

Tan'Sh

Global Food Group Co., Limited

國際天食集團有限公司
TANSH Global Food Group Co., Ltd

Incorporated in the Cayman Islands with limited liability

Stock Code: 3666

INTERIM REPORT

2020

以食为天

上海小南国
SHANGHAI MIN

DOUTOR



慧公馆

唯の
ORENO
DINING BAR
FRENCH + ITALIAN

南小館
the dining room

香港米芝蓮
Shi. Mai Chi Ling

WP
WOLFGANG PUCK

以食为天

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Baixuan Tiffany Wang (*Chairlady*)
Mr. Gu Dorson (*Chief Executive Officer*)¹
Mr. Sun Yong (*Chief Executive Officer*)²

Non-executive Directors

Ms. Wang Huili
Ms. Wu Wen

Independent Non-executive Directors

Dr. Wu Chun Wah
Mr. Lui Wai Ming
Mr. Zhang Zhenyu

COMPANY SECRETARY

Ms. Leung Suet Lun

AUTHORIZED REPRESENTATIVES

Ms. Baixuan Tiffany Wang
Mr. Gu Dorson¹
Mr. Sun Yong²

AUDIT COMMITTEE

Mr. Lui Wai Ming (*Chairman*)
Dr. Wu Chun Wah
Mr. Zhang Zhenyu

REMUNERATION COMMITTEE

Dr. Wu Chun Wah (*Chairman*)
Ms. Baixuan Tiffany Wang
Mr. Lui Wai Ming
Mr. Zhang Zhenyu

NOMINATION COMMITTEE

Ms. Baixuan Tiffany Wang (*Chairlady*)
Dr. Wu Chun Wah
Mr. Lui Wai Ming
Mr. Zhang Zhenyu

RISK MANAGEMENT COMMITTEE

Ms. Baixuan Tiffany Wang (*Chairlady*)
Dr. Wu Chun Wah
Mr. Lui Wai Ming
Mr. Zhang Zhenyu

EXECUTIVE COMMITTEE

Ms. Baixuan Tiffany Wang (*Chairlady*)
Mr. Gu Dorson¹
Mr. Sun Yong²

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 801-802, Shui On Centre
No. 6-8 Harbour Road
Wan Chai, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The People's Republic of China

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

¹ Mr. Gu Dorson was appointed as an executive Director, the chief executive officer, a member of the Executive Committee and the authorised representative with effect from 1 September 2020.

² Mr. Sun Yong resigned as an executive Director, the chief executive officer, a member of the Executive Committee and the authorised representative with effect from 1 September 2020.

LEGAL ADVISERS

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Units 1802 (Reception) & 1302, Ruttonjee House
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Cricket Square, Hutchins Drive
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Cayman Islands

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

STOCK CODE

03666

COMPANY'S WEBSITE

www.tanshglobal.com

INVESTOR RELATIONS

Mr. Ding Yuli
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FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020 (unaudited)	2019 (unaudited)	% Change (decrease)/increase
Revenue (RMB'000)	252,250	669,275	(62.3)%
Gross profit ¹ (RMB'000)	168,510	473,499	(64.4)%
Gross profit margin ²	66.8%	70.7%	(3.9)%
Loss for the period from continuing operations (RMB'000)	(121,395)	(26,650)	355.5%
Net loss margin ³	(48.1%)	(4.0%)	(44.1)%
Loss per share – Basic	RMB(5.80) cents	RMB(1.27) cents	356.7%
Number of restaurants (as at 30 June)	62	94	

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The year of 2020 beheld the onslaught of the COVID-19 pandemic on the catering industry in the PRC. As shown in the information sourced from the National Bureau of Statistics, during the period from January to May of 2020, a year-on-year decrease in the revenue of 32.8% was recorded in the catering industry across the country, in particular, the adverse impact when the pandemic was at its peak from January to April. The industry suffered serious losses in term of revenue, representing a decrease of 41.2% year-on-year nationwide. Since May of the year, the catering industry responded to the government's call for facilitation of resumption and production in a consistent and solid manner. Despite a negative growth as displayed for the time being, the decline continued to diminish. For the three months from May to July of 2020, the revenue in the catering industry recorded a decrease of -18.9%, -15.2% and -11.0%, respectively.

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group's revenue amounted to RMB252.2 million, which comprised the revenue of restaurant operations of RMB233.0 million and other revenue of RMB19.2 million (including the revenue from Mai Chi Ling licensed stores of RMB4.1 million and sales of packed goods of RMB15.1 million), with a decrease of RMB417.1 million or 62.3% from RMB669.3 million in the corresponding period of last year; the Group's gross profit amounted to RMB168.5 million, with a decrease of approximately RMB305.0 million or 64.4% from RMB473.5 million in the corresponding period of last year. During the six months ended 30 June 2020, the loss attributable to the parent company owner was approximately RMB122.2 million, representing an increase of RMB94.1 million in the corresponding period of last year. The main reason for the loss increase in this period was due to a decrease in revenue from restaurant operations and a closing cost incurred from adjustment of store layout.

As of 30 June 2020, the Group operated a restaurant network of 41 "Shanghai Min" restaurants, 2 "Maison De L' Hui" restaurants, 15 "The Dining Room" restaurants, 1 "Wolfgang Puck" restaurant, 1 "DOUTOR" café and 2 "AYO MAYA", 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 2020 and 2019, respectively.

	For the six months ended 30 June			
	2020		2019	
	Number of restaurants (Note (iii))	Revenue RMB'000 (unaudited)	Number of restaurants	Revenue RMB'000 (unaudited)
The PRC (Note (iii))				
– Shanghai Min and Maison De L'Hui	40	146,722	58	432,440
– The Dining Room	10	25,833	19	76,519
– Other brands (Note (iv))	4	4,871	4	25,838
Hong Kong				
– Shanghai Min	3	20,811	5	50,509
– The Dining Room	5	34,806	8	66,920
Total Revenue of restaurant operations (Note (ii))	62	233,043	94	652,226
Other revenue		19,207		17,049
Total Revenue		252,250		669,275

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 Mai Chi Ling, Shanghai Min and The Dining Room stores.
- (iv) Other brands include Wolfgang Puck, DOUTOR and AYO MAYA.

In the first half of 2020, the catering industry was severely hit by the COVID-19 pandemic, amid such predicament, the Group strived to implement measures for cost control in all aspects and concentrated on the core business and core marketplace by introduction of the below measures, enabling itself to surmount a number of difficulties brought about by the pandemic:

1. Accelerating store adjustment while maintaining the store layout optimization

In the first half of 2020, in order to minimize the negative impact from the pandemic, the Group adjusted its stores at a faster pace, closing 24 stores and withdrawing from three cities, and consolidating its restaurant operation in such major cities as Shanghai, Hong Kong and Beijing.

