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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)

REVISED (1) DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 (2) UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change Increase/ (decrease)
	2021 (Unaudited)	2020 (Audited)	
Revenue (RMB'000)	691,517	644,386	7.3%
Gross profit ¹ (RMB'000)	468,815	436,728	7.3%
Gross margin ²	67.8%	67.8%	(0.0%)
Loss for the year (RMB'000)	(87,778)	(320,528)	(72.6%)
Net loss margin ³	(12.7%)	(49.7%)	37.0%
Loss per share – Basic and diluted (RMB cents)	(3.9)	(15.0)	
Total dividend per share (RMB cents)	–	–	
Number of restaurants ⁴ (as at 31 December)	53	59	

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 unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020, as follows. For the reasons explained in the paragraph headed “Explanation on Unaudited Annual Results” in this announcement, the audit of the Group’s annual results for the year ended 31 December 2021 has not been completed by the auditor.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		Year ended 31 December	
	<i>Notes</i>	2021	2020
		RMB’000	RMB’000
		(Unaudited)	(Audited)
REVENUE	4	691,517	644,386
Cost of sales		(222,702)	(207,658)
Gross profit		468,815	436,728
Other income and gains	4	46,009	24,390
Selling and distribution expenses		(415,988)	(498,374)
Administrative expenses		(76,003)	(96,304)
Other expenses		(91,206)	(134,953)
Finance costs	6	(18,783)	(16,283)
LOSS BEFORE TAX	5	(87,156)	(284,796)
Income tax expense	7	(622)	(35,732)
LOSS FOR THE YEAR		(87,778)	(320,528)
Attributable to:			
Owners of the parent		(82,368)	(318,752)
Non-controlling interests		(5,410)	(1,776)
		(87,778)	(320,528)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	9	RMB(3.9) cents	RMB(15.0) cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2021*

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
LOSS FOR THE YEAR	<u>(87,778)</u>	<u>(320,528)</u>
OTHER COMPREHENSIVE GAIN/(LOSS)		
Other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,598</u>	<u>(3,692)</u>
Net other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods	<u>1,598</u>	<u>(3,692)</u>
Other comprehensive gain/(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	433	3,411
Income tax effect	<u>(747)</u>	<u>(19)</u>
	(314)	3,392
Net other comprehensive (loss)/gain that will not be reclassified to profit or loss in subsequent periods	<u>(314)</u>	<u>3,392)</u>
OTHER COMPREHENSIVE GAIN/(LOSS) FOR THE YEAR, NET OF TAX	<u>1,284</u>	<u>(300)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(86,494)</u>	<u>(320,828)</u>
Attributable to:		
Owners of the parent	(81,082)	(319,049)
Non-controlling interests	<u>(5,412)</u>	<u>(1,779)</u>
	<u>(86,494)</u>	<u>(320,828)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Restated) (Note 16) (Audited)
NON-CURRENT ASSETS			
Property and equipment		53,377	82,205
Right-of-use assets	<i>10</i>	210,008	160,179
Other intangible assets		1,930	16,095
Equity investments designated at fair value through other comprehensive income		5,000	18,025
Long-term rental deposits		35,161	55,246
Deferred tax assets		22,670	26,897
		<hr/>	<hr/>
Total non-current assets		328,146	358,647
CURRENT ASSETS			
Inventories		9,954	16,079
Trade receivables	<i>12</i>	5,468	16,624
Prepayments, other receivables and other assets		89,368	76,364
Pledged deposits	<i>13</i>	19,376	14,894
Cash and cash equivalents	<i>13</i>	78,453	113,376
		<hr/>	<hr/>
Total current assets		202,619	237,337
CURRENT LIABILITIES			
Trade payables	<i>14</i>	42,728	73,489
Other payables and accruals		118,441	123,168
Interest-bearing bank loans		31,252	38,995
Lease liabilities	<i>10</i>	101,243	92,288
Tax payable		9,175	11,596
		<hr/>	<hr/>
Total current liabilities		302,839	339,536
NET CURRENT LIABILITIES		<hr/> (100,220)	<hr/> (102,199)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 227,926	<hr/> 256,448

