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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)

**CONTINUING CONNECTED TRANSACTIONS
PROVISION OF FINANCIAL ASSISTANCE
AND
PROCUREMENT OF PRE-PACKED FOOD**

PROVISION OF FINANCIAL ASSISTANCE

There were various loans and advances made by the Group to each of the JM HK Group and Shanghai Hongshi during the year 2018. As at the date of this announcement, the balance of loans and advances in the aggregate amount of HK\$54,495,000 and RMB10,000,000 due by each of JM HK Group and Shanghai Hongshi, respectively remained outstanding. JM HK Group and Shanghai Hongshi agreed to pay the outstanding loans and advances by 30 September 2019.

There were various loans and advances made by the Group to the Wang Companies during the year 2018. The daily maximum outstanding advance to the Wang Companies amounted to RMB180,391,000 during the year 2018. As at 31 December 2018 and as at the date of this announcement, all the advances have been repaid and settled.

PROCUREMENT OF PRE-PACKED FOOD

For the year ended 31 December 2018, Shanghai Xiao Nan Guo (a wholly-owned subsidiary of the Group) had sourced and purchased various pre-packed food from Shanghai Hongshi in an aggregate amount of RMB3,700,000. Transactions in similar nature with Shanghai Hongshi for the two months ended 28 February 2019 amounted to RMB420,827 and there was no similar transactions with Shanghai Hongshi in March 2019. The Company did not intend to continue relevant transactions with Shanghai Hongshi.

LISTING RULES IMPLICATIONS

Each of Ms. Wang (the chairlady and an executive Director) and Ms. Zhu (an executive Director) held as to 47.5% of the total issued shares in JM HK which in turn held as to 55.0% of the total issued shares of Chung So. JM HK Group was a connected person of the Company. Each of Ms. Wang and Ms. Zhu held as to 50% of the interests in Shanghai Hongshi.

As one or more of the applicable percentage ratios in respect of the Advances to JM HK Group and the Advances to Shanghai Hongshi and the transaction contemplated thereunder are more than 5.0%, it constitutes a financial assistance and a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and would have therefore been subject to the reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Wang Companies are controlled by Ms. Wang. As one or more of the applicable percentage ratios in respect of the Advances to Wang are more than 5.0%, it constituted a financial assistance and a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and would have therefore been subject to the reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Pre-packed Food Transactions is less than 5% but the aggregate consideration of the Transaction exceeds HK\$3 million on an annual basis, the Pre-packed Food Transactions constituted non-exempt continuing connected transactions for the Company for which it was exempt from the circular and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

BACKGROUND

During the audit process of the Group's financial statements for the year ended 31 December 2018, it was revealed that there were loans and advances to the JM HK Group, Shanghai Hongshi and the Wang Companies during the year 2018. Below sets out the amounts involved:

	JM HK Group	Shanghai Hongshi	Wang Companies
Maximum outstanding advance	RMB67,749,000	RMB10,000,000	RMB180,391,000
Outstanding balance as of loans and advances at 31 December 2018	HK\$54,495,000	RMB10,000,000	Not applicable (settled)
Outstanding balance as the date of this announcement	HK\$54,495,000	RMB10,000,000	Not applicable (settled)
	(“Advances to JM HK Group”)	(“Advances to Shanghai Hongshi Group”)	(“Advances to Wang Companies”)
	(collectively, the “Advances”)		

REPAYMENT OF THE OUTSTANDING ADVANCES

As at the date of this announcement, the Advances to Wang Companies had been settled, and each of JM HK Group and Shanghai Hongshi has confirmed and undertaken to repay the outstanding loans and advances in the amount of HK\$54,495,000 and RMB10,000,000 respectively (collectively, the “**Outstanding Advances**”) as soon as practicable but in any event no later than 30 September 2019, subject to charge of interests rate of 4% per annum and execution of the Share Charge.

Taking into account that the above remediate actions taken, including the undertakings obtained, the interests payable at comparable market interest rates and the Group has sufficient working capital, the Advances have not brought and is not expected to bring material impact of the financial position of the Group, the Directors resolved to confirm, ratify and approve the Advances.