2. Adopting multiple measures to reduce costs for operation and management

In the first half of 2020, in the face of collapse in the revenue ensuing from the pandemic, the Group managed to keep the staff cost under control by means of reformulation of plan for remuneration and appraisal, implementation of policy of reward based on workload, flexible assignment of human resources and other ways for optimization of labour cost. Furthermore, the Group maintained a smooth flow of information exchange with the landlords in places where our restaurants were in operation and negotiated for solutions to survive the crisis. We received discounts for rental from most landlords thanks to the efforts. The Group also adopted a wide range of measures to cut cost incurred for the headquarter so as to reduce substantial expenses for various purposes, thereby a decrease of 35% in the headquarter expenses was registered after the deduction one-off expenditure.

3. Optimizing our products for rapid post-pandemic revenue recovery

In the first half of 2020, confronted with the pandemic, in addition to its measures to control various costs for more savings, the Group prioritized products optimization and upgrading and timely rolled out new menu at the Shanghai Min restaurants on 16 July 2020 in which over 20% of dishes were updated and upgraded. As a fresh taste experience we aimed to give customers, the new menus also demonstrated better value for money. With the offer of new menus, in August this year, the sales amount realized in the restaurants of Shanghai Min in the Mainland has recovered to the level of the corresponding period of last year.

4. Expanding online channels to exert more efforts in sales of branded products

In the first half of 2020, in light of the surge in the sales of products available online arising from the measures for home quarantine, the Group capitalized on the opportunities emerging in the market to put great efforts in the sales of our branded products. Focusing on optimization and improvement of our hit product – noodles mixed with shallot oil, we opened new sales channels such as our self-operated flagship store established on Tmall, an online shopping platform, in addition to JD and DingDong platforms. As a result of the foregoing, our branded products recorded an increase of 24% in the first half of 2020 as compared with the corresponding period of last year.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by RMB417.1 million or 62.3%, from RMB669.3 million for the six months ended 30 June 2019 to RMB252.2 million for the six months ended 30 June 2020.

Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB419.2 million, or 64.3% from RMB652.2 million for the six months ended 30 June 2019 to RMB233.0 million for the six months ended 30 June 2020:

- For the six months ended 30 June 2020, the revenue from newly opened stores increased by RMB2.9 million;
- A decrease of RMB252.8 million in revenue in the same store sales for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019;
- A decrease of RMB169.3 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 2020.

Other revenue

For the six months ended 30 June 2020, other revenue amounted to RMB19.2 million, which mainly comprises of income from sales of packed goods and Mai Chi Ling licensed stores.

COST OF SALES

The cost of sales decreased by RMB112.1 million, or 57.2% from RMB195.8 million for the six months ended 30 June 2019 to RMB83.7 million for the six months ended 30 June 2020.

The cost of sales as a percentage of revenue increased from 29.3% for the six months ended 30 June 2019 to 33.2% for the six months ended 30 June 2020.

OTHER INCOME

Other income increased by RMB2.8 million from RMB6.6 million for the six months ended 30 June 2019 to RMB9.4 million for the six months ended 30 June 2020.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB184.3 million, or 43.9% from RMB420.2 million for the six months ended 30 June 2019 to RMB235.9 million for the six months ended 30 June 2020.

Labor expenses decreased by RMB80.6 million from RMB168.9 million for the six months ended 30 June 2019 to RMB88.3 million for the six months ended 30 June 2020. The labor costs as a percentage of revenue increased from 25.2% for the six months ended 30 June 2019 to 35.0% for the six months ended 30 June 2020. Dismissal compensation resulting from the closure of stores amounted to approximately RMB6.4 million.

Rental expenses decreased by RMB2.8 million, or 12.1% from RMB23.2 million for the six months ended 30 June 2019 to RMB20.4 million for the six months ended 30 June 2020. The rental expenses as a percentage of revenue increased from 3.5% for the six months ended 30 June 2019 to 8.1% for the six months ended 30 June 2020.

Depreciation expenses decreased by RMB38.0 million, or 29.4% from RMB129.3 million for the six months ended 30 June 2019 to RMB91.3 million for the six months ended 30 June 2020. The depreciation expenses as a percentage of the sale revenue increased from 19.3% for the six months ended 30 June 2019 to 36.2% for the six months ended 30 June 2020.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB8.9 million, or 15.9% from RMB56.0 million for the six months ended 30 June 2019 to RMB47.1 million for the six months ended 30 June 2020, which is mainly due to the streamlining of staff in headquarters and efficiency optimization.

OTHER EXPENSES

Other expenses amounted to RMB20.0 million for the six months ended 30 June 2020, representing an increase of RMB3.3 million as compared with the corresponding period of last year, which is mainly due to an impairment provision of RMB6.8 million for store assets in the current period.

FINANCE COSTS

Finance costs amounted to RMB8.8 million for the six months ended 30 June 2020, representing an increase of RMB8.2 million for the corresponding period of last year.

INCOME TAX CREDIT

Income tax credit increased by RMB9.2 million from RMB3.2 million for the six months ended 30 June 2019 to RMB12.4 million for the six months ended 30 June 2020.

LOSS FOR THE PERIOD

As a result of the foregoing reasons, the loss for the Reporting Period of the Group increased by RMB94.7 million from RMB26.7 million for the six months ended 30 June 2019 to RMB121.4 million for the six months ended 30 June 2020. Net loss margin increased from 4.0% for the six months ended 30 June 2019 to 48.1% for the six months ended 30 June 2020.

DIVIDENDS PAYABLE

As at 30 June 2020, 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 2020, the Group's interest-bearing bank loans amounted to RMB44.6 million. The gearing ratio was 26.0%, 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 2020, the Group had net cash outflows used in operating activities of RMB7.7 million (for the six months ended 30 June 2019: inflows of RMB81.6 million). As at 30 June 2020, the Group had RMB126.8 million in cash and cash equivalents (30 June 2019: RMB224.5 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2020 and 2019.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash flows (used in)/generated from operating activities	(7,671)	81,612
Net cash flows used in investing activities	(5,095)	(14,751)
Net cash flows used in financing activities	(13,768)	(253,917)
Net decrease in cash and cash equivalents	(26,534)	(187,056)
Cash and cash equivalents at the beginning of the period	158,548	411,998
Effect of foreign exchange rate changes, net	(5,178)	(444)
Cash and cash equivalents at the end of the period	126,836	224,498

OPERATING ACTIVITIES

Net cash inflow generated from operating activities decreased by RMB89.3 million, from RMB81.6 million for the six months ended 30 June 2019 to net cash outflow RMB7.7 million for the six months ended 30 June 2020. 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 2020, net cash flow used in investing activities was RMB5.1 million, and RMB14.8 million for the same period in 2019.

FINANCING ACTIVITIES

Net cash flow used in financing activities decreased from RMB253.9 million for the six months ended 30 June 2019 to RMB13.8 million for the six months ended 30 June 2020. During the period, the Group had an additional loan of RMB44.5 million. RMB12.5 million and RMB19.6 million were paid for repayment of the bank loans and for rental, respectively. There was a cash outflow of RMB15.4 million for purchase of shares under the share award scheme of the Company.

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 2020 and 30 June 2019 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 RMB3.6 million and RMB5.1 million, respectively, as at 30 June 2020 and 31 December 2019.

PLEGDED OF GROUP ASSETS

As at 30 June 2020, bank loans of HK\$20.0 million were guaranteed by the pledge of certain fixed deposits of RMB20.3 million by the Group.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2020.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2020, there were no other material acquisitions or disposals of the Group and its subsidiaries and associated companies.

HUMAN RESOURCES

As at 30 June 2020, the Group employed approximately 1,948 staff in Mainland China and Hong Kong. In 2019, 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 2020, total staff cost was RMB118.6 million, accounting for 47.0% of the revenue (for the six months ended 30 June 2019: RMB198.5 million), which mainly comprised wages and salaries.

STRATEGIC OUTLOOK

Facing this sudden and unprecedented pandemic, the Group expects that the next half of 2020 will still be full of challenges. However, opportunity arises alongside with threats. Recovery of market and the innovation of new consumption mode of catering in the after-epidemic period will also bring great market opportunities to brand catering enterprises.

Continuous optimization of the Shanghai Min brand

Since 2019, the Group has been committed to returning to the essence of catering, improving product quality and improving price-quality ratio from a consumer perspective, and these initiatives have been gradually gaining results over the past year and a half. The number of passengers traffic in the year-on-year stores of the Shanghai Min brand has been picking up, and customer satisfaction with the product has also improved significantly. In the second half of 2020, the Group plans to further improve customer experience and satisfaction by means of brand upgrade, product optimization, and improvement in price-quality ratio. Shanghai Min brand will meet the needs of mid-range business banquet and that of ordinary family consumption, thus injecting new energy into a Shanghai local catering brand accumulating over 33-year experience, reshaping the benchmark height of Shanghai's food and beverage brand.

The casual meal model focuses on breakthroughs

The Group has been trying and expanding in the field of casual dining for 8 years, starting with the successful development of The Dining Room brand of casual dining for young people. In the second half of 2020, the Group will sort its brands such as The Dining Room, Oreno, Wolfgang Puck, DOUTOR and other catering brands, sum up the development experience of the past few years, integrate the group's resources, focus on the selection of one or two categories to make breakthroughs. The Group plans to commence the league cooperation business of The Dining Room brand in core cities by taking advantage of the restaurant management and operation ability, product R&D ability, and raw and supplementary material supply chain ability that it already has.

Strengthen headquarter capacity

The Group established standardized management of the headquarter back-office management departments in the past 33 years, and has a strong precipitation on product development, supply chain capacity. In response to future innovation in the food and beverage market and the challenges of the normalization of the epidemic over a period of time, the Group will further focus on enhancing its core capability of headquarter in the second half of 2020. On the situation of reduction on stores and cities, the Group will strengthen the core capability of headquarter on research and development, supply chain, marketing, IT, finance, HR, etc. Build a agile and efficient headquarters team through a more flattened architecture and market-oriented mechanisms to give stronger support to front-end business units.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2020

	Notes	Six-month period ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
REVENUE	4	252,250	669,275
Cost of sales		(83,740)	(195,776)
Gross profit		168,510	473,499
Other income and gains	4	9,418	6,636
Selling and distribution expenses		(235,908)	(420,243)
Administrative expenses		(47,052)	(56,000)
Other expenses		(19,952)	(16,739)
Finance costs	6	(8,792)	(17,036)
LOSS BEFORE TAX	5	(133,776)	(29,883)
Income tax credit	7	12,381	3,233
LOSS FOR THE PERIOD		(121,395)	(26,650)
Attributable to:			
Owners of the parent		(122,189)	(28,076)
Non-controlling interests		794	1,426
		(121,395)	(26,650)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	9	RMB(5.80) cents	RMB(1.27) cents
– Diluted	9	RMB(5.80) cents	RMB(1.27) cents

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 2020

	Six-month period ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	(121,395)	(26,650)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(4,238)	(281)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(4,238)	(281)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated as fair value through other comprehensive income:		
Changes in fair value	1,953	3,998
Income tax effect	(11)	(22)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	1,942	3,976
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(2,296)	3,695
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(123,691)	(22,955)
Attributable to:		
Owners of the parent	(124,485)	(24,381)
Non-controlling interests	794	1,426
	(123,691)	(22,955)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment	10	134,407	169,881
Right-of-use assets		230,049	312,225
Goodwill		1,679	1,679
Other intangible assets		8,755	8,740
Equity investments designated at fair value through other comprehensive income		16,566	14,614
Long-term rental deposits		58,152	77,552
Deferred tax assets		68,564	55,455
Other long-term receivables	13	46,857	45,954
Total non-current assets		565,029	686,100
CURRENT ASSETS			
Inventories	11	22,710	22,318
Trade receivables	12	12,583	12,436
Prepayments, other receivables and other assets	13	102,549	141,549
Pledged deposits	14	20,310	11,996
Cash and cash equivalents	14	129,754	160,015
Total current assets		287,906	348,314
CURRENT LIABILITIES			
Trade payables	15	68,730	95,016
Other payables and accruals		145,415	116,181
Interest-bearing bank loans	16	44,638	12,362
Lease Liabilities		98,899	129,231
Tax payable		11,680	12,809
Total current liabilities		369,362	365,599
NET CURRENT LIABILITIES		(81,456)	(17,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		483,573	668,815

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease Liabilities		162,459	213,230
Long-term payables		3,458	4,081
Deferred tax liabilities		1,198	1,181
Total non-current liabilities		167,115	218,492
Net assets		316,458	450,323
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	18,393	18,393
Treasury shares	17	(9,626)	–
Other reserves		300,729	425,333
Non-controlling interests		309,496	443,726
		6,962	6,597
Total equity		316,458	450,323

Baixuan Tiffany Wang
Director

Gu Dorson
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2020

Attributable to owners of the parent															
	Share capital	Treasury shares	Share premium	Capital redemption reserves	Capital reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Share option reserve	Share Award Scheme reserve	Fair value reserve of financial asset at fair value through other comprehensive income	Retained profits	Total	Non controlling interests	Total equity
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 17)	(Note 17)	(Note 17)	(Note 17)											
As of 1 January 2020 (audited)	18,393	-	723,842	27	57,677	(69,246)	18,588	(15,621)	24,162	-	(337,181)	23,085	443,726	6,597	450,323
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(122,189)	(122,189)	794	(121,395)
Other comprehensive income for the period:															
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	6,619	-	-	(4,677)	-	1,942	-	1,942
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,238)	-	-	-	-	(4,238)	-	(4,238)
Total comprehensive loss for the period	-	-	-	-	-	-	-	2,381	-	-	(4,677)	(122,189)	(124,485)	794	(123,691)
Share Award Scheme expenses	18	-	-	-	-	-	-	-	-	5,648	-	-	5,648	-	5,648
Repurchase of shares for the Share Award Scheme	-	(15,393)	-	-	-	-	-	-	-	-	-	-	(15,393)	-	(15,393)
Transfer of treasury shares upon vesting under Share Award Scheme	-	5,767	(119)	-	-	-	-	-	-	(5,648)	-	-	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(429)	(429)
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	-	(2,601)	-	-	2,601	-	-	-
As of 30 June 2020 (unaudited)	18,393	(9,626)	723,723	27	57,677	(69,246)	18,588	(13,240)	21,561	-	(341,858)	(96,503)	309,496	6,962	316,458

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2020

Attributable to owners of the parent													
									Fair value reserve of financial assets at fair value through other			Non- controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserves	Capital reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Share option reserve	comprehen- sive income	Retained profits	Total	Total	Total
Notes	RMB'000 (Note 17)	RMB'000 (Note 17)	RMB'000 (Note 17)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2019													
(audited)	18,393	723,842	27	57,677	(69,246)	16,797	(19,832)	24,752	(327,634)	239,484	664,260	2,508	666,768
Profit for the period	-	-	-	-	-	-	-	-	-	(28,076)	(28,076)	1,426	(26,650)
Other comprehensive loss for the period:													
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	1,285	-	2,691	-	3,976	-	3,976
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(281)	-	-	-	(281)	-	(281)
Total comprehensive income for the period	-	-	-	-	-	-	1,004	-	2,691	(28,076)	(24,381)	1,426	(22,955)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	-	(50,727)	(50,727)	-	(50,727)
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	(340)	-	340	-	-	-
As of 30 June 2019													
(unaudited)	18,393	723,842	27	57,677	(69,246)	16,797	(18,828)	24,412	(324,943)	161,021	589,152	3,934	593,086

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2020

	Notes	Six-month period ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cash flows (used in)/from operating activities			
Loss before tax		(133,776)	(29,883)
Adjustments for:			
Finance costs		8,792	17,036
Interest income		(352)	(4,508)
Depreciation of property and equipment		31,094	44,907
Depreciation of right-of-use assets		65,952	86,699
Amortisation of other intangible assets		833	1,333
Loss on disposal of items of property and equipment		1,502	906
Impairment provision for property and equipment		6,777	8,665
Gain on disposal of right-of-use assets for early terminated leases		(729)	–
Reduced or waived lease payments		(15,734)	–
Share Award Scheme expenses		5,648	–
		(29,993)	125,155
Increase in inventories		(392)	(5,932)
(Increase)/decrease in trade receivables		(147)	3,965
Decrease in prepayments, other receivables and other assets		39,000	6,756
Decrease in trade payables		(26,286)	(32,134)
Decrease in other payables and accruals		(6,780)	(5,107)
Decrease in long-term rental deposits		19,400	1,467
Decrease in long-term payables		(623)	(1,398)
Cash (used in)/generated from operations		(5,821)	92,772
Income tax paid		(1,850)	(11,160)
Net cash flows (used in)/from operating activities		(7,671)	81,612
Cash flows used in investing activities			
Purchases of items of property and equipment		(4,599)	(14,942)
Purchases of intangible assets		(848)	–
Advance to and repayment from related parties, net		–	(2,515)
Interest received		352	2,706
Net cash flows used in investing activities		(5,095)	(14,751)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2020

	Notes	Six-month period ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cash flows used in financing activities			
Increase in pledged deposits and time deposits over three months		(9,765)	(72,127)
Repayment of bank loans		(12,484)	(85,970)
Proceeds from new bank loans		44,462	–
Principal portion of lease payments		(19,589)	(91,926)
Dividends paid to non-controlling shareholders		(429)	–
Repurchase of shares		(15,393)	–
Interest paid		(570)	(3,894)
Net cash flows used in financing activities		(13,768)	(253,917)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		158,548	411,998
Effect of foreign exchange rate changes, net		(5,178)	(444)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		126,836	224,498
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	126,836	222,534
Non-pledged time deposits with original maturity of less than three months when acquired	14	–	1,964
Cash and cash equivalents as stated in the statement of cash flows		126,836	224,498

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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 2020 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 2019.

Net current liability

As at 30 June 2020, the current liabilities of the Group exceeded its current assets by approximately RMB81.5 million. In the opinion of the directors, the net current liability position was mainly caused by the loss from restaurant operations influenced by covid-19 pandemic and the recognition of lease liabilities(current portion) after the adoption of IFRS 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 2019, 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 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 And IAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendments to IFRS 16 Covid-19-Related Rent Concessions, the revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the revised IFRS is described below:

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's restaurant properties have been reduced or waived by the lessors as a result of the Covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early concessions granted by 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB15,734,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Chinese Mainland	196,633	551,846
Hong Kong	55,617	117,429
	252,250	669,275

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

(b) Non-current assets

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
	Chinese Mainland	389,482
Hong Kong	43,560	78,478
	433,042	570,077

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, other long-term receivables 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 2020 and 2019, 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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers	252,250	669,275

Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Types of goods or services		
Restaurant operations	233,043	652,226
Sale of packed foods	15,134	7,557
Management fee from franchisee	4,073	9,492
Total revenue from contracts with customers	252,250	669,275

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Disaggregated revenue information for revenue from contracts with customers *(continued)*

	Six-month period ended 30 June	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Timing of goods or services		
Goods and services transferred at a point in time	248,177	659,783
Services transferred over time	4,073	9,492
Total revenue from contracts with customers	252,250	669,275

Other income and gains

	Six-month period ended 30 June	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Government grants*	7,842	1,544
Interest income	352	4,508
Management fee income	286	210
Gain on disposal of right-of-use assets for early terminated leases	729	–
Others	209	374
Total	9,418	6,636

* There is no unfulfilled conditions or contingencies attaching to government grants that had been recognized.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories consumed	83,740	195,776
Depreciation of property and equipment	31,094	44,907
Amortisation of other intangible assets	833	1,333
Lease expenses	13,944	23,161
Depreciation of right-of-use assets	65,952	86,699
Impairment of property and equipment	6,777	8,665
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	100,684	168,471
Defined contribution pension scheme	12,248	30,008
Share Award Scheme expenses	5,648	–
	118,580	198,479
Interest income	(352)	(4,508)
Loss on disposal of items of property and equipment	1,502	906
Gain on disposal of right-of-use assets for early terminated lease	729	–

6. FINANCE COSTS

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

	Six-month period ended 30 June	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest expense on lease liabilities	8,222	13,215
Interest on bank loans	570	3,894
Less: Interest capitalised	–	(73)
	8,792	17,036

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

7. INCOME TAX

	Six-month period ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – Chinese Mainland charged for the period	596	4,701
Current – Hong Kong and elsewhere charged for the period	126	114
Deferred tax	(13,103)	(8,048)
Total tax credited for the period	(12,381)	(3,233)

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

	Six-month period ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final declared – Nil (2019: RMB2.3 cents) per ordinary share	–	50,727

No interim dividend was proposed during the Six-month period ended 30 June 2020 (six-month period ended 30 June 2019: Nil).

On 28 June 2019, the annual general meeting of the Company approved to declare a final dividend of RMB0.023 per share of the Company for the year ended 31 December 2018.

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 2,108,336,000 (30 June 2019: 2,205,531,000) 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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(122,189)	(28,076)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	2,108,336,000	2,205,531,000
Effect of dilution – weighted average number of ordinary shares**:		
Share options	–	–
Share Award Scheme	–	–
Number of ordinary shares used in the diluted earnings per share calculation	2,108,336,000	2,205,531,000

* Not taking into account the 7,500,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

** Since the exercise prices of these options exceeded the average market price of ordinary shares during the period, there was no dilutive effect as of 30 June 2020.

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB3,448,000 (the six months ended 30 June 2019: RMB13,078,000).

Items of property and equipment with a net book value of RMB1,502,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB906,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

10. PROPERTY AND EQUIPMENT *(continued)*

As at 30 June 2020 the balance of impairment provision was RMB43,780,000, and impairment provision amounting to RMB18,623,000 was written off during the period ended 30 June 2020 with disposal (the six months ended 30 June 2019: RMB6,657,000), and no impairment was reversed in the period ended 30 June 2020 (the six months ended 30 June 2019: Nil) and RMB6,777,000 impairment provision was recognised in the period ended 30 June 2020 (the six months ended 30 June 2019: RMB8,665,000).

11. INVENTORIES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Food and beverages, and other operating items for restaurant operations, at cost	22,710	22,318

12. 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 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 1 month	5,423	7,329
1 to 2 months	252	746
2 to 3 months	1,160	181
Over 3 months	5,748	4,180
	12,583	12,436

The Group applies the simplified approach to provide for expected credit losses prescribed in IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of the trade receivables to measure the expected credit losses. 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.

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Deposits and other receivables		53,257	86,838
Deductible input VAT		37,183	30,259
Prepaid expense		10,425	16,094
Amounts due from companies owned by the Controlling Shareholder		–	3,343
Other long-term receivables		46,857	45,954
Prepayments		14,339	18,622
		162,061	201,110
Impairment allowance	(ii)	(12,655)	(13,607)
		149,406	187,503
Less: Non-current portion of receivables from a non-controlling interest			
– Other long-term receivables	(i)	(46,857)	(45,954)
Prepayments, deposits and other receivables		102,549	141,549

(i) The above long-term receivables as at 31 December 2019 were recognised by the Group upon disposal of Million Rank Limited as part of the considerations on 21 July 2018. The HK\$51,300,000 long term receivables bearing interest at a rate of 4% will be due in 2021.

(ii) As at 30 June 2020, RMB12,655,000 (2019: RMB13,607,000) was recognised as an allowance for expected credit losses on other receivables.

As at 30 June 2020, except for the impairment allowance provided above, other receivables of the Group were considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12-month expected loss method.

Except for the impairment allowance provided above, none of the other assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Cash and bank balances	126,836	146,760
Time deposits with original maturity of less than three months	10,000	23,784
Time deposits with original maturity of over three months	13,228	1,467
	150,064	172,011
Less: Pledged time deposits for bank loans:		
– Current portion	(20,310)	(11,996)
Cash and cash equivalents	129,754	160,015

As at 30 June 2020, RMB20,310,000 of time deposits were pledged for bank loans borrowed by the Group, for details please refer to Note 16(a) (31 December 2019: RMB11,996,000).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB123,468,000 (31 December 2019: RMB123,073,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

15. 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 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 3 months	41,112	72,289
3 months to 1 year	21,925	20,741
Over 1 year	5,693	1,986
	68,730	95,016

The trade payables are non-interest-bearing and normally settled within 2 months after receiving the invoice.

16. INTEREST-BEARING BANK LOANS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	3.75	2021/2/27	10,000			–
Bank loans – unsecured	3.75	2021/3/22	5,000			–
Bank loans – unsecured	4.25	2021/5/26	11,370			–
Bank loans – secured (a)	4.35	2020/7/14	9,134			–
Bank loans – secured (a)	3.63	2020/11/10	4,567			–
Bank loans – secured (a)	3.40	2020/12/18	4,567			–
Bank loans – secured (a)			–	3Hibor+2.60	On demand	12,362
			44,638			12,362
Analysed into:						
Bank loans repayable:						
Within one year or on demand			44,638			12,362

- (a) The bank loans borrowed by the Company are secured by the pledge of certain Group's time deposits amounting to RMB20,310,000 (31 December 2019: RMB11,996,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

17. SHARE CAPITAL

Shares

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Authorised:		
Ordinary shares of HK\$0.01 each	10,000,000,000	10,000,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	2,213,031,000	2,213,031,000
Equivalent to RMB'000	18,393	18,393

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 2019 and 31 December 2019	18,393	–	723,842	27	742,262
Share repurchased	–	(15,393)	–	–	(15,393)
Transfer of treasury shares upon vesting under Share Award Scheme	–	5,767	(119)	–	5,648
At 30 June 2020	18,393	(9,626)	723,723	27	732,517

The trustee under the Share Award Scheme purchased 110,652,000 shares and 1,910,000 shares through the Share Award Scheme on the Hong Kong Stock Exchange on 24 January 2020 and 22 April 2020 respectively for a total consideration of HK\$17,370,000 and 37,842,831 shares vested on 30 June 2020 under the Share Award Scheme.

18. SHARE-BASED PAYMENTS

The rights issue of shares on the basis of one share for every two existing shares (“**Rights Issue**”) was completed on 18 July 2016. As a result of the completion of the Rights Issue, the Company made adjustments to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of the two pre-IPO share options schemes adopted by the company on 10 February 2010 and 15 March 2011 (and amended on 10 August 2011) (the “**Pre-IPO Share Option Schemes**”) and a share option scheme adopted by the Company on 4 July 2012 (“**the Share Option Scheme**”).

(1) Pre-IPO Share Option Schemes

The Pre-IPO Share Option Schemes were approved pursuant to the resolutions passed by the Company’s board of directors on 10 February 2010 and 15 March 2011 (subsequently amended on 10 August 2011), respectively. According to the Pre-IPO Share Option Schemes, the directors may invite directors of the group companies, senior management and other eligible participants to take up share options of the Company. The Pre-IPO Share Option Schemes became effective on 10 February 2010 and 15 March 2011, respectively. Options granted become vested after certain employment periods ranging from one to four years, while the grantees are required to complete the service till the vesting date. Some batches of share options were also conditional upon the achievement of performance conditions. The exercise price of share options is determined by the directors.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of RMB0.99, RMB1.09 or RMB1.17 per share in total by the grantee after exercise price adjustment due to the Rights Issue (RMB1, RMB1.1 or RMB1.175 per share before the adjustment). The exercise period of the share options granted commences after a vesting period of one to four years and ends on a date which is 10 years from the date of offer of the share options or the expiry dates of the Pre-IPO Share Option Schemes, if earlier.

The following share options were outstanding under the Pre-IPO Share Option Schemes during the Six-month period ended 30 June 2020 and 2019:

	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	Weighted average exercise price per share RMB	Number of options ‘000	Weighted average exercise price per share RMB	Number of options ‘000
At the beginning of the period		17,623		18,345
Forfeited during the period	1.090	(1,371)	1.087	(318)
Expired during the period	0.990	(6,219)	–	–
At the end of the period		10,033		18,027

No share options were exercised during the six-month period ended 30 June 2020 and 2019.

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18. SHARE-BASED PAYMENTS *(continued)*

(1) Pre-IPO Share Option Schemes *(continued)*

The exercise prices and exercise periods of the share options under the Pre-IPO Share Option Schemes outstanding as at 30 June 2020 are as follows:

Number of options '000	Exercise price (after adjustment due to Rights Issue) RMB per share	Exercise period
741	0.99	1 January 2012 to 1 September 2020
617	1.09	1 January 2012 to 15 December 2020
6	1.09	1 January 2012 to 26 January 2021
1,133	1.09	1 January 2012 to 22 March 2021
859	1.09	1 January 2012 to 22 March 2021
822	1.09	1 July 2012 to 1 July 2021
55	1.09	1 July 2012 to 1 July 2021
2,631	1.09	1 July 2012 to 12 August 2021
369	1.17	1 July 2012 to 12 August 2021
822	1.17	1 January 2013 to 15 January 2022
1,978	1.17	1 January 2013 to 15 May 2022
10,033		

There were no share options granted under the Pre-IPO Share Option Schemes after 4 July 2012, the Company's listing date. The Group recognised no share option expense under the Pre-IPO Share Option Schemes during the six-month periods ended 30 June 2020 and 2019.

The fair value of all equity-settled share options granted before 4 July 2012, the Company's listing date, was estimated as at the date of grant using a binomial model.

18. SHARE-BASED PAYMENTS *(continued)***(2) Share Option Scheme**

The Company adopted a share option scheme (the “**Share Option Scheme**”) which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The board may, at its absolute discretion, offer an option to eligible participants to subscribe for the shares of the Company (the “**Shares**”) at an exercise price and subject to other terms under the Share Option Scheme. The total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000, being 10% of the total number of the Shares in issue at the time when dealings of the Shares first commence on the Stock Exchange.

The total number of the Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012. The exercise prices of options granted before 2017 under this scheme were of HK\$0.99, HK\$1.29 or HK\$1.49 after exercise price adjustment due to the Rights Issue (HK\$1, HK\$1.3 or HK\$1.5 before the adjustment).

On 21 October 2019, the Company granted 2,500,000 share options to non-executive directors Mr. Wu Chun Wah, Mr. Lui Wai Ming, and Mr. Zhang Zhenyu under the Share Option Scheme and the exercise price was HK\$0.20.

There were no share options granted during the period ended 30 June 2020.

The following share options were outstanding under the Share Option Scheme during the six-month periods ended 30 June 2020 and 2019:

	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At the beginning of the period		22,820		106,961
Forfeited during the period	1.391	(2,653)	1.221	(1,015)
At the end of the period		20,167		105,946

No share options under the Share Option Scheme were exercised during the six-month periods ended 30 June 2020 and 2019.

The exercise period of the share options granted commences after a vesting period of four years and ends on a date which is 10 years from the date of offer of the share options or the expiry dates of the Share Option Scheme, if earlier.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

18. SHARE-BASED PAYMENTS *(continued)*

(2) Share Option Scheme *(continued)*

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 30 June 2020 are as follows:

Number of options '000	Exercise price (after adjustment due to Rights Issue) HK\$ per share	Exercise period
5,819	1.49	23 August 2013 to 22 August 2023
3,397	1.49	1 July 2015 to 29 June 2024
3,945	1.29	1 July 2015 to 29 June 2024
1,436	1.29	1 January 2016 to 31 December 2024
3,070	0.99	1 January 2016 to 31 December 2024
2,500	0.20	1 October 2017 to 2 May 2027
20,167		

The Group didn't recognise share option expense for the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: nil).

As at 30 June 2020, the Company had 10,033,000 and 20,167,000 share options outstanding under the Pre-IPO Share Option Schemes and the Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 30,200,000 additional ordinary shares of the Company and additional share capital of RMB275,859 and share premium of RMB32,940,104 (before issue expense).

18. SHARE-BASED PAYMENTS *(continued)*

(3) Share Award Scheme

The Share Award Scheme

A share award scheme (the "Share Award Scheme") was approved and adopted by the Board on 20 December 2019, under which the executive committee of the Share Award Scheme (the "Executive Committee"), upon the authorization of the Board, may from time to time at its absolute discretion select any employee of any member of the Group for participation in the Share Award Scheme as a selected employee (the "Selected Employee(s)"), and grant such number of awarded shares (the "Awarded Shares") to any Selected Employee. The Selected Employees are not required to pay any price to receive the Awarded Shares.

The Share Award Scheme shall be subject to the administration of the Board and the trustee of the Share Award Scheme (the "Trustee") in accordance with the scheme rules and the trust deed. The Trustee shall hold the trust fund in accordance with the terms of the trust deed.

The Executive Committee authorized by the Board may from time to time cause to be paid a contributed amount to the Trust by way of settlement or otherwise which shall constitute part of the trust fund, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the scheme rules and the trust deed. In connection with the implementation of the Share Award Scheme, the Executive Committee may from time to time instruct the Trustee to purchase the Shares on the Stock Exchange and to hold them in trust for the benefit of the Selected Employee on and subject to the terms and conditions of the scheme rules and the trust deed.

The purposes of the Scheme are (i) to recognize the contributions by certain Employees and to provide them incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid for five years commencing from the adoption date.

Details of Share Awards granted under the Share Award Scheme

As at 30 June 2020, 112,562,000 Shares, representing approximately 5.09% of the issued share capital of the Company as at 30 June 2020, were purchased and held on trust by the Trustee.

As at 30 June 2020, 104,012,460 Shares were granted to the Selected Employees, among which, 22,130,310 Shares were granted to Mr. Sun Yong, the then executive Director. In addition, 37,842,831 Shares were vested under the Share Award Scheme.

19. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary violated registered trademarks and unfair competition in Chinese Mainland. The plaintiff claims for 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Contracted, but not provided for:		
Leasehold improvements	3,589	5,052

21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		Six-month period ended 30 June	
	Notes	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Sales of goods and service	(i)	–	5,706
Actual Spending of Pre-paid Cards	(ii)	4,166	16,558
Commission paid for Pre-paid Cards	(ii)	45	178
Procurement of pre-packed food	(iii)	–	421

Notes:

(i) The Group provided banquet food to Shanghai WH Ming Hotel Co., Ltd. (“**WH Ming Hotel**”), a hotel owned by the controlling shareholder, upon request for banquet arrangements at the hotel premises for the customers of WH Ming Hotel pursuant to a framework banquet food provision agreement dated 27 March 2018. The price of banquet food sold to WH Ming Hotel shall be decided by the Group, and shall not be lower than 75% of the selling price of the food in the menu of the Group. The term of the framework banquet food provision agreement is effective from 1 January 2018 to 31 December 2019. The revenue generated from banquet food provided to WH Ming Hotel was nil during the period ended 30 June 2020 (30 June 2019: RMB5,706,000).

(ii) The Group entered into a Pre-paid Cards Agreement in 2014 with Shanghai Hui Feng Restaurant Management Co., Ltd. (“**Hui Feng Management**”), formerly named Shanghai Xiao Nan Guo Enterprises Service Information Development Limited), a company indirectly owned by Bai Xuan Tiffany Wang, who is the executive director and the daughter of the controlling shareholder of the Company. Pursuant to the agreement, the pre-paid cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the controlling shareholder. The actual spending is the amount which the pre-paid card holders have actually spent at the Shanghai Min Restaurants (including Shanghai Min, Maison De L’Hui, the dining room and Shanghai Min’s family restaurants) via the pre-paid cards, which amounted to RMB4,166,000 (30 June 2019: RMB16,558,000).

The commission rate payable to Hui Feng Management shall be 1% of the actual dining expenses, which amounted to RMB45,000 (30 June 2019: RMB178,000), of a pre-paid card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.

(iii) For the period ended 30 June 2020, Shanghai Xiao Nan Guo (a wholly-owned subsidiary of the Company) did not sourced and purchased various pre-packed food from Shanghai Hongshi (30 June 2019: RMB421,000). The transaction was conducted in the ordinary course of business.

21. RELATED PARTY TRANSACTIONS *(continued)***(b) Outstanding balances with related parties**

The amounts due to other related parties are included in other payables and accruals to the financial statements.

(c) Compensation of key management personnel of the Group

	Six-month period ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	1,662	2,007
Share Award Scheme expenses	3,320	–
	4,982	2,007

The related party transactions with the controlling shareholder and companies owned by the controlling shareholder or directors of the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2020 (unaudited)

Financial assets

	Financial assets at fair value through other comprehensive income: Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	16,566	–	16,566
Long-term rental deposits	–	58,152	58,152
Trade receivables	–	12,583	12,583
Financial assets included in prepayments, other receivables and other assets	–	53,257	53,257
Other long-term receivable	–	46,857	46,857
Pledged deposits	–	20,310	20,310
Cash and cash equivalents	–	129,754	129,754
	16,566	320,913	337,479

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term payables	3,458
Trade payables	68,730
Financial liabilities included in other payables and accruals	47,825
Interest-bearing bank loans	44,638
Lease Liabilities	261,358
	426,009

22. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

31 December 2019 (audited)**Financial assets**

	Financial assets at fair value through other comprehensive income: Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	14,614	–	14,614
Long-term rental deposits	–	77,552	77,552
Trade receivables	–	12,436	12,436
Financial assets included in prepayments, other receivables and other assets	–	90,181	90,181
Other long-term receivable	–	45,954	45,954
Pledged deposits	–	11,996	11,996
Cash and cash equivalents	–	160,015	160,015
	14,614	398,134	412,748

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	95,016
Financial liabilities included in other payables and accruals	43,369
Lease liabilities	342,461
Interest-bearing bank and other borrowings	12,362
	493,208

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, long-term rental deposits, loan to a non-controlling shareholder, other long-term receivables, long-term payables, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowing approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table provides the fair value measurement hierarchy of the Company's financial instruments measured at fair value as at 30 June 2020:

Financial assets measured at fair value

As at 30 June 2020

	Fair value measurements categorised into			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Equity investments at fair value through other comprehensive income:				
Unlisted equity investment, at fair value	–	–	10,000	10,000
Listed equity investment, at fair value	6,566	–	–	6,566
	6,566	–	10,000	16,566

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)***Financial assets measured at fair value** *(continued)*

As at 31 December 2019

	Fair value measurements categorised into				Total RMB'000
	Level 1	Level 2	Level 3		
	RMB'000	RMB'000	RMB'000		
Equity investments at fair value through other comprehensive income:					
Unlisted equity investment, at fair value	–	–	10,000		10,000
Listed equity investment, at fair value	4,614	–	–		4,614
	4,614	–	10,000		14,614

There have been no transfers between Level 1 and Level 2 during the period.

The fair value of the listed equity investment through other comprehensive income is based on quoted market prices.

The fair value of the unlisted equity investment through other comprehensive income falls within Level 3 of the fair value hierarchy due to the significant unobservable inputs used in the valuation. The following table shows the valuation techniques used in the determination of fair values of the unlisted equity investments.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Expected yield	RMB880,000 to RMB1,353,000	10% increase/(decrease) in expected yield would result in increase/(decrease) in fair value by RMB2,758,000

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2020.

OTHER INFORMATION

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Group did not have any significant events from 30 June 2020 and up to the date of this report.

SHARE AWARD SCHEME

Pursuant to the share award scheme of the Company (the “**Share Award Scheme**”) (please refer to the announcement of the Company dated 20 December 2019 for details), the trustee of the Share Award Scheme (the “**Trustee**”) purchased 110,652,000 Shares and 1,910,000 Shares on the Stock Exchange on 24 January 2020 and 22 April 2020, respectively, for a total consideration of HK\$17,370,000.

As at 30 June 2020, 112,562,000 Shares were purchased and held on trust by the Trustee. Of which, 37,842,831 Shares were vested under the Share Award Scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

CHANGES OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed below, as at the date of this report, there were no significant changes in the information related to the directors of the Company (the “**Directors**”) and senior management as compared to the particulars set out in the Company’s 2019 Annual Report:

Mr. Gu Dorson was appointed as an executive Director, the Chief Executive Officer and a member of the Executive Committee on 1 September 2020.

Mr. Sun Yong resigned as an executive director, the chief executive officer, a member of the executive committee with effect from 1 September 2020 as he needs more time to deal with his personal matters.

Other than these disclosed above, there is no other changes in respect of each director or chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to notify to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out as follows:

Name of Directors	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Baixuan Tiffany Wang	Substantial Beneficiary of a trust	655,087,500 (L) ⁽²⁾	29.60%
Sun Yong	Beneficial owner	4,142,066 (L) ⁽³⁾	0.19%
Wu Wen	Interest in controlled corporation	62,592,681 (L) ⁽⁴⁾	2.83%
	Beneficial owner	24,228,000 (L)	1.09%
Wang Huili	Interest in controlled corporation	12,260,625 (L) ⁽⁵⁾	0.55%
	Beneficial owner	126,150,000 (L)	5.70%
Lui Wai Ming	Beneficial owner	1,000,000 (L) ⁽⁶⁾	0.05%
Wu Chun Wah	Beneficial owner	1,000,000 (L) ⁽⁷⁾	0.05%
Zhang Zhenyu	Beneficial owner	500,000 (L) ⁽⁸⁾	0.02%

Notes:

- (1) "L" denotes long position in the Shares held by the Directors.
- (2) The relevant Shares were held by Value Boost Limited. Before 28 February 2019, the entire issued share capital of Value Boost Limited was held by Extensive Power Limited which acted as the trustee of The Wang Huimin Family Settlement (The "Wang Trust"). The Wang Trust was a trust established by Ms. Wang Huimin, a substantial shareholder, as the settlor on 27 August 2011. The beneficiary(ies) of the Wang Trust is Ms. Wang Huimin during her lifetime and thereafter her personal representatives in their capacities as such, any person or class of persons nominated to the trustees by the protector or if at any time when there is no protector, the settlor and whose nomination is accepted in writing by the trustee. Therefore, Ms. Wang Huimin and Extensive Power Limited were deemed to be interested in the Shares held by Value Boost Limited under the SFO.

On 28 February 2019, Alpadis Trust (HK) Limited ("Alpadis Trust"), a professional trustee, has been appointed as a new trustee of the Wang Trust, and all the 778,765,500 Shares were transferred to Alpadis Trust. According to Rule 26.1 of the Takeovers Code, unless with a waiver has been granted by the Executive of the Securities and Futures Commission (the "SFC"), such change in trusteeship would result in Alpadis Trust as the new trustee of the Wang Trust having an obligation to make a mandatory offer. As the change in trusteeship only involved the transfer of all the issued shares Value Boost Limited held by the previous trustee to Alpadis Trust for the same Wang Trust, an application for waiver has been made by Alpadis Trust to the Executive of the SFC from the mandatory offer obligation under Note 6 to Rule 26.1 of the Takeovers Code as a result of the change in trusteeship, and such waiver has been granted by the SFC on 18 February 2019.

Two underage children of Ms. Baixuan Tiffany Wang is the beneficiary of the Wang Trust. Therefore, Ms. Baixuan Tiffany Wang was deemed to be substantially interested in the Shares held by Value Boost Limited under the SFO.

- (3) Mr. Sun Yong, an executive Director, has resigned as an executive Director on 1 September 2020.

OTHER INFORMATION

- (4) The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, a non-executive Director, owned the entire issued share capital of Brilliant South Limited, which beneficially owned 100% of the issued share capital in Well Reach Limited. Therefore, Ms. Wu Wen was deemed to be interested in the Shares held by Well Reach Limited under the SFO.
- (5) The relevant Shares were held by Fast Thinker Limited. Ms. Wang Huili, a non-executive Director, owned the entire issued share capital of Ever Project Investments Limited, which beneficially owned 100% of the issued share capital in Fast Thinker Limited. Therefore, Ms. Wang Huili was deemed to be interested in the Shares held by Fast Thinker Limited under the SFO.
- (6) Mr. Lui Wai Ming, an independent non-executive Director, was entitled as a grantee of options to subscribe for up to 1,000,000 Shares under the Share Option Scheme (as stated in the announcements dated 2 May 2017 and 21 October 2019, respectively).
- (7) Dr. Wu Chun Wah, an independent non-executive Director, was entitled as a grantee of options to subscribe for up to 1,000,000 Shares under the Share Option Scheme (as stated in the announcements dated 2 May 2017 and 21 October 2019, respectively). As of the date of this report, the share option account of Dr. Wu Chun Wah has not yet been opened.
- (8) Mr. Zhang Zhenyu, an independent non-executive Director, was entitled as a grantee of options to subscribe for up to 500,000 Shares under the Share Option Scheme (as stated in the announcement dated 21 October 2019).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 30 June 2020, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Wang Huimin	Trustee	166,747,227 (L)	7.54%
	Beneficial owner	7,000,000 (L)	0.32%
	Interest of corporation controlled	123,678,000 (L)	5.59%
Alpadis Group Holding SA	Interest in controlled corporation	655,087,500 (L) ⁽²⁾	29.60%
Alpadis Trust (HK) Limited	Interest in controlled corporation	655,087,500 (L) ⁽²⁾	29.60%
Value Boost Limited	Beneficial owner	655,087,500 (L) ⁽²⁾	29.60%
ESSEIVA Alain	Interest in controlled corporation	655,087,500 (L) ⁽³⁾	29.60%
Shen Xia	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) ⁽⁴⁾	7.59%
Elite Converge Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) ⁽⁴⁾	7.59%
Sunshine Property I Limited	Beneficial owner	167,887,000 (L)	7.59%
		167,887,000 (S) ⁽⁴⁾	7.59%
Shining Capital Holdings L.P.	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) ⁽⁴⁾	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) ⁽⁴⁾	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) ⁽⁴⁾	7.59%
Li Shuming	Beneficial owner	164,763,575 (L)	7.44%
Bank of Communications Trustee Limited	Trustee	110,652,000 (L)	5.00%

Notes:

- (1) The letter "L" denotes long position in the shares.
- (2) The underlying shares were held by Value Boost Limited. As at 31 December 2018, 18, the entire issued share capital of Value Boost Limited was held by Extensive Power Limited (the "**Extensive Power**") which acted as the trustee of The Wang Trust. Subsequent to 28 February 2019, Alpadis Trust, as a professional trustee, was appointed to replace Extensive Power as a new trustee of the Wang Trust, and all the 778,765,500 Shares were transferred by Extensive Power to Alpadis Trust. According to Rule 26.1 of the Takeovers Code, unless with a waiver has been granted by the Executive of the SFC, such change in trusteeship would result in Alpadis Trust as the new trustee of the Wang Trust having an obligation to make a mandatory offer. As the change in trusteeship only involved the transfer of all the issued shares of Value Boost held by Extensive Power to Alpadis Trust for the same Wang Trust, an application for waiver has been made by Alpadis Trust to the Executive of the SFC from the mandatory offer obligation under Note 6 to Rule 26.1 of the Takeovers Code as a result of the change in trusteeship, and such waiver has been granted by the SFC on 18 February 2019.
- (3) The underlying shares were transferred from Extensive Power Limited (as a trustee company) to Alpadis Trust. Mr. ESSEIVA Alain indirectly held 100% of the shares of Alpadis Trust.
- (4) The 167,887,000 Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 50% of the issued share capital of Shining Capital Management Limited. The remaining of 50% equity interest held by Elite Converge Limited, of which Mr. Shen Xia owned 100% of the issued share capital. Shining Capital Management Limited in turn beneficially owned the entire issued share capital of Shining Capital Holdