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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

For the six months ended 30 June

	2021 (unaudited)	2020 (unaudited)	% Change (decrease)/ increase
Revenue (RMB'000)	386,194	252,250	53.1%
Gross profit ¹ (RMB'000)	256,575	168,510	52.3%
Gross profit margin ²	66.4%	66.8%	(0.4)%
Loss for the period (RMB'000)	(5,366)	(121,395)	(95.6)%
Net loss margin ³	(1.4%)	(48.1%)	46.7%
Loss per share – Basic	RMB(0.27) cents	RMB(5.80) cents	(95.3)%
Number of restaurants (as at 30 June)	52	62	

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 2021 (the “**Reporting Period**”) together with unaudited comparative figures for the corresponding period in the year 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2021

		Six-month period ended 30 June	
	<i>Notes</i>	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
REVENUE	4	386,194	252,250
Cost of sales		(129,619)	(83,740)
Gross profit		256,575	168,510
Other income and gains	4	5,379	9,418
Selling and distribution expenses		(211,782)	(235,908)
Administrative expenses		(36,412)	(47,052)
Other expenses		(8,436)	(19,952)
Finance costs	6	(9,420)	(8,792)
LOSS BEFORE TAX	5	(4,096)	(133,776)
Income tax (expense)/credit	7	(1,270)	12,381
LOSS FOR THE PERIOD		(5,366)	(121,395)

		Six-month period ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Attributable to:			
Owners of the parent		(5,753)	(122,189)
Non-controlling interests		<u>387</u>	<u>794</u>
		<u>(5,366)</u>	<u>(121,395)</u>

**LOSS PER SHARE ATTRIBUTABLE TO
ORDINARY EQUITY HOLDERS OF THE
PARENT**

Basic			
– For loss for the period	9	<u>RMB(0.27) cents</u>	<u>RMB(5.80) cents</u>
Diluted			
– For loss for the period	9	<u>RMB(0.27) cents</u>	<u>RMB(5.80) cents</u>

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 2021*

	Six-month period ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	<u>(5,366)</u>	<u>(121,395)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,817</u>	<u>(4,238)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>2,817</u>	<u>(4,238)</u>
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	5,470	1,953
Income tax effect	<u>(30)</u>	<u>(11)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>5,440</u>	<u>1,942</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>8,257</u>	<u>(2,296)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>2,891</u>	<u>(123,691)</u>
Attributable to:		
Owners of the parent	2,505	(124,485)
Non-controlling interests	<u>386</u>	<u>794</u>
	<u>2,891</u>	<u>(123,691)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property and equipment		66,010	82,205
Right-of-use assets		229,236	160,179
Other intangible assets		2,582	3,386
Equity investments designated at fair value through other comprehensive income		18,391	18,025
Long-term rental deposits		53,855	55,246
Deferred tax assets		27,536	26,897
		<hr/>	<hr/>
Total non-current assets		397,610	345,938
CURRENT ASSETS			
Inventories		13,892	16,079
Trade receivables	<i>10</i>	9,971	16,624
Prepayments, other receivables and other assets		82,986	89,073
Pledged deposits	<i>11</i>	24,251	14,894
Cash and cash equivalents	<i>11</i>	91,920	113,376
		<hr/>	<hr/>
Total current assets		223,020	250,046
CURRENT LIABILITIES			
Trade payables	<i>12</i>	64,906	73,489
Other payables and accruals		110,822	123,168
Interest-bearing bank loans		23,642	38,995
Lease liabilities		88,263	92,288
Tax payable		14,613	11,596
		<hr/>	<hr/>
Total current liabilities		302,246	339,536
NET CURRENT LIABILITIES		<hr/> (79,226)	<hr/> (89,490)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 318,384	<hr/> 256,448

		30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		184,320	124,257
Long-term payables		4,753	4,248
Deferred tax liabilities		7,234	8,552
		<hr/>	<hr/>
Total non-current liabilities		196,307	137,057
		<hr/>	<hr/>
Net assets		122,077	119,391
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	18,393	18,393
Treasury shares		(9,626)	(9,626)
Other reserves		108,670	106,165
		<hr/>	<hr/>
		117,437	114,932
		<hr/>	<hr/>
Non-controlling interests		4,640	4,459
		<hr/>	<hr/>
Total equity		122,077	119,391
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

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 2021 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 2020.

Net current liability

As at 30 June 2021, the current liabilities of the Group exceeded its current assets by approximately RMB79.2 million. In the opinion of the directors, the net current liability position was mainly caused by the recognition of lease liability (current portion) after the application of IFR 16. 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 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The new or amended IFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

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	
	2021 RMB’000 (unaudited)	2020 RMB’000 (unaudited)
Chinese Mainland	351,817	196,633
Hong Kong	34,377	55,617
	<u>386,194</u>	<u>252,250</u>

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

(b) Non-current assets

	30 June 2021 RMB’000 (unaudited)	31 December 2020 RMB’000 (audited)
	Chinese Mainland	320,940
Hong Kong	30,743	28,622
	<u>351,683</u>	<u>301,016</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 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 2021 and 2020 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue from contracts with customers	<u>386,194</u>	<u>252,250</u>

Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Types of goods or services		
Restaurant operations	377,066	233,043
Sale of packed foods	7,569	15,134
Management fee from franchisee	<u>1,559</u>	<u>4,073</u>
Total revenue from contracts with customers	<u>386,194</u>	<u>252,250</u>

Other income and gains

	Six-month period ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants*	1,934	7,842
Interest income	336	352
Management fee income	442	286
Gain on disposal of right-of-use assets for early terminated leases	1,830	729
Others	<u>837</u>	<u>209</u>
	<u>5,379</u>	<u>9,418</u>

* There is 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):

	Six-month period ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cost of inventories consumed	129,619	83,740
Depreciation of property and equipment	19,457	31,094
Amortisation of other intangible assets	804	833
Lease expenses	7,035	13,944
Depreciation of right-of-use assets	40,561	65,952
Impairment of the financial assets included in prepayments and other receivables	2,139	–
Provision of impairment of property and equipment	–	6,777
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	105,750	100,684
Defined contribution pension scheme	9,360	12,248
Share Award Scheme expenses	–	5,648
	115,110	118,580
Interest income	(336)	(352)
Loss on disposal of items of property and equipment	274	1,502
Gain on disposal of right-of-use assets for early terminated lease	(1,830)	(729)

6. FINANCE COSTS

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

	Six-month period ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest expense on lease liabilities	8,844	8,222
Interest on bank loans	576	570
	9,420	8,792

7. INCOME TAX

	Six-month period ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current – Chinese Mainland charged for the period	3,227	596
Current – Hong Kong and elsewhere charged for the period	–	126
Deferred tax	(1,957)	(13,103)
	<hr/>	<hr/>
Total tax expenses/(credited) for the period	1,270	(12,381)

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

No interim dividend was proposed during the Six-month period ended 30 June 2021 (six-month period ended 30 June 2020: Nil).

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 2,106,993,000 (30 June 2020: 2,108,336,000) 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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>(5,753)</u>	<u>(122,189)</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>2,106,993,000</u>	<u>2,108,336,000</u>
Number of ordinary shares used in the diluted earnings per share calculation	<u>2,106,993,000</u>	<u>2,108,336,000</u>

Diluted loss per share for the year is the same as basic loss per share as the potential ordinary shares in relation to the share options granted under Share Award Scheme to the employees (note 18) are anti-dilutive as the exercise prices of these options exceeded the average market price of ordinary shares during the period and hence assumed there are no any conversation or exercise.

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 1 month	3,274	7,346
1 to 2 months	1,457	1,991
2 to 3 months	317	29
Over 3 months	4,923	7,258
	9,971	16,624

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Cash and bank balances	91,920	101,620
Time deposits with original maturity of less than three months	9,633	11,580
Time deposits with original maturity of over three months	14,618	15,070
	116,171	128,270
Less: Pledged time deposits for bank loans:		
– Current portion	(24,251)	(14,894)
Cash and cash equivalents	91,920	113,376

As at 30 June 2021, RMB24,251,000 of time deposits were pledged for bank loans borrowed by the Group (31 December 2020: RMB14,894,000).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB110,091,000 (31 December 2020: RMB116,490,000). 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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 3 months	41,877	59,939
3 months to 1 year	5,635	451
Over 1 year	17,394	13,099
	64,906	73,489

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

13. SHARE CAPITAL

Shares

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Authorised:		
Ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>2,213,031,000</u>	<u>2,213,031,000</u>
Equivalent to RMB'000	<u>18,393</u>	<u>18,393</u>

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 2020	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 and 30 June 2021	<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 did not purchase share during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, as the epidemic situation had been improving and people starting to go out and spent again, the Group has made certain progress in all aspects in line with its operating policy of being prudent, tapping into new sources of revenue and saving costs.