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Restated) (<i>Note 16</i>) (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities	<i>10</i>	178,148	124,257
Long-term payables		6,218	4,248
Deferred tax liabilities		7,869	8,552
		<hr/>	<hr/>
Total non-current liabilities		192,235	137,057
		<hr/>	<hr/>
Net assets		35,691	119,391
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	18,393	18,393
Treasury shares		(9,626)	(9,626)
Other reserves		28,082	106,165
		<hr/>	<hr/>
Non-controlling interests		36,849	114,932
		(1,158)	4,459
		<hr/>	<hr/>
Total equity		35,691	119,391
		<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 entity	RMB5,000	–	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC/Limited entity	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 entity	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 entity	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 entity	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 entity	RMB500	–	100	(1)
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. 南京小南國匯琪餐飲有限公司	PRC/Limited entity	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 entity	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 entity	RMB1,000	–	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	
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 entity	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 entity	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 entity	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 entity	RMB500	–	100	(1)
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC/Limited entity	RMB500	–	100	(1)
Shanghai Huijie Restaurant Management Co., Ltd. 上海慧捷餐飲管理有限公司*	PRC/Limited entity	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 entity	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 entity	RMB10,000	–	100	(1)
Beijing Nan Zhi Xin Restaurant Management Co., Ltd. 北京南之新餐飲管理有限公司	PRC/Limited entity	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 entity	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 entity	HK\$20,000	–	65	(1)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong/Limited entity	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 entity	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 entity	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 entity	HK\$10	–	100	(3)

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 (One Peking) Management Limited 小南國(北京道)管理有限公司	Hong Kong/Limited entity	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 entity	HK\$0.001	–	100	(3)
Xiao Nan Guo Holdings Limited 小南國控股有限公司	Hong Kong/Limited entity	HK\$330.2	–	100	(4)
Xiao Nan Guo Holdings Limited	BVI/Limited entity	US\$10	100	–	(4)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI/Limited entity	US\$0.00001	100	–	(4)
X&D HongKong Limited	Hong Kong/Limited entity	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 entity	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 entity	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 entity	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.

Basis of measurement and going concern basis

The consolidated financial statements have been prepared under the historical cost basis except for the equity investments designated at fair value through other comprehensive income, which are measured at fair values as explained in the accounting policies set out below.

During the year ended 31 December 2021, the Group has incurred a net loss of approximately RMB87,778,000 and as at December 31, 2021, the Group’s current liabilities exceeded its current assets by approximately RMB100,220,000. In addition, the novel coronavirus disease 2019 pandemic (the “COVID-19”) have brought negative impacts to the Group during the year. These events or conditions may cast significant doubt about the Group’s ability to continue as a going concern. Nevertheless, these consolidated financial statements were prepared based on the assumption that the Group is able to operate as a going concern and the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations based on a projected cash flow covering a period from the end of the reporting period to December 31, 2022 after taking account of the following events and measures:

- (i) As at the approval date of consolidation financial statement, the Group has sufficient bank facilities approximately RMB10.1 million from China Guangfa Bank with expiry date on 19 April 2022 and HKD5 million from China DBS Bank which are available to support the liquidity risk of the Group; and
- (ii) Some restaurants which contributed loss to the Group was considered to close down in 2022. By closing the loss-making restaurants, the Group will save the lease payment of RMB9.0 million and staff cost

Management also performed a sensitivity analysis on certain key parameter, i.e. revenue growth by considering any possible negative impact on the effectiveness of its measures to improve profitability. Accordingly, the consolidation financial statements have been prepared on a going concern basis.

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 2021. 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 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021²</i>

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

None of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period except for the amendments to IFRS 16. Impact on the application of this amended IFRS is summarised below.