Listing Rules implications

Each of Ms. Wang (the chairlady and an executive Director) and Ms. Zhu (an executive Director) held as to 47.5% of the total issued shares in JM HK which in turn held as to 55.0% of the total issued shares of Chung So. Each of JM HK and Chung So was a connected person of the Company. Each of Ms. Wang and Ms. Zhu held as to 50% of the interests in Shanghai Hongshi.

As one or more of the applicable percentage ratios in respect of the Advances to JM HK Group and the Advances to Shanghai Hongshi and the transaction contemplated thereunder are more than 5.0%, it constitutes a financial assistance and a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and would have therefore been subject to the reporting, announcement and independent shareholders’ approval under Chapter 14A of the Listing Rules.

Wang Companies are controlled by Ms. Wang. As one or more of the applicable percentage ratios in respect of the Advances to Wang Companies are more than 5.0%, it constituted a financial assistance and a continuing connected transaction for the Company under Chapter 14A of the Listing Rules and would have therefore been subject to the reporting, announcement and independent shareholders’ approval under Chapter 14A of the Listing Rules.

Ms. Wang and Ms. Zhu abstained from voting or did not attend voting on the Board resolutions relating to the transactions mentioned above.

PROCUREMENT OF PRE-PACK FOOD

In 2018, the Group would like to explore the business for sale of pre-packed food, such as festive hampers and giftsets. Shanghai Hongshi was principally engaged in supply of pre-packed food and was able to procure pre-packed food in bulk to offer the relevant products at reasonable prices.

For the year ended 31 December 2018, Shanghai Xiao Nan Guo (a wholly-owned subsidiary of the Group) had sourced and purchased various pre-packed food from Shanghai Hongshi in an aggregate amount of RMB3,700,000. Transactions in similar nature with Shanghai Hongshi for the two months ended 28 February 2019 amounted to RMB420,827 and there was no similar transactions with Shanghai Hongshi in March 2019. The Company did not intend to continue relevant transactions with Shanghai Hongshi.

The Pre-packed Food Transactions were conducted in the ordinary course of business. The relevant terms were on normal commercial terms determined on an arm's length basis, and were reasonable and in the interests of the Company and generated income for the Group. In view of the above, the Directors confirmed, ratified and approved the Pre-packed Food Transactions. Ms. Wang and Ms. Zhu abstained from voting or did not attend voting on the Board resolutions relating to the Pre-packed Food Transactions.

Listing Rules implications

As each of the applicable percentage ratios in respect of the Pre-packed Food Transactions is less than 5% but the aggregate consideration of the Transaction exceeds HK\$3 million on an annual basis, the Pre-packed Food Transactions constituted non-exempt continuing connected transactions for the Company for which it should have been subject to the reporting and announcement but was exempt from the circular and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

INFORMATION ON THE COMPANY AND THE CONNECTED PERSONS

The Company is an investment holding company and together with its subsidiaries are principally engaged in the operation of restaurant chain stores in the PRC, Hong Kong and other regions.

JM HK is an investment holding company, which held as to 55.0% of the total issued shares in Chung So which is principally engaged in operation of dessert chain stores under the brands “聰嫂” and “聰少” in Hong Kong and PRC.

Shanghai Hongshi was owned as to 50% and 50% by each of Ms. Wang and Ms. Zhu respectively, and is principally engaged in supply of pre-packed food.

Wang Companies are companies in the PRC and Hong Kong controlled by Ms. Wang.

DELAY IN LISTING RULES COMPLIANCE AND REMEDIAL ACTIONS

Given the changes of personnel in the Group, certain finance staff mixed up the members of the Group and companies controlled by connected persons, and did not aware that the transfer of funds among the entities constituted connected transactions. As a result, no written agreement was signed, no annual caps were set, no announcement had been made and no independent shareholders' approval for the abovementioned financial assistances were obtained as soon as practicable in accordance with Chapter 14A of the Listing Rules.

Given the changes in the personnel in business operation and the lack of knowledge of the relevant sales and finance staff, it failed to identify the Pre-packed Food Transactions as continuing connected transactions. As a result, no framework agreement, no annual caps were set and no announcement was made for the relevant transactions as soon as practicable in accordance with Chapter 14A of the Listing Rules.

During the audit process of the Group's financial statements, it was revealed that there were loans and advances to the JM HK Group, Shanghai Hongshi and Wang Companies. Noting there were unsettled balance for the loans and advances to the JM HK Group and Shanghai Hongshi, the Company urged the JM HK Group and Shanghai Hongshi to confirm the relevant balances and liabilities owed to the Group, negotiate for collaterals and agree on repayment terms for the outstanding balances.

The Board considers that although the amounts for the Advances was not immaterial, given all the Wang Financial Assistance had been settled, and part of the Outstanding Advances to JM HK Group will be secured by shares of a company with substantial operation, the impact of such delay in disclosure is limited. The Board also considers that the impact for the delay in disclosure in the Pre-packed Food Transactions is limited as the revenue attribution of the transactions is minimal.

Notwithstanding the foregoing, in order to safeguard against any risks of exposure to delay in reporting and announcement requirements under the Listing Rules:

- (a) a special committee comprising two of the independent non-executive Directors, namely Dr. Wu Chun Wah and Mr. Lui Wai Ming and the internal control officer of the Group was established to review the existing internal control procedures to identify any deficiencies of our internal control policies and seek recommendations from professional parties on how to enhance the monitoring and effectiveness of the implementation of the internal control policies;
- (b) the Company will engage legal advisers to provide trainings to the relevant staff members to reinforce their understanding of and importance of compliance with the Listing Rules;
- (c) the Company will engage an internal control consultant to identify any deficiencies of our internal control policies for monitoring the connected transactions and continuing connected transactions under the Listing Rules, and make recommendations to enhance the relevant internal control policies;

- (d) the Company will provide a more detailed guideline relating to its existing internal procedures (and if needed with the assistance of independent internal control consultant) relating to dealing with connected transactions or related party transactions and notifiable transactions under the Listing Rules to the sale staff, purchase staff and finance staff members of the Group, in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions and their ability to identify potential issues at any early stage;
- (e) an ex-chief financial officer of the Group, Mr. Wang Shoudong, had re-joined the Group, who will closely monitor the fund flow of the Group and the identification of connected transactions, and report to the audit committee of the Company on a monthly basis; and
- (f) human resources manager shall provide guidelines on proper handover of the matters before departure of personnel.

DEFINITIONS

In this announcement, unless the context otherwise stated, the defined terms below shall have the following meanings:

“Board”	the board of Directors of the Company
“Chung So”	Chung So Si Fong Dessert Company Limited (聰嫂私房甜品有限公司), a company incorporated in Hong Kong with limited liability, which was held as to 55.0% by JM HK
“Company”	TANSH Global Food Group Co., Ltd (國際天食集團有限公司), whose shares are listed on the Stock Exchange (stock code: 3666)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“JM HK”	JM (HK) Investment Company Limited (眾敏(香港)投資有限公司), a company incorporated in Hong Kong with limited liability, which was held as to 47.5% and 47.5% by Ms. Wang and Ms. Zhu respectively as at the date of this announcement

“JM HK Group”	JM HK and its subsidiaries
“Ms. Wang”	Ms. Wang Huimin, the chairlady and an executive Director of the Company
“Ms. Zhu”	Ms. Zhu Xiaoxia, an executive Director of the Company
“PRC”	the People’s Republic of China
“Pre-packed Food Transactions”	procurement of pre-packed food by Shanghai Xiao Nan Guo from Shangahi Hongshi
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Hongshi”	Shanghai Xiao Nan Guo Hongshi Trading Co., Ltd. (上海小南國宏食貿易有限公司), a company established under the laws of the PRC, which owned as to 50% and 50% by Ms. Wang and Ms. Zhu respectively as at this announcement
“Shanghai Xiao Nan Guo”	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), a wholly owned subsidiary of the Company
“Share Charge”	a first ranking charge under a share charge to be executed by JM HK over all the shares in Chung So held by it for the benefit of the Company to secure the repayment of the advances made to JM HK
“Shareholder(s)”	holders of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Wang Companies”	a number of companies controlled by Ms. Wang

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

Shanghai, the People’s Republic of China, 31 March 2019

As at the date of this announcement, the executive directors of the Company are Ms. WANG Huimin, Mr. SUN Yong and Ms. ZHU Xiaoxia; the non-executive directors of the Company are Ms. WANG Huili and Ms. WU Wen; and the independent non-executive directors of the Company are Dr. WU Chun Wah, Mr. LUI Wai Ming and Mr. LIN Lijun.