In respect of tapping into new sources of revenue, the Group started collaborating with high-end wedding hall groups in China, leveraging its strengths in supply chain and professional management to provide 2B solutions for high-end wedding banquets. On the online front, the Group started its direct business on Tmall, Jingdong, and Tik Tok, with significant increase in online sales from its direct online shops. On the offline front, the Group introduced Karaage no Tensai, the famous fast-food brand of Japan's Watami Group, and the first shop was successfully established in Raffles City The Bund, a landmark commercial facility in Shanghai.

Regarding cost saving and increasing efficiency, the Group has carried out a substantial transformation of the supply chain to switch to premium quality fresh products, to select and concentrate products, to highlight the theme of strict selection of high quality ingredients, and has basically achieved “purchasing from the source”, weekly quotations and inventory reduction. At the same time, the Group's headquarters underwent further optimization of staff structure, flattening and deepening of cost control.

To further enhance its financial health to cope with the epidemic and the uncertainty of market environment, the Group has stepped up its efforts to recover its debts, and some of its external investments have been monetized to further release liquidity.

For the six months ended 30 June 2021, the Group's revenue amounted to RMB386.2 million, which comprised the revenue of restaurant operations of RMB377.1 million and other revenue of RMB9.1 million (including the revenue from sales of packed goods of RMB7.6 million), with a increase of RMB133.9 million or 53.1% from RMB252.3 million in the corresponding period of last year; the Group's gross profit amounted to RMB256.6 million, with a increase of approximately RMB88.1 million or 52.3% from RMB168.5 million in the corresponding period of last year. During the six months ended 30 June 2021, the loss attributable to the parent company owner was approximately RMB5.8 million, representing a decrease of RMB116.4 million in the corresponding period of last year.

As of 30 June 2021, the Group operated a restaurant network of 36 “Shanghai Min” restaurants, 2 “Maison De L’ Hui” restaurants, 11 “The Dining Room” restaurants, 1 “WolfgangPuck” restaurant, 1 “DOUTOR” café, 1 “Oreno” restaurant 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 2021 and 2020, respectively.

	For the six months ended 30 June			
	2021		2020	
	Number of restaurants	Revenue RMB’000	Number of restaurants	Revenue RMB’000
	<i>(Note (iii))</i>	(unaudited)		(unaudited)
The PRC <i>(Note (ii))</i>				
– Shanghai Min and Maison De L’Hui	36	287,045	40	146,722
– The Dining Room	8	40,546	10	25,833
– Other brands <i>(Note (iv))</i>	3	15,097	4	4,871
Hong Kong				
– Shanghai Min	2	15,434	3	20,811
– The Dining Room	3	18,944	5	34,806
Total Revenue of restaurant operations <i>(Note (ii))</i>	52	377,066	62	233,043
Other revenue		9,128		19,207
Total Revenue		386,194		252,250

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 Shanghai Min and The Dining Room stores.
- (iv) Other brands include Wolfgang Puck, Oreno and DOUTOR.

FINANCIAL REVIEW

REVENUE

Revenue of the Group increased by RMB133.9 million or 53.1%, from RMB252.3 million for the six months ended 30 June 2020 to RMB386.2 million for the six months ended 30 June 2021. Our results recovered significantly.

Revenue of restaurant operations

Total revenue of restaurant operations increased by RMB144.1 million, or 61.8% from RMB233.0 million for the six months ended 30 June 2020 to RMB377.1 million for the six months ended 30 June 2021:

- For the six months ended 30 June 2021, the revenue from newly opened stores increased by RMB9.1 million;
- An increase of RMB179.2 million in revenue in the same store sales for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020;
- A decrease of RMB44.2 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 2021.

Other revenue

For the six months ended 30 June 2021, other revenue amounted to RMB9.1 million, which mainly comprises of income from sales of packed goods amounted to RMB7.6 million.

COST OF SALES

The cost of sales increased by RMB45.9 million, or 54.8% from RMB83.7 million for the six months ended 30 June 2020 to RMB129.6 million for the six months ended 30 June 2021.

The cost of sales as a percentage of revenue increased from 33.2% for the six months ended 30 June 2020 to 33.6% for the six months ended 30 June 2021.

OTHER INCOME

Other income decreased by RMB4.0 million from RMB9.4 million for the six months ended 30 June 2020 to RMB5.4 million for the six months ended 30 June 2021. This was mainly due to a decrease of approximately RMB\$5.9 million in government subsidies compared to last year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB24.1 million, or 10.2% from RMB235.9 million for the six months ended 30 June 2020 to RMB211.8 million for the six months ended 30 June 2021.

Labor expenses increased by RMB2.4 million from RMB88.3 million for the six months ended 30 June 2020 to RMB90.7 million for the six months ended 30 June 2021. The labor costs as a percentage of revenue decreased from 35.0% for the six months ended 30 June 2020 to 23.5% for the six months ended 30 June 2021. This is mainly because during the same period last year, wages in Mainland China were reduced by half during the period of closure.

Rental expenses and building management fees increased by RMB2.8 million, or 13.7% from RMB20.4 million for the six months ended 30 June 2020 to RMB23.2 million for the six months ended 30 June 2021. The rental expenses and building management fees as a percentage of revenue decreased from 8.1% for the six months ended 30 June 2020 to 6.0% for the six months ended 30 June 2021.

Depreciation expenses decreased by RMB33.6 million, or 36.8% from RMB91.3 million for the six months ended 30 June 2020 to RMB57.7 million for the six months ended 30 June 2021. The depreciation expenses as a percentage of the sale revenue decreased from 36.2% for the six months ended 30 June 2020 to 14.9% for the six months ended 30 June 2021.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB10.7 million, or 22.7% from RMB47.1 million for the six months ended 30 June 2020 to RMB36.4 million for the six months ended 30 June 2021.

OTHER EXPENSES

Other expenses amounted to RMB8.4 million for the six months ended 30 June 2021, representing a decrease of RMB11.6 million as compared with the corresponding period of last year, which is mainly due to the disposal of assets related to the closure of stores of approximately \$3.5 million and the impairment provision which was approximately RMB2.1 million.

FINANCE COSTS

Finance costs amounted to RMB9.4 million for the six months ended 30 June 2021, representing an increase of RMB0.6 million compared with the same period of last year.

INCOME TAX CREDIT

Income tax credit decreased by RMB13.7 million from the credit of RMB12.4 million for the six months ended 30 June 2020 to the expense RMB1.3 million for the six months ended 30 June 2021.

LOSS FOR THE PERIOD

As a result of the foregoing reasons, the loss for the Reporting Period of the Group decreased by RMB116.0 million from RMB121.4 million for the six months ended 30 June 2020 to RMB5.4 million for the six months ended 30 June 2021. Net loss margin decrease to 1.4% for the six months ended 30 June 2021.

DIVIDENDS PAYABLE

As at 30 June 2021, 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 2021, the Group's interest-bearing bank loans amounted to RMB23.6 million. The gearing ratio was 41.5%, 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 2021, the Group had net cash inflows generated from operating activities of RMB64.0 million (for the six months ended 30 June 2020: outflow of RMB7.7 million). As at 30 June 2021, the Group had RMB91.9 million in cash and cash equivalents (30 June 2020: RMB126.8 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2021 and 2020.

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash flows generated from/(used in) operating activities	63,955	(7,671)
Net cash flows generated used in investing activities	(2,877)	(5,095)
Net cash flows used in financing activities	(85,455)	(13,768)
Net decrease in cash and cash equivalents	(24,377)	(26,534)
Cash and cash equivalents at the beginning of the period	113,200	158,548
Effect of foreign exchange rate changes, net	3,097	(5,178)
Cash and cash equivalents at the end of the period	91,920	126,836

OPERATING ACTIVITIES

Net cash inflow generated from operating activities increased by RMB71.7 million, from outflows RMB7.7 million for the six months ended 30 June 2020 to net cash inflows RMB64.0 million for the six months ended 30 June 2021. 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 2021, net cash flow used in investing activities was RMB2.9 million, and outflows of RMB5.1 million for the same period in 2020. The investment in fixed assets for the period was approximately \$8.2 million and 5 million was recovered from the investment.

FINANCING ACTIVITIES

Net cash flow used in financing activities increased from RMB13.8 million for the six months ended 30 June 2020 to RMB85.5 million for the six months ended 30 June 2021. During the period, the Group had an additional loan of RMB27.9 million. RMB43.1 million and RMB51.3 million were paid for bank loans and lease liabilities, respectively.

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 2021 and 30 June 2020 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 RMB6.1 million and RMB1.7 million, respectively, as at 30 June 2021 and 31 December 2020.

PLEGDED OF GROUP ASSETS

As at 30 June 2021, bank loans of HK\$20.0 million were guaranteed by the pledge of certain fixed deposits of RMB24.3 million by the Group.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2021.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2021, there were no other material acquisitions or disposals by the Group and its subsidiaries and associated companies.

Human resources

As at 30 June 2021, the Group employed approximately 958 staff in Mainland China and Hong Kong. In 2021, 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 2021, total staff cost was RMB115.1 million, accounting for 29.8% of the revenue (for the six months ended 30 June 2020: RMB118.6 million), which mainly comprised wages and salaries.

OUTLOOK

Along with the effective control of domestic outbreak, the recovery of consumption, the internal circulation of the economy for a considerable period of time, the increase of one-person consumption, the accelerated growth of the mass consumption sector will be a trend. The Group's business policy will highlight the two themes of quality and efficiency and will gradually shift our main battlefield to the two ends: high-end non-daily scenario and the daily convenience scenario. The Group will further optimize and reform its existing business while investing for future growth.

In the second half of the year, the Group will accelerate the renovation of old stores and the opening of new stores, such as the new store of Maison De L' Hui, the new model of Shanghai Min 1987 with medium store size, and the renovation and upgrading of the old store of Shanghai Min brand to Shanghai Min 1987 and other projects will be implemented before the arrival of the peak consumption season at the end of the year.

After re-polishing its products, there will be a fusion of classic Shanghai dim sum, led by Xiao Long Bao, with the classic famous dishes of Shanghai Min, the take-away product offerings will be expanded, the consumption scene will be extended and re-introduced to the market using the strategy of driving the surrounding small stores by large stores.

Meanwhile, the Group will accelerate the expansion of Doutor Coffee and Karaage no Tensai brands to form a certain scale. The online direct product line will further be sorted out and centralized and expansion will be accelerated, using multimedia such as live streaming and Tik Tok to connect and interact with consumers in a multi-touch manner. We will make use of the reputation of the Shanghai Min brand to expand cross-border cooperation, to bring more young customers to the Group, and to provide new value and experience for 2B2C customers. We will continue to work hard and move forward and wish everyone peace and happiness.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 18 August 2021, Bright Charm Development Limited (“**Bright Charm**”), a wholly-owned subsidiary of the Company and Rosy Metro Limited (“**Rosy Metro**”) and Ms. Pauline Wong (collectively the “**Obligors**”) entered into a deed whereby all parties agreed to, among other things, vary the terms of repayment of the principal amount and interests thereon under a bond (the “**Bond**”), issued by Rosy Metro to Bright Charm at the principal amount of the last instalment of the sale and purchase agreement (the “**SP Agreement**”) in relation to the disposal of 65% issued shares of Million Rank (HK) Limited by Bright Charm to Rosy Metro, being HK\$51,300,000, on 21 July 2018 (the “**Deed**”). 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. HK\$20,000,000 was paid on the signing of the Deed, and the remaining HK\$18,000,000 will be paid by three instalments within six months; (2) reduce the last instalment of interest payable by Rosy Metro under the Bond of HK\$2,052,000 to HK\$1,000,000, which was paid on the signing of the Deed; and (3) Rosy Metro bear legal fees of HK\$200,000 in relation to the Deed, which was paid on the signing of the Deed.

The aggregate exemption amount of principal amount and interests is HK\$14,352,000 under the Deed.

Please refer to the announcement of the Company dated 18 August 2021 for details.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

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 2021, the Company has complied with the applicable code provisions set out in the CG Code.

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 2021.

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, Mr. Zhang Zhenyu and Ms. Li Yuping. 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 2021.

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
GU Dorson
Chairman

Shanghai, the People’s Republic of China, 30 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.