Amendment to IFRS 16, COVID-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) 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;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to early adopt the amendment and apply the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) *Revenue from external customers*

	Year ended 31 December	
	2021 RMB’000 (Unaudited)	2020 RMB’000 (Audited)
Chinese Mainland	622,149	551,006
Hong Kong	69,368	93,380
	<u>691,517</u>	<u>644,386</u>

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

(b) *Non-current assets*

	31 December 2021 RMB’000 (Unaudited)	31 December 2020 RMB’000 (Audited)
	Chinese Mainland	262,731
Hong Kong	2,584	41,331
	<u>265,315</u>	<u>313,725</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 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:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue from contracts with customers	<u>691,517</u>	<u>644,386</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Types of goods or services		
Restaurant operations	671,160	612,676
Sale of packed foods	13,381	23,072
Management fee from franchisee	<u>6,976</u>	<u>8,638</u>

Total revenue from contracts with customers 691,517 644,386

Timing of revenue recognition

Goods and services transferred at a point in time	684,541	635,748
Services transferred over time	<u>6,976</u>	<u>8,638</u>

Total revenue from contracts with customers 691,517 644,386

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:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Restaurant operations	<u>8,470</u>	<u>4,861</u>

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:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Amounts expected to be recognised as revenue:		
Within one year	8,026	8,470
After one year	1,020	1,284
	9,046	9,754

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

	Year ended 31 December	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Government grants*	2,317	13,504
Interest income	1,620	3,471
Management fee income	324	389
Dividend income from equity investments at fair value through other comprehensive income	400	800
Gain on disposal of right-of-use assets for early terminated leases	5,259	3,562
Reversal of impairment of other receivables	31,526	–
Covid-19-related VAT exemption	–	1,886
VAT-related income	2,268	–
Others	2,295	778
	46,009	24,390

* 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):

	Year ended 31 December	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Cost of inventories sold	222,702	207,658
Depreciation of property and equipment	32,167	62,414
Depreciation of right-of-use assets	10 90,452	122,990
Amortisation of other intangible assets	2,246	2,205
Lease payments not included in the measurement of lease liabilities	4,014	26,508
Auditor's remuneration	1,400	2,200
Employee benefit expense (including directors' and chief executive's remuneration:		
Wages and salaries	201,354	203,769
Defined contribution pension schemes	19,758	41,128
Share Award Scheme expenses	2,999	5,648
	224,111	250,545
Foreign exchange differences, net	(36)	1,908
Interest income	(1,620)	(3,471)
Loss on disposal of items of property and equipment*	2,021	18,023
Impairment of property and equipment*	6,336	15,396
Impairment of right-of-use assets*	10 30,393	29,411
Impairment of goodwill*	11 –	1,679
Impairment of other intangible assets*	11,815	4,387
Impairment of trade receivables*	2,535	476
Reversal of impairment of financial assets included in prepayments, other receivables and other assets**	(31,526)	–
Impairment of financial assets included in prepayments, other receivables and other assets*	24,060	57,798
Litigation compensation*	11,075	–
Loss on disposal of right-of-use assets for early terminated leases*	–	879
Gain on disposal of right-of-use assets for early terminated leases**	(5,259)	(3,562)

* Included in "Other expenses" 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:

	Year ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Interest on bank loans	1,055	1,156
Interest on lease liabilities	17,728	15,134
Less: Interest capitalised	–	(7)
	<u>18,783</u>	<u>16,283</u>

7. INCOME TAX

	Year ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Current – Chinese Mainland charged for the year	2,331	(41)
Current – Hong Kong charged for the year	(4,506)	–
Deferred tax	<u>2,797</u>	<u>35,773</u>
Total tax charge for the year	<u>622</u>	<u>35,732</u>

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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss before tax	<u>(87,156)</u>	<u>(284,796)</u>
Tax at the statutory tax rate of 25% (2020: 25%)	(21,789)	(71,199)
Lower tax rates for specific provinces or enacted by local authorities	3,334	4,136
Income not subject to tax	(8,411)	(200)
Expenses not deductible for tax	7,417	592
Over provision from prior year	(4,506)	–
Tax losses not recognised during the year	<u>24,577</u>	<u>102,403</u>
Tax charge at the Group's effective rate	<u>622</u>	<u>35,732</u>

8. DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Proposed final – 2021: Nil (2020: Nil)	<u>–</u>	<u>–</u>

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 2,130,812,000 (31 December 2020: 2,119,635,000).

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 2021 and 2020.

The calculation of basic loss per share is based on:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	<u>(82,368)</u>	<u>(318,752)</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation*	<u>2,130,812,000</u>	<u>2,119,635,000</u>

* Adjusted for the treasury shares held by the Group.

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:

	Buildings
	RMB'000
	(Audited)
As at 1 January 2020	312,225
Additions	41,058
Depreciation charge	(122,990)
Disposal	(39,618)
Impairment	(29,411)
Exchange realignment	(1,085)
	<u>(Unaudited)</u>
As at 31 December 2020 and 1 January 2021	160,179
Additions	179,821
Depreciation charge	(90,452)
Disposal	(8,981)
Impairment	(30,393)
Exchange realignment	(166)
	<u>210,008</u>
As at 31 December 2021	210,008

The recoverable amount of the underperforming stores with impairments of right-of-use assets during the year was RMB56,042,000 (2020: RMB20,597,000).

(b) Lease liabilities

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

	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Audited)
Carrying amount at 1 January	216,545	342,461
New leases	179,822	40,370
Accretion of interest recognised during the year	17,728	15,134
Covid-19-related rent concessions from lessors	(782)	(30,865)
Payments	(119,101)	(106,390)
Disposal	(14,240)	(42,301)
Exchange realignment	(581)	(1,864)
	<hr/> 279,391	<hr/> 216,545
Carry amount at 31 December		
Analysed into:		
Current portion	101,243	92,288
Non-current portion	178,148	124,257

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

	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest on lease liabilities	17,728	15,134
Depreciation charge of right-of-use assets	90,452	122,990
Expense relating to short-term leases and other leases with remaining lease terms ended at or before the end of the annual reporting period (included in selling and distribution expenses)	2,427	20,328
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	1,587	6,180
Covid-19-related rent concessions from lessors	(782)	(30,865)
Impairment of right-of-use assets	30,393	29,411
	<hr/> 141,805	<hr/> 163,178
Total amount recognised in profit or loss		

11. GOODWILL

	<i>RMB'000</i>
	(Audited)
At 1 January 2020:	
Cost	1,679
Accumulated impairment	—
	<hr/>
Net carrying amount	1,679
	<hr/>
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/>
	(Unaudited)
Cost at 1 January 2021, net of accumulated impairment	—
Impairment during the year	—
	<hr/>
Net carrying amount at 31 December 2021	—
	<hr/>
At 31 December 2021:	
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 the remaining stores. There is no further business plan for Fei Can stores operation. Impairment of goodwill amounting to RMB1,679,000 was provided.

12. TRADE RECEIVABLES

	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	8,342	17,100
Impairment	(2,874)	(476)
	<u>5,468</u>	<u>16,624</u>

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:

	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	4,165	7,346
1 to 2 months	73	1,991
2 to 3 months	50	29
Over 3 months	1,180	7,258
	<u>5,468</u>	<u>16,624</u>

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 maturities of the trade receivables to measure the expected credit losses.

	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Movements in the impairment loss are as follows:		
Balance at beginning of the year	476	–
Impairment loss recognised on trade receivables	2,535	476
Amount written off as uncollectible	(137)	–
	<u>2,874</u>	<u>476</u>

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	78,453	101,620
Time deposits with original maturity of less than three months	–	11,580
Time deposits with original maturity of over three months	19,376	15,070
	97,829	128,270
Less: Pledged time deposits for bank loans		
Current portion	(19,376)	(14,894)
Cash and cash equivalents	78,453	113,376

As at 31 December 2021, time deposits of RMB19,376,000 (2020: RMB14,894,000) 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 RMB51,156,000 (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.

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:

	31 December 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	22,854	59,939
3 months to 1 year	2,350	451
Over 1 year	17,524	13,099
	42,728	73,489

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

15. SHARE CAPITAL

Shares

	31 December 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 31 December 2020, 1 January 2021 (unaudited) and 31 December 2021 (unaudited)	<u>18,393</u>	<u>(9,626)</u>	<u>723,723</u>	<u>27</u>	<u>732,517</u>

16. COMPARATIVE FIGURES

The carrying amount of a trademark of RMB12,709,000 as at 31 December 2020 was previously included in the balance of prepayments, other receivables and other assets and subject to amortisation. RMB11,997,000 of trademark after amortization and before impairment has been shown separately under other intangible assets in non-current assets in the current year. Accordingly, opening balance of the trademark has been restated at RMB12,709,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As of 2021, the Group's revenue amounted to RMB691.5 million, with an increase of RMB47.1 million or 7.3% from RMB644.4 million as of 2020; the Group's gross profit amounted to RMB468.8 million, with an increase of approximately RMB32.1 million or 7.3% from RMB436.7 million of 2020. In 2021, the loss attributable to the parent company owner was approximately RMB82.4 million, representing a decrease of RMB236.4 million, when compared with the loss of RMB318.8 million in 2020. The main reason for the profit increase for the year was that the store operations recovered slightly attributable to the diminishing impact of the COVID-19 pandemic in China in 2021, and one-off expenses such as the impairment provisions for assets decreased by RMB43.7 million in the current period as compared with last year.

In 2021, the Group operated a restaurant network of 33 "Shanghai Min" restaurants, 2 "Maison De L'Hui" restaurants, 13 "The Dining Room" restaurants, one "Oreno" restaurant, one "Wolfgang Puck" restaurant, 2 "DOUTOR" café and one "Karaage no Tensai" 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 2021 and 2020, respectively.

	As at 31 December			
	2021	2020		
	Number of restaurants (Note (iii))	Revenue RMB'000 (Unaudited)	Number of restaurants	Revenue RMB'000 (Audited)
The PRC (Mainland area (Note (ii))				
– Shanghai Min and Maison De L' Hui	33	503,827	39	426,928
– The Dining Room	10	69,494	10	74,163
– Other brands (Note (iv))	5	28,471	4	18,205
Hong Kong				
– Shanghai Min	2	31,820	3	37,826
– The Dining Room	3	37,548	3	55,554
Total revenue of restaurant operations (Note (i))	53	671,160	59	612,676
Other revenue		20,357		31,710
Total revenue		691,517		644,386

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 Karaage no Tensai.

2021 was a year of ups and downs. The first half of the year saw the recovering consumption to a certain extent with the COVID-19 pandemic under control, and yet in the second half of the year, catering and other service industries suffered from both the repeated outbreak of COVID-19 pandemic and the sluggish consumption resulting from the slowing-down macro economy, making 2021 an extremely grim year for the business environment.

Against this backdrop, the Group adjusted its business direction in a timely manner to develop the offline business prudently and steadily, and accelerate the development of online business in line with the trend, for which a significant growth had been achieved. The reform measures launched in the first half of the year, such as product structure optimization, reform on the supply chain of high-quality fresh products, and flat management at the Group's headquarters, were further deepened in the second half of the year, and generated remarkable effects in terms of customer satisfaction and cost and expense control, which could be seen from the peak consumption during the Spring Festival in January 2022.

In 2021, the Group also made considerable progress in the handling of investments and claims, and further strengthened its financial health in the difficult second half of the year.

FINANCIAL REVIEW

Total Revenue

Revenue of the Group increased by RMB47.1 million, or 7.3%, from RMB644.4 million in 2020 to RMB691.5 million in 2021.

