.8%</b>	69.7%	(1.9%)
Loss for the year (RMB'000)	<b>(320,528)</b>	(163,260)	(96.3%)
Net loss margin <sup>3</sup>	<b>(49.7%)</b>	(13.3%)	(36.4%)
Loss per share – Basic and diluted (RMB cents)	<b>(15.0)</b>	(7.5)	
Total dividend per share (RMB cents)	–	–	
Number of restaurants <sup>4</sup> (as at 31 December)	<b>59</b>	86	

#### 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 2020, together with comparative figures for the year ended 31 December 2019, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

		Year ended 31 December	
		2020	2019
	Notes	RMB'000	RMB'000
REVENUE	4	644,386	1,228,857
Cost of sales		<u>(207,658)</u>	<u>(371,814)</u>
Gross profit		436,728	857,043
Other income and gains	4	24,390	16,428
Selling and distribution expenses		(498,374)	(815,102)
Administrative expenses		(96,304)	(114,645)
Other expenses		(134,953)	(55,816)
Finance costs	6	<u>(16,283)</u>	<u>(30,889)</u>
LOSS BEFORE TAX	5	(284,796)	(142,981)
Income tax expense	7	<u>(35,732)</u>	<u>(20,279)</u>
LOSS FOR THE YEAR		<u>(320,528)</u>	<u>(163,260)</u>
Attributable to:			
Owners of the parent		(318,752)	(164,471)
Non-controlling interests		<u>(1,776)</u>	<u>1,211</u>
		<u>(320,528)</u>	<u>(163,260)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	9	<u>RMB(15.0) cents</u>	<u>RMB(7.5) cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2020*

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>LOSS FOR THE YEAR</b>	<b>(320,528)</b>	<b>(163,260)</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(3,692)</b>	<b>(3,072)</b>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(3,692)</b>	<b>(3,072)</b>
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	<b>3,411</b>	<b>(3,261)</b>
Income tax effect	<b>(19)</b>	<b>996</b>
	<b>3,392</b>	<b>(2,265)</b>
Net other comprehensive gain/(loss) that will not be reclassified to profit or loss in subsequent periods	<b>3,392</b>	<b>(2,265)</b>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(300)</b>	<b>(5,337)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(320,828)</b>	<b>(168,597)</b>
Attributable to:		
Owners of the parent	<b>(319,049)</b>	<b>(169,807)</b>
Non-controlling interests	<b>(1,779)</b>	<b>1,210</b>
	<b>(320,828)</b>	<b>(168,597)</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2020

		<b>31 December 2020</b>	31 December
	<i>Notes</i>	<b>RMB'000</b>	2019
			<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		<b>82,205</b>	169,881
Right-of-use assets		<b>160,179</b>	312,225
Goodwill	11	–	1,679
Other intangible assets		<b>3,386</b>	8,740
Equity investments designated at fair value through other comprehensive income		<b>18,025</b>	14,614
Long-term rental deposits		<b>55,246</b>	77,552
Deferred tax assets		<b>26,897</b>	55,455
Other long-term receivable		–	45,954
		<hr/>	<hr/>
Total non-current assets		<b>345,938</b>	686,100
<b>CURRENT ASSETS</b>			
Inventories		<b>16,079</b>	22,318
Trade receivables	12	<b>16,624</b>	12,436
Prepayments, other receivables and other assets		<b>89,073</b>	141,549
Pledged deposits	13	<b>14,894</b>	11,996
Cash and cash equivalents	13	<b>113,376</b>	160,015
		<hr/>	<hr/>
Total current assets		<b>250,046</b>	348,314
<b>CURRENT LIABILITIES</b>			
Trade payables	14	<b>73,489</b>	95,016
Other payables and accruals		<b>123,168</b>	116,181
Interest-bearing bank loans		<b>38,995</b>	12,362
Lease liabilities	10	<b>92,288</b>	129,231
Tax payable		<b>11,596</b>	12,809
		<hr/>	<hr/>
Total current liabilities		<b>339,536</b>	365,599
<b>NET CURRENT LIABILITIES</b>			
		<hr/> <b>(89,490)</b> <hr/>	<hr/> (17,285) <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>256,448</b> <hr/>	<hr/> 668,815 <hr/>

		<b>31 December 2020</b>	31 December 2019
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	10	<b>124,257</b>	213,230
Long-term payables		<b>4,248</b>	4,081
Deferred tax liabilities		<b>8,552</b>	1,181
		<hr/>	<hr/>
Total non-current liabilities		<b>137,057</b>	218,492
		<hr/>	<hr/>
<b>Net assets</b>		<b>119,391</b>	450,323
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	<b>18,393</b>	18,393
Treasury shares		<b>(9,626)</b>	—
Other reserves		<b>106,165</b>	425,333
		<hr/>	<hr/>
		<b>114,932</b>	443,726
<b>Non-controlling interests</b>		<b>4,459</b>	6,597
		<hr/>	<hr/>
Total equity		<b>119,391</b>	450,323
		<hr/>	<hr/>

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of chain restaurants in Chinese Mainland 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.

#### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities Notes
			Direct	Indirect	
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. 上海浦東小南國餐飲有限公司	PRC/Limited	RMB5,000	–	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC/Limited	RMB30,000	–	100	(1)
Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. 上海新區小南國餐飲管理有限公司	PRC/Limited	RMB500	–	100	(1)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC/Limited	RMB1,000	–	100	(1)
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. 上海虹梅小南國餐飲有限公司	PRC/Limited	RMB5,000	–	100	(1)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. 上海長寧小南國餐飲有限公司	PRC/Limited	RMB500	–	100	(1)

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities Notes
			Direct	Indirect	
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. 南京小南國匯珉餐飲有限公司	PRC/Limited	RMB500	–	100	(1)
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd. 蘇州李公堤小南國餐飲有限公司	PRC/Limited	RMB500	–	100	(1)
Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. 南京市江寧區小南國餐飲有限公司	PRC/Limited	RMB1,000	–	100	(1)
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. 上海昕怡小南國餐飲管理有限公司	PRC/Limited	RMB500	–	100	(1)
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. 上海寶山小南國餐飲有限公司	PRC/Limited	RMB500	–	100	(1)
Shanghai Zhabei Xiao Nan Guo Restaurant Management Co., Ltd. 上海閘北小南國餐飲管理有限公司	PRC/Limited	RMB500	–	100	(1)
Tianjin Hui Zhi Nan Restaurant Management Co., Ltd. 天津慧之南餐飲管理有限公司	PRC/Limited	RMB500	–	100	(1)
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC/Limited	RMB500	–	100	(1)
Shanghai Huijie Restaurant Management Co., Ltd. 上海慧捷餐飲管理有限公司*	PRC/Limited	RMB30,000	–	100	(1)
Shanghai Xiao Nan Guo Rifeng Restaurant Management Co., Ltd. 上海小南國日豐餐飲管理有限公司*	PRC/Limited	RMB20,000	–	100	(1)
Shanghai Nan Xiao Guan Restaurant Management Co., Ltd. 上海南小館餐飲管理有限公司*	PRC/Limited	RMB10,000	–	100	(1)

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities Notes
			Direct	Indirect	
Beijing Nan Zhi Xin Restaurant Management Co., Ltd. 北京南之新餐飲管理有限公司	PRC/Limited	RMB500	–	100	(1)
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd. 上海小南國海之源餐飲管理有限公司*	PRC/Limited	RMB450,000	–	100	(2)
Shanghai He Jiang Restaurant Management Co., Ltd. 上海盒匠餐飲管理有限公司*	PRC/Limited	HK\$20,000	–	65	(1)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong/ Limited	HK\$0.2	–	100	(3)
Xiao Nan Guo Management (Kowloon) Limited 小南國管理(九龍)有限公司	Hong Kong/ Limited	HK\$10	–	100	(3)
Xiao Nan Guo (Causeway Bay) Management Limited 小南國(銅鑼灣)管理有限公司	Hong Kong/ Limited	HK\$300	–	100	(3)
Xiao Nan Guo (Kowloon Bay) Management Limited 小南國(九龍灣)管理有限公司	Hong Kong/ Limited	HK\$10	–	100	(3)
Xiao Nan Guo (One Peking) Management Limited 小南國(北京道)管理有限公司	Hong Kong/ Limited	HK\$0.001	–	100	(3)
Nan Xiao Guan (City One) Management Limited 南小館(第一城)管理有限公司	Hong Kong/ Limited	HK\$0.001	–	100	(3)
Xiao Nan Guo Holdings Limited 小南國控股有限公司	Hong Kong/ Limited	HK\$330.2	–	100	(4)

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities Notes
			Direct	Indirect	
Xiao Nan Guo Holdings Limited	BVI/Limited	US\$10	100	–	(4)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI/Limited	US\$0.00001	100	–	(4)
X&D HongKong Limited	Hong Kong/ Limited	HK\$0.1	–	65	(4)
Shanghai Mizhilian Restaurant Management Co., Ltd. 上海米芝蓮餐飲管理有限公司	PRC/Limited	RMB200	–	50	(5)
Shanghai Yan Meng Information and Technology Development Co., Ltd. 上海焱萌信息科技發展有限公司	PRC/Limited	RMB10,000	–	100	(6)
Shanghai Fei Can Restaurant Management Co., Ltd. 上海飛燦餐飲管理有限公司	PRC/Limited	RMB5,000	–	58	(1)

\* Registered as a wholly-foreign-owned enterprise under PRC law.

Notes:

- (1) Operation of restaurant chain stores in Chinese Mainland
- (2) Restaurant management and operation of Chinese restaurant chain stores in Chinese Mainland
- (3) Operation of restaurant chain stores in Hong Kong
- (4) Investment holding
- (5) Rendering of management services and franchise operation
- (6) Rendering of IT technology services and sale of software

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 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 2020, the current liabilities of the Group exceeded its current assets approximately RMB89.5 million. In the opinion of the directors, the net current liability position was mainly caused by the application of IFRS16 and the loss from restaurant operations. 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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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

Other than Amendment to IFRS 16, the *Conceptual Framework for Financial Reporting 2018* and the other revised IFRSs in the current year did not have any significant impact on the financial position and performance of the Group.

Amendment to IFRS 16 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's restaurants have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB30,865,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

### 3. OPERATING SEGMENT INFORMATION

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

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

#### Geographical information

- (a) Revenue from external customers

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Chinese Mainland	551,006	1,018,514
Hong Kong	93,380	210,343
	<u>644,386</u>	<u>1,228,857</u>

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

- (b) Non-current assets

	31 December 2020 RMB'000	31 December 2019 RMB'000
Chinese Mainland	272,394	491,599
Hong Kong	28,622	78,478
	<u>301,016</u>	<u>570,077</u>

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, pledged deposits, other long-term receivable 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 2020 and 2019, segment information is not presented in accordance with IFRS 8 Operating Segments.

#### 4. REVENUE, OTHER INCOME AND GAINS LOSS BEFORE TAX

An analysis of revenue is as follows:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers	<b>644,386</b>	<b>1,228,857</b>

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Type of goods or services</b>		
Restaurant operations	<b>612,676</b>	<b>1,196,123</b>
Sale of packed foods	<b>23,072</b>	<b>15,127</b>
Management fee from franchisee	<b>8,638</b>	<b>17,607</b>
Total revenue from contracts with customers	<b>644,386</b>	<b>1,228,857</b>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	<b>635,748</b>	<b>1,211,250</b>
Services transferred over time	<b>8,638</b>	<b>17,607</b>
Total revenue from contracts with customers	<b>644,386</b>	<b>1,228,857</b>

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Restaurant operations	<b>4,861</b>	<b>6,221</b>

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:

	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amounts expected to be recognised as revenue:		
Within one year	<b>8,470</b>	4,861
After one year	<b>1,284</b>	2,170
	<b>9,754</b>	7,031

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**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants*	<b>13,504</b>	1,588
Interest income	<b>3,471</b>	6,156
Management fee income	<b>389</b>	1,131
Compensation income from landlords	–	933
Dividend income from equity investments at fair value through other comprehensive income	<b>800</b>	800
Gain on disposal of right-of-use assets for early terminated leases	<b>3,562</b>	5,220
Covid-19-related VAT exemption	<b>1,886</b>	–
Others	<b>778</b>	600
	<b>24,390</b>	16,428

\* 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 is arrived at after charging/(crediting):

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold		<b>207,658</b>	371,814
Depreciation of property and equipment		<b>62,414</b>	83,659
Depreciation of right-of-use assets	10	<b>122,990</b>	177,744
Amortisation of other intangible assets		<b>2,205</b>	2,852
Lease payments not included in the measurement of lease liabilities		<b>26,508</b>	35,185
Auditor's remuneration		<b>2,200</b>	2,550
Employee benefit expense (including directors' and chief executive's remuneration:			
Wages and salaries		<b>203,769</b>	330,392
Defined contribution pension schemes		<b>41,128</b>	60,168
Share Award Scheme expenses		<b>5,648</b>	—
		<b>250,545</b>	390,560
Foreign exchange differences, net		<b>1,908</b>	1,488
Interest income	4	<b>(3,471)</b>	(6,156)
Loss on disposal of items of property and equipment*		<b>18,023</b>	11,463
Impairment of property and equipment*		<b>15,396</b>	25,740
Impairment of right-of-use assets*	10	<b>29,411</b>	2,104
Impairment of goodwill*	12	<b>1,679</b>	—
Impairment of other intangible assets*		<b>4,387</b>	—
Impairment of trade receivables*		<b>476</b>	—
Impairment of financial assets included in prepayments, other receivables and other assets*		<b>57,798</b>	506
Loss on disposal of right-of-use assets for early terminated leases*		<b>879</b>	—
Gain on disposal of right-of-use assets for early terminated leases**		<b>(3,562)</b>	(5,220)

\* 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 is as follows:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank loans	<b>1,156</b>	5,420
Interest on lease liabilities	<b>15,134</b>	25,542
Less: Interest capitalised	<b>(7)</b>	(73)
	<b>16,283</b>	30,889

## 7. INCOME TAX

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current – Chinese Mainland charged for the year	<b>(41)</b>	3,245
Current – Hong Kong charged for the year	<b>–</b>	8,892
Deferred tax	<b>35,773</b>	8,142
	<b>35,732</b>	20,279

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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Loss before tax	<b>(284,796)</b>	<b>(142,981)</b>
Tax at the statutory tax rate of 25% (2019: 25%)	<b>(71,199)</b>	<b>(35,745)</b>
Lower tax rates for specific provinces or enacted by local authorities	<b>4,136</b>	<b>4,619</b>
Income not subject to tax	<b>(200)</b>	<b>(200)</b>
Expenses not deductible for tax	<b>592</b>	<b>1,030</b>
Effect of withholding tax at 10% on the distributable profits	<b>–</b>	<b>3,819</b>
Tax losses not recognised during the year	<b>102,403</b>	<b>47,827</b>
Tax losses from previous periods utilised during the year	<b>–</b>	<b>(1,071)</b>
Tax charge at the Group's effective rate	<b>35,732</b>	<b>20,279</b>

## 8. DIVIDENDS

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Proposed final – 2020: Nil (2019: Nil)	<b>–</b>	<b>–</b>

## 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 2,119,635,000 (31 December 2019: 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 2020 and 2019.

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	<b><u>(318,752)</u></b>	<b><u>(164,471)</u></b>

## Shares

Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation*	<b><u>2,119,635,000</u></b>	<b><u>2,205,531,000</u></b>
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\* Not taking into account the 7,500,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

## 10. LEASES

### The Group as a lessee

The Group has lease contracts for restaurant properties in its operations. Leases for properties generally have lease terms between 2 and 9 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	<b>Right-of-use assets Buildings RMB'000</b>
<b>As at 1 January 2019</b>	497,144
Additions	51,004
Depreciation charge	(177,744)
Disposal	(57,418)
Impairment	(2,104)
Exchange realignment	1,343
<b>As at 31 December 2019 and 1 January 2020</b>	312,225
Additions	41,058
Depreciation charge	(122,990)
Disposal	(39,618)
Impairment	(29,411)
Exchange realignment	(1,085)
<b>As at 31 December 2020</b>	<b><u>160,179</u></b>

The recoverable amount of the underperforming stores with impairments of right-of-use assets recognised during the year was RMB20,597,000 (2019: RMB13,323,000).

**(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount at 1 January	342,461	518,516
New leases	40,370	51,260
Accretion of interest recognised during the year	15,134	25,542
Covid-19-related rent concessions from lessors	(30,865)	—
Payments	(106,390)	(191,564)
Disposal	(42,301)	(62,638)
Exchange realignment	(1,864)	1,345
	<u>216,545</u>	<u>342,461</u>
Carry amount at 31 December		
Analysed into:		
Current portion	92,288	129,231
Non-current portion	<u>124,257</u>	<u>213,230</u>

As disclosed in Note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain restaurants during the year.

**(c) The amounts recognised in profit or loss in relation to leases are as follows:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on lease liabilities	15,134	25,542
Depreciation charge of right-of-use assets	122,990	177,744
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in selling and distribution expenses)	20,328	28,802
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	6,180	6,383
Covid-19-related rent concessions from lessors	(30,865)	—
Impairment of right-of-use assets	<u>29,411</u>	<u>2,104</u>
Total amount recognised in profit or loss	<u>163,178</u>	<u>240,575</u>

## 11. GOODWILL

	<i>RMB'000</i>
At 1 January 2019:	
Cost	—
Accumulated impairment	—
	<hr/>
Net carrying amount	—
	<hr/>
Cost at 1 January 2019, net of accumulated impairment	—
Acquisition of a subsidiary	1,679
	<hr/>
At 31 December 2019	1,679
	<hr/>
At 31 December 2019:	
Cost	1,679
Accumulated impairment	—
	<hr/>
Net carrying amount	1,679
	<hr/>
	<i>RMB'000</i>
Cost at 1 January 2020, net of accumulated impairment	1,679
Impairment during the year	(1,679)
	<hr/>
Net carrying amount at 31 December 2020	—
	<hr/>
At 31 December 2020:	
Cost	1,679
Accumulated impairment	(1,679)
	<hr/>
Net carrying amount	—
	<hr/>

### Impairment testing of goodwill

#### *Fei Can chain stores operation cash-generating unit*

Goodwill acquired through business combination has been allocated to the Fei Can chain stores operation, from which the goodwill was resulted. The Fei Can chain stores operation is treated as a cash-generating unit for impairment testing.

During the year ended 31 December 2020, the Company has closed two stores and the remaining one store was planned to be closed during the year ended 31 December 2021. There is no further business plan for Fei Can stores operation. Impairment of other intangible assets and goodwill, amounting to RMB4,387,000 and RMB1,679,000 respectively, were provided.

## 12. TRADE RECEIVABLES

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Trade receivables	<b>17,100</b>	12,436
Impairment	<b>(476)</b>	—
	<b>16,624</b>	12,436

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:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 1 month	<b>7,346</b>	7,329
1 to 2 months	<b>1,991</b>	746
2 to 3 months	<b>29</b>	181
Over 3 months	<b>7,258</b>	4,180
	<b>16,624</b>	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.

## 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Cash and bank balances	<b>101,620</b>	146,760
Time deposits with original maturity of less than three months	<b>11,580</b>	23,784
Time deposits with original maturity of over three months	<b>15,070</b>	1,467
	<b>128,270</b>	172,011
Less: Pledged time deposits for bank loans		
Current portion	<b>(14,894)</b>	(11,996)
Cash and cash equivalents	<b>113,376</b>	160,015

As at 31 December 2020, time deposits of RMB14,894,000 (2019: RMB11,996,000) were pledged for bank loans borrowed by the Group.

At the end of the reporting period, the cash and bank balances (including time deposits) of the Group denominated in Renminbi (“**RMB**”) amounted to RMB116,490,000 (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.

#### 14. 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:

	<b>31 December 2020 RMB’000</b>	31 December 2019 RMB’000
Within 3 months	<b>59,939</b>	72,289
3 months to 1 year	<b>451</b>	20,741
Over 1 year	<b>13,099</b>	1,986
	<b><u>73,489</u></b>	<u>95,016</u>

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

#### 15. SHARE CAPITAL

##### Shares

	<b>31 December 2020 RMB’000</b>	31 December 2019 RMB’000
Authorised:		
Ordinary shares of HK\$0.01 each	<b><u>10,000,000,000</u></b>	<u>10,000,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<b><u>2,213,031,000</u></b>	<u>2,213,031,000</u>
Equivalent to RMB’000	<b><u>18,393</u></b>	<u>18,393</u>

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

	<b>Share capital</b> <i>RMB'000</i>	<b>Treasury shares</b> <i>RMB'000</i>	<b>Share premium account</b> <i>RMB'000</i>	<b>Capital redemption reserve</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2020 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 31 December 2020	<u>18,393</u>	<u>(9,626)</u>	<u>723,723</u>	<u>27</u>	<u>732,517</u>

The trustee under the Share Award Scheme purchased 110,652,000 shares and 1,910,000 shares through the Share Award Scheme on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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**

According to the 2020 Annual Report on the Catering Industry in China published by China Hospitality Association, revenue from the catering industry in China amounted to RMB4.7 trillion in 2019 and plummeted by 29.6% to RMB1.8 trillion in the first seven months of 2020 due to the influence of the COVID-19 pandemic, from which the catering industry has taken the heaviest hit. The sharp decrease in out-of-home consumer traffic, relatively fixed remuneration and restaurant rental cost have posed severe challenges to the catering industry during the pandemic in 2020.

In terms of regional impact, Hong Kong's tourism industry stagnated with a sharp decrease of 93% in the number of visitors to Hong Kong. Influenced by the dramatic decline in visitors and the pandemic control measures, the catering market in Hong Kong was significantly affected in 2020. As for Beijing and Tianjin area, more stringent pandemic control measures have led to relatively slow recovery of the catering industry.

This pandemic has caused a change to the traditional mode of consumption. The consumption habit of more sophisticated and rational consumers has also undergone irreversible changes. There is a common demand for high quality and high value products and experience in different levels of market. In terms of catering, there is an increase in demand for high-end private rooms, while in terms of daily consumption, demands have shifted to products with theme and rich variety, as well as products that can be quick to obtain, are convenient, of high quality and reasonable price.

The pandemic represents both a crisis and an opportunity. It prompts the change and persistence of the catering industry, where change represents the adaptation to the changing demand of consumers, while persistence represents the core competitiveness of our products. With companies stepping up their effort in building online channels, the online market has grown rapidly. We believe that, as an extension of our high-quality catering products, demand for products for in-house occasion consumption will also increase.

### **BUSINESS REVIEW**

As of 2020, the Group's revenue amounted to RMB644.4 million, with a decrease of RMB584.5 million or 47.6% from RMB1,228.9 million as of 2019; the Group's gross profit amounted to RMB436.7 million, with a decrease of approximately RMB420.3 million or 49.0% from RMB857.0 million of 2019. In 2020, the loss attributable to the parent company owner was approximately RMB318.8 million, representing an increase of RMB154.3 million, when compared with the loss of RMB164.5 million in 2019. The main reason for the profit decrease for the year was that the impact of the global pandemic in 2020 led to a 31.8% drop in the same-store sales, one-time costs of RMB128.0 million in provision for store closure costs and assets by the Company as a result of closure of and adjustment to the stores so as to optimize its asset structure.

In 2020, the Group operated a restaurant network of 40 “Shanghai Min” restaurants, two “Maison DeL’Hui” restaurants, 13 “The Dining Room” restaurants, one “Oreno” restaurant, one “Wolfgang Puck” restaurant, one “DOUTOR” café and, one “AYO MAYA” restaurant, which covers some of the most affluent and fast-growing cities in China 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 2020 and 2019, respectively.

	As at 31 December			
	2020		2019	
	Number of restaurants (Note (iii))	Revenue RMB’000	Number of restaurants	Revenue RMB’000
The PRC (Mainland area (Note (ii)))				
– Shanghai Min and Maison DeL’ Hui	39	426,928	53	780,738
– The Dining Room	10	74,163	14	148,535
– Other brands (Note (iv))	4	18,205	7	56,507
Hong Kong				
– Shanghai Min	3	37,826	4	84,395
– The Dining Room	3	55,554	8	125,948
Total revenue of restaurant operations (Note (i))	59	612,676	86	1,196,123
Other revenue		31,710		32,734
Total revenue		644,386		1,228,857

*Notes:*

- (i) Total revenue of restaurant operations includes revenues of restaurant operations and takeaway business of restaurants.
- (ii) The PRC (Mainland area), 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, WolfgangPuck, DOUTOR and AYO MAYA.

In 2020, faced with the pandemic, the Group made intensive and revolutionary reform and adjustments to the store operations of restaurants, food & material supply chain management, headquarter management and other aspects. The Group achieved positive operating cash flows from negative operating cash flows in the fourth quarter of 2020:

**1. Adjusting and transforming products towards high-end and daily-end while maintaining high value and high price-to-performance**

In the past year, the Group strengthened its R&D and supply chain team. While maintaining high value and high price-to-performance ratio, the Group gave a more distinguished market positioning to its products to better suit demands for both high-end and daily consumption products.

**2. Implementing product reform and improving customer experience of our core brand “Shanghai Min”**

The Group made comprehensive reform to the menu of “Shanghai Min” and finished the third renovation of menu during the fourth quarter of the year. The core competitiveness of products has been strengthened from the source of the supply chain with the implementation of stringent selection criteria for differentiated and high-quality food and raw material ingredients, so that the quality and value of our products can be enhanced. As a result, sales per customer increased. Going forward, the Group will continue to launch new products and reawake loyal customers accumulated over the years with proactive marketing.

**3. Refining the brand model of “The Dining Room”**

“The Dining Room” brand has been successfully built as a casual restaurant brand which is popular among youngsters. The Company began to reshape the brand model of “The Dining Room”, develop the brand model of Shanghai Dim Sum Plus, extract and redefine core products, so as to prepare for further rapid expansion.

## **FINANCIAL REVIEW**

### **Total Revenue**

Revenue of the Group decreased by RMB584.5 million, or 47.6%, from RMB1,228.9 million in 2019 to RMB644.4 million in 2020. This decrease was due to the pandemic, and 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 RMB583.4 million, or 48.8% from RMB1,196.1 million in 2019 to RMB612.7 million in 2020, primarily reflecting:

- an increase of RMB9.6 million in revenue contributed by restaurants newly opened as of 31 December 2020;
- a decrease of RMB255.7 million (or 31.8%) in comparable restaurant sales in 2020 as compared with that of 2019;

- the relocation, adjustment and closure of stores and decrease in restaurant revenue as of 31 December 2020 resulted in a decrease in overall revenue of RMB337.3 million.

### **Other revenue**

Other revenue decreased by RMB1.0 million, from RMB32.7 million in 2019 to RMB31.7 million in 2020. The increase was mainly due to an increase of RMB8.0 million in sales of value added products, and an decrease of RMB9.0 million in franchise fees and management fees charged by Michelin compared to last year.

### **Cost of Sales**

The cost of sales decreased by RMB164.1 million, or 44.1%, from RMB371.8 million in 2019 to RMB207.7 million in 2020.

The cost of sales as a percentage of revenue increased from 30.3% in 2019 to 32.2% in 2020.

### **Other income and gains**

Other income in 2020 amounted to RMB24.4 million, mainly comprised of RMB3.5 million from interest income, RMB3.6 million from gain on disposal of rights-of-use assets for early terminated leases and lease liabilities and RMB13.5 million from government subsidies.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by RMB316.7 million, or 38.9%, from RMB815.1 million in 2019 to RMB498.4 million in 2020.

Labor costs relating to the restaurants operations decreased by RMB135.1 million, or 41.4%, from RMB326.3 million in 2019 to RMB191.2 million in 2020. As a percentage of the revenue, labor costs increased from 26.6% in 2019 to 29.7% in 2020.

Rental costs relating to restaurants operations decreased by RMB51.3 million, or 55.3%, from RMB92.7 million for the year ended 2019 to RMB41.4 million for the year ended 2020. As a percentage of the Group's revenue, rental costs decreased from 7.5% in 2019 to 6.4% in 2020. This was mainly due to rent concessions under the influence of the COVID-19 pandemic.

Depreciation expenses relating to the restaurants operations decreased by RMB77.8 million, or 30.3%, from RMB256.5 million in 2019 to RMB178.7 million in 2020. As a percentage of the Group's revenue, depreciation expenses increased from 20.9% in 2019 to 27.7% in 2020. This was mainly due to a significant decrease in total revenue.

## **Administrative expenses**

Administrative expenses decreased by RMB18.3 million, or 16.0%, from RMB114.6 million in 2019 to RMB96.3 million in 2020, and as a percentage of revenue, administrative expenses increased from 9.3% to 14.9% over the same period.

## **Other expenses**

Other expenses of RMB135.0 million in 2020 were mainly attributable to the fixed asset impairment loss of money-losing stores of RMB15.4 million, the impairment loss of right-of-use assets of RMB29.4 million, the impairment loss of current assets of RMB57.8 million and the impairment of goodwill and intangible assets of RMB6.1 million. Loss on disposal of fixed assets of closed restaurants amounted to RMB18.0 million.

## **Income Tax Expense**

Income tax expense increased by RMB15.5 million from RMB20.3 million in 2019 to RMB35.7 million in 2020.

## **Loss for the year**

As a result of the foregoing, the loss for the year of the Company increased by RM157.2 million from the loss of RMB163.3 million in 2019 to the loss of RMB320.5 million in 2020. The net profit margin decreased from -13.3% in 2019 to -49.7% in 2020.

## **Liquidity, capital resources and cash flow**

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

As at 31 December 2020, the Group's total interest-bearing bank loans were RMB39.0 million. The gearing ratio was 48.3% (31 December 2019: 10.4%). 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 RMB46.5 million in 2020 (2019: RMB133.1 million). As at 31 December 2020, the Group had RMB113.2 million in cash and cash equivalents (31 December 2019: RMB158.5 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2020 and 2019:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash flows generated from operating activities	<b>46,528</b>	133,086
Net cash flows (used in)/generated from investing activities	<b>(6,952)</b>	43,811
Net cash flows used in financing activities	<b>(82,358)</b>	(426,537)
Net increase/(decrease) in cash and cash equivalents	<b>(42,782)</b>	(249,640)
Cash and cash equivalents at the beginning of the year	<b>158,548</b>	411,998
Effect of foreign exchange, net	<b>(2,566)</b>	(3,810)
Cash and cash equivalents at the end of the year	<b>113,200</b>	158,548

### **Operating activities**

Net cash inflow from operating activities decreased by RMB86.6 million from RMB133.1 million as at 31 December 2019 to RMB46.5 million as of 31 December 2020, which was mainly due to the decrease in profit before tax.

### **Investing activities**

Net cash flow used in investing activities was RMB7.0 million as of 31 December 2020, compared with net cash flow generated from investing activities of RMB43.8 million in 2019.

### **Financing activities**

Net cash flow used in financing activities decreased by RMB344.1 million from a cash outflow of RMB426.5 million as of 31 December 2019 to a cash outflow of RMB82.4 million as of 31 December 2020, which was primarily attributable to the increase in bank loans of RMB27.4 million, share award scheme payment of RMB15.4 million, and rental payments related to lease contracts included in cash used in financing activities of approximately RMB91.3 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 2020 and 31 December 2019 was 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 2020.

## **SIGNIFICANT INVESTMENTS**

The Group did not have any significant investments for the year ended 31 December 2020.

## **Capital commitment**

Capital commitments were approximately RMB1.7 million and RMB5.1 million as at 31 December 2020 and 31 December 2019, respectively.

## **Pledge of group assets**

As at 31 December 2020, the Group's total interest-bearing bank loans were RMB39.0 million, of which bank loans of HK\$15.0 million (equivalent to RMB12.6 million) were secured by the Group's pledge of certain fixed deposits of RMB14.9 million.

## **Human resources and remuneration policies**

As at 31 December 2020, the Group employed approximately 1,096 people in Mainland China and Hong Kong, including 929 employees in restaurants and 167 employees in functional departments (1,805 employees in 2019, a year-on-year decrease of 39.3%).

In 2020, 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**

Although the outbreak of the pandemic posed a significant impact on the catering industry in the past year, with the improvement of pandemic control and economic conditions, the Group remains confident in the catering industry that is related to people's livelihood and aims at greater achievement, while the catering industry is still an area of opportunity for investors. In 2021, the Group will reform its core competitiveness and core product group by transforming its supply chain.

### **“Shanghai Min” brand**

Through the continuous adjustment from 2019 to 2020, we optimized our store location. “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 and Hong Kong. In 2021, the Group will maintain the existing location strategy of “Shanghai Min” brand, further enhance its services, accurately position its products, and reform and renew two models to serve to the demands for business banquet and family dining.

### **The “Dining Room” brand**

In 2021, on the basis of the stable expansion of its directly-operated restaurants, the “Dining Room” brand will create the Shanghai Dim Sum Plus flexible model for further expansion.

### **Focus on online marketing of iconic product lines**

With the disruption of offline consumption during the pandemic, the change in consumption behaviour accelerated the increase in proportion of online shopping. In 2021, the Group will focus on the online marketing of existing iconic products and enhance its online sales capability.

### **Commencement of High-end Group Catering Business**

In 2021, the Group will leverage on our strength on research and marketing, kitchen management and food safety control of the whole supply chain and develop the high-end group catering market.

### **Introduction of foreign catering brands**

In 2021, the Group will also introduce well-known foreign leisure catering brands to enrich the core product portfolio of the Group and act as a beneficial addition to our scale and operation.

## **SUBSEQUENT EVENTS**

Except for the continuous impact of pandemic to the Group's business, after 31 December 2020, 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 2020 (2019: Nil).

## **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 2020.

## **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 2020.

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

The trustee of the Share Award Scheme purchased 110,652,000 shares and 1,910,000 shares through the Share Award Scheme on 24 January 2020 and 22 April 2020 respectively for a total consideration of HK\$17,370,000 for the year ended 31 December 2020.

## **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 2020. The Audit Committee has also reviewed the Company's consolidated financial statements for the year ended 31 December 2020. 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 2020 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 2020 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](http://www.hkexnews.hk)) and the Company ([www.tanshglobal.com](http://www.tanshglobal.com)), and the Company's 2020 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, 29 March 2021

*As at the date of this announcement, the executive directors of the Company are Ms. Baixuan Tiffany WANG and Mr. Dorson GU (Chief Executive Officer); 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 Mr. LUI Wai Ming, Mr. ZHANG Zhenyu and Ms. LI Yuping.*