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Tan'Sh

Global Food Group Co., Limited

TANSH Global Food Group Co., Ltd

國際天食集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3666)

**DISCLOSEABLE TRANSACTION
ABOUT THE DEED OF SETTLEMENT TO DISPOSAL OF
65% ISSUED SHARES IN MILLION RANK LIMITED**

DEED OF SETTLEMENT CONSTITUTING DISCLOSEABLE TRANSACTION

On 18 August 2021, (after trading hours), Bright Charm and the Obligors entered into the Deed whereby the parties agreed to, among other things, vary the terms of repayment of the Principal Amount and Interests thereon under the Bond. Pursuant to the Deed, Bright Charm has agreed to (among other things) (1) reduce the amount of the final amount of HK\$51,300,000 payable by Rosy Metro under the SP Agreement to HK\$38,000,000; (2) reduce the last tranche of interest payable by Rosy Metro under the Bond of HK\$2,052,000 to HK\$1,000,000; and (3) bear certain legal fees of Bright Charm.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the aggregate exemption amount of Principal Amount and Interests of HK\$14,352,000 under the Supplemental Agreement exceeds 5% but is less than 25%, the Supplemental Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Reference is made to the announcement (“**Announcement**”) of TANSH Global Food Group Co., Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 June 2018 in relation to the discloseable transaction involving the disposal of 65% issued shares of Million Rank Limited (i.e. MRL) by Bright Charm (a wholly-owned subsidiary of the Company) to Rosy Metro. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as ascribed to them in the Announcement.

As disclosed in the Announcement, the Consideration for the Disposal in the amount of HK\$175,500,000 was payable by three instalments. Completion of the SP Agreement took place on 21 July 2018 and MRL ceases to be a subsidiary of the Company thereafter. Rosy Metro had duly paid the sums of HK\$10,000,000 and HK\$114,200,000 respectively pursuant to the SP Agreement. On 21 July 2018, pursuant to the SP Agreement, Rosy Metro issued the Bond to Bright Charm at the principal amount of the balance of the Consideration, being HK\$51,300,000 (hereinafter as “**Final Payment**” or “**Principal Amount**”). The SP Agreement and the Bond are secured by a share charge (“**Share Charge**”) over 30% of the issued shares of MRL. The Bond carried interest at the rate of 4% per annum payable in arrears on the first, second and third anniversary of the date of issuance of the Bond, whilst the maturity date of the Principal Amount fell on 21 July 2021. During the Exchange Period, Bright Charm did not exercise the Exchange Right to acquire any shares of MRL. As of the date of this announcement, the entire Principal Amount, and interests accrued thereon in the amount of HK\$2,052,000 (“**Interests**”) remain outstanding and repayable by Rosy Metro.

The Board hereby announces that on 18 August 2021 (after trading hours), Bright Charm, Rosy Metro and Ms. Pauline Wong (Rosy Metro and Ms. Pauline Wong are collectively the “**Obligors**”) entered into a deed of settlement (“**Deed**”) whereby the parties agreed to, among other things, vary the terms of repayment of the Principal Amount and Interests thereon under the Bond. Pursuant to the Deed, Bright Charm has agreed that Rosy Metro shall repay to Bright Charm part of the Principal Amount and Interests together with legal fees of Bright Charm, as follows:

THE DEED

Date: 18 August 2021

Parties:

- (a) Bright Charm (a wholly-owned subsidiary of the Company) (as vendor under the SP Agreement, the bondholder under the Bond and the chargee under the Share Charge)
- (b) Rosy Metro (as purchaser under the SP Agreement, the issuer under the Bond and the chargor under the Share Charge)
- (c) Ms. Pauline Wong (as guarantor under the SP Agreement and the Bond)

Repayment of Principal Amount and Interests

- (1) Rosy Metro shall repay HK\$38,000,000 (“**Revised Principal Amount**”) in fully-settled funds to Bright Charm in partial satisfaction of the Principal Amount, payable in the following manner:
 - (a) HK\$20,000,000 is payable on the signing of the Deed;
 - (b) a further sum of HK\$6,000,000 is payable within 2 months from the date of the Deed;
 - (c) a further sum of HK\$6,000,000 is payable within 4 months from the date of the Deed; and
 - (d) a further sum of HK\$6,000,000 is payable within 6 months from the date of the Deed.
- (2) Rosy Metro shall pay HK\$1,000,000 in clear funds to Bright Charm in partial satisfaction of the Interests on the signing of the Deed.
- (3) Rosy Metro shall pay HK\$200,000 in partial settlement of the legal fees of and incidental to the negotiation, preparation, execution of the Deed and ancillary documents thereto incurred by Bright Charm upon the signing of the Deed.

Upon due performance of all of the Obligors’ obligations under the Deed, payment of the above sum shall be full and final settlement of all their obligations under the SP Agreement, the Bond and the Share Charge. If, among other things, (i) there is default or breach by the Obligors of the payment obligations and/or other obligations under the Deed, (ii) the Obligors have a statutory demand in excess of HK\$10,000,000 made against any of them, or a wind-up or bankruptcy petition (whether voluntary or involuntary) (in such case, the Obligor or any of them shall notify the bondholder in writing within three days after receipt of the statutory demand, the winding-up application or the bankruptcy application), or become insolvent or make any composition or arrangement with their creditors and such actions cannot be resolved by the Obligors within 21 days, then the agreement of Bright Charm to accept the Obligors’ due and full performance of their payment and other obligations under the Deed as full and final settlement of their liabilities under the SP Agreement, the Bond and the Share Charge will be deemed void and terminated. In such event, the outstanding balance of the Principal Amount and Interests shall become immediately due and payable by the Obligors to Bright Charm, and the Obligors will be additionally liable to default interest at the rate of 20% per annum on the outstanding balance of the Principal Amount and Interests accrued from the due date to the actual date of payment.

As of the date of this announcement, Rosy Metro has duly paid the amounts set out under paragraphs (1)(a), (2) and (3) to Bright Charm pursuant to the abovementioned terms.

Additional Payment

Under the Deed, the Obligors further undertake that if the amount of the “Cash and bank” in the 2020 audited financial statements of Million Rank (HK) Limited (“**MRL (HK)**”) (the wholly-owned subsidiary of MRL) for the year ended 31 December 2020 is more than HK\$13,000,000, the Obligors shall jointly and severally pay Bright Charm the entire excess amount above HK\$10,630,129 (“**Additional Payment**”) (with a cap on the amount of the Additional Payment at HK\$13,300,000) within 14 days from the date of a written demand letter issued by the bondholder.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of restaurant chain stores in Mainland China and Hong Kong.

INFORMATION OF ROSY METRO, MRL AND MS. PAULINE WONG

Following the Completion on 21 July 2018, MRL ceased to be a subsidiary of the Group and becomes the wholly-owned subsidiary of Rosy Metro. Rosy Metro is ultimately wholly-owned by Ms. Pauline Wong. Ms. Pauline Wong is a director of Rosy Metro, MRL and its subsidiaries. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, each of MRL, Rosy Metro and their respective ultimate beneficial owner (i.e. Ms. Pauline Wong) is a third party independent of the Company and its connected persons.

MRL is a company incorporated in the British Virgin Islands with limited liabilities incorporated on 22 March 2013. Rosy Metro is an investment holding company holding shares of MRL. The main businesses of MRL are held by two wholly-owned subsidiaries, namely MRL (HK) which is incorporated in Hong Kong, and Million Rank (Macau) Limited which is incorporated in Macau which operates 17 restaurants such as “POKKA CAFÉ” and “Tonkichi in Hong Kong, and 1 restaurant “POKKA CAFÉ” in Macau.

The principal business of MRL is concentrated in Hong Kong. The unaudited net liability value and total asset value of MRL (HK) based on the consolidated management accounts of MRL (HK) as at 31 December 2020 amounted to approximately HK\$172,676,558 and HK\$272,467,818, respectively. Set out below is certain audited and unaudited financial information of MRL (HK) as of 31 December 2019 and 2020, respectively.

	Year ended 31 December	
	2019	2020
	<i>HK\$</i>	<i>HK\$</i>
Revenue	295,104,987	213,156,350
Pre-tax profit/(loss)	(3,417,256)	8,614,497
After-tax profit/(loss)	(2,646,978)	7,353,105

BASIS OF THE REVISED PRINCIPAL AMOUNT, AND REASONS FOR AND BENEFITS OF THE DEED

As a result of the Deed, if the Additional Payment is disregarded, the Group would finally receive HK\$162,200,000 as total consideration for the Disposal, which represents approximately 92.4% of the Consideration as agreed under the SP Agreement.

As disclosed in the paragraph headed “Impairment of financial assets included in prepayments, other receivables and other assets” under the section headed “MANAGEMENT DISCUSSION AND ANALYSIS” of the annual report of the Company for the financial year ended 31 December 2020 (“FY2020”), during the preparation of the audited financial statements for FY2020, the management of the Company had discussed the repayment of the Final Payment with the purchaser (i.e. Rosy Metro) and the guarantor (Ms. Pauline Wong), but the counterparties had not proposed any specific repayment schedule at that time. The management understood that during FY2020, the COVID-19 pandemic had exerted profound impacts on Hong Kong’s catering industry in which MRL’s wholly-owned subsidiary operates. Due to the operating loss position as recorded in the unaudited financial statements for FY2020 of MRL (HK) (Operating loss (HK\$9,395,503), plus Government Grants of HK\$18,010,000, and total pre-tax profit is HK\$8,614,497), the Company provided a full impairment provision in the Final Payment in its 2020 annual report. Notwithstanding the impairment provision, thanks to the management’s persistent efforts in recovering the Principal Amount, the Group successfully entered into the Deed with Rosy Metro and Ms. Pauline Wong to repay a substantial part of the Principal Amount, which represents approximately 74.1% of recovery rate of a bad debt previously considered to be fully impaired. In the opinion of the Directors, for the year ending 31 December 2021, the catering industry will still be under the impact of the restrictions on travel and traffic control arrangements, quarantine measures, and restriction on certain commercial activities for social distancing under COVID-19, and based on the operating results of MRL (HK) and the financial position of Rosy Metro (whose major asset is MRL), full recovery of the Final Payment is unlikely.

In addition, the HK\$21,000,000 of cash received from Rosy Metro can resolve the immediate cashflow and working capital needs of the Group under the challenging economic conditions and market competition. As disclosed above, the Group is also protected under the Deed that in the event the Obligors default their payment or other obligations, Bright Charm’s entitlement to the entire Principal Amount and Interests thereto will automatically revive.

Based on the terms of the Deed of the Bond, the Group expects to recognise a gain in its consolidated income statement of approximately HK\$39,000,000 from the Disposal. The Company will utilise the monies received under the Deed for working capital of the Group.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Deed (including the Revised Principal and the revised interests) are on normal commercial terms, are fair and reasonable and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the aggregate exemption amount of Principal Amount and Interests of HK\$14,352,000 under the Supplemental Agreement exceeds 5% but is less than 25%, the Supplemental Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

By order of the Board
TANSH Global Food Group Co., Ltd
GU Dorson
Chairman

Hong Kong, 18 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. GU Dorson and Ms. PING Guoqin; 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.