Total revenue of restaurant operations

Total revenue of restaurant operations increased by RMB58.5 million, or 9.5% from RMB612.7 million in 2020 to RMB671.2 million in 2021, primarily reflecting:

- an increase of RMB16.7 million in revenue contributed by restaurants newly opened as of 31 December 2021;
- an increase of RMB127.4 million (or 28.7%) in comparable restaurant sales in 2021 as compared with that of 2020;
- the relocation, adjustment and closure of stores as of 31 December 2021 resulted in a decrease in overall revenue of RMB85.6 million.

Other revenue

Other revenue decreased by RMB11.3 million, from RMB31.7 million in 2020 to RMB20.4 million in 2021. The decrease was mainly due to a decrease of RMB9.7 million in sales of value added products, and a decrease of RMB1.6 million in franchise fees and management fees charged by Michelin compared to last year.

Cost of Sales

The cost of sales increased by RMB15.0 million, or 7.2%, from RMB207.7 million in 2020 to RMB222.7 million in 2021.

The cost of sales as a percentage of revenue was the same with 32.2% in 2020.

Other income and gains

Other income in 2021 amounted to RMB46.0 million, mainly comprised of RMB1.6 million from interest income, RMB31.5 million of income recognized from the debt restructuring in the current period and RMB2.3 million from government subsidies.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB82.4 million, or 16.5%, from RMB498.4 million in 2020 to RMB416.0 million in 2021.

Labor costs relating to the restaurants operations decreased by RMB15.1 million, or 7.9%, from RMB191.2 million in 2020 to RMB176.1 million in 2021. As a percentage of the revenue, labor costs decreased from 29.7% in 2020 to 25.5% in 2021.

Rental costs relating to restaurants operations increased by RMB2.4 million, or 5.7%, from RMB41.4 million for the year ended 2020 to RMB43.8 million for the year ended 2021. As a percentage of the Group's revenue, rental costs decreased from 6.4% in 2020 to 6.3% in 2021.

Depreciation expenses relating to the restaurants operations decreased by RMB62.3 million, or 34.9%, from RMB178.7 million in 2020 to RMB116.4 million in 2021. As a percentage of the Group's revenue, depreciation expenses decreased from 27.7% in 2020 to 16.8% in 2021. This was mainly due to the impairment provided for the right-of-use assets and fixed assets of restaurants last year.

Administrative expenses

Administrative expenses decreased by RMB20.3 million, or 21.1%, from RMB96.3 million in 2020 to RMB76.0 million in 2021, and as a percentage of revenue, administrative expenses decreased from 14.9% to 11.0% over the same period.

Other expenses

Other expenses of RMB91.2 million in 2021 were mainly attributable to the fixed asset impairment loss of money-losing stores of RMB6.3 million, the impairment loss of right-of-use assets of RMB30.4 million, the impairment loss of trade receivables and financial assets included in prepayments, other receivables and other assets of RMB26.6 million, the impairment of goodwill and intangible assets of RMB11.8 million and a provision of RMB10.9 million made for litigation loss.

Income Tax Expense

Income tax expense decreased by RMB35.1 million from RMB35.7 million in 2020 to RMB0.6 million in 2021.

Loss for the year

As a result of the foregoing, the loss for the year of the Company decreased by RMB232.7 million from the loss of RMB320.5 million in 2020 to the loss of RMB87.8 million in 2021. The net profit margin increased from -49.7% in 2020 to -12.7% in 2021.

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 2021, the Group's total interest-bearing bank loans were RMB31.3 million. The gearing ratio was 72.0% (31 December 2020: 48.3%). 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 RMB92.5 million in 2021 (2020: RMB46.5 million). As at 31 December 2021, the Group had RMB78.5 million in cash and cash equivalents (31 December 2020: RMB113.2 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash flows generated from operating activities	92,478	46,528
Net cash flows generated from/(used in) investing activities	3,014	(6,952)
Net cash flows used in financing activities	(132,165)	(82,358)
Net decrease in cash and cash equivalents	(36,673)	(42,782)
Cash and cash equivalents at the beginning of the year	113,376	158,548
Effect of foreign exchange, net	1,750	(2,566)
Cash and cash equivalents at the end of the year	78,453	113,200

Operating activities

Net cash inflow from operating activities increased by RMB46.0 million from RMB46.5 million as at 31 December 2020 to RMB92.5 million as of 31 December 2021, which was mainly due to the increase in revenue this year.

Investing activities

Net cash flow generated from investing activities was RMB3.0 million as of 31 December 2021, compared with net cash flow used in investing activities of RMB7.0 million in 2020, which was mainly because that the Company recouped investments of RMB13.1 million and made investments of approximately RMB11.6 million in fixed assets in the current period.

Financing activities

Net cash flow used in financing activities increased by RMB49.8 million from a cash outflow of RMB82.4 million as of 31 December 2020 to a cash outflow of RMB132.2 million as of 31 December 2021, which was primarily attributable to the increase in bank loans of RMB58.4 million, repayment of bank loans of RMB65.7 million and rental payments related to lease contracts included in cash used in financing activities of approximately RMB119.1 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 2021 and 31 December 2020 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals for the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the year ended 31 December 2021.

Capital commitment

Capital commitments were approximately RMB6.5 million and RMB1.7 million as at 31 December 2021 and 31 December 2020, respectively.

Pledge of group assets

As at 31 December 2021, the Group's total interest-bearing bank loans were RMB31.3 million, of which bank loans of HK\$20.0 million (equivalent to RMB16.4 million) were secured by the Group's pledge of certain fixed deposits of RMB19.4 million.

Human resources and remuneration policies

As at 31 December 2021, the Group employed approximately 839 people in Mainland China and Hong Kong, including 688 employees in restaurants and 151 employees in functional departments (1,096 employees in 2020, a year-on-year decrease of 23.4%).

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 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

From the second half of 2021 to the beginning of 2022, another strong and extensive wave of COVID-19 pandemic profoundly hit both Shanghai and Hong Kong, and the long-lasting pandemic has had a material impact on the fundamentals of social economy and consumption. However, with the weakening of the virus and the maturity of the pandemic control mechanism, we firmly believe that in the long run, the pandemic will eventually pass, and normal life and consumption will eventually return, but we must prepare ourselves for the changes in consumer demand in the post-pandemic era. In this process, the Group will continue to practice its original intention and commitment to quality as always. For the time being, the Group will move forward prudently and steadily in terms of operation, grow organically and exert diligent efforts on innovation. We wish everyone safety and happiness.

SUBSEQUENT EVENTS

Except for the continuous impact of pandemic to the Group's business, after 31 December 2021, the Company or the Group has no material subsequent events.

DIVIDENDS

Assuming that the audited annual results for the year ended 31 December 2021 to be published by the Company upon completion of the audit process shall be consistent in all material aspects with the unaudited annual results set out in this financial information, the Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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") on 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 2021.

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 2021.

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

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the year ended 31 December 2021.

REVIEW OF UNAUDITED 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 2021. The Audit Committee has also reviewed the Company’s unaudited consolidated financial statements for the year ended 31 December 2021. 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.

EXPLANATION ON UNAUDITED ANNUAL RESULTS

Due to the outbreak of COVID-19, the auditing process of the annual results for the year ended 31 December 2021 has not been completed. The unaudited annual results contained herein have not been agreed with the Company’s auditor as required under Rule 13.49 (2) of the Listing Rules. An announcement relating to the audited result will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF FURTHER ANNOUNCEMENTS

Upon completion of the audit process, the Company will make further announcement in respect of the audited results for the year ended 31 December 2021 as agreed by the Company’s auditor and the major differences, if any, as compared with the unaudited annual results set out in this announcement. In addition, the Company will make further announcement when necessary for other significant progress in completing the audit process. The Company expects that the audit process will be completed on or before 15 April 2022 (but not later than 30 April 2022 in any event).

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The unaudited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tanshglobal.com), and the Company's 2021 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.

The financial information contained herein in relation to the Group's annual results has not been audited and has not been agreed by the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shanghai, the People's Republic of China, 30 March 2022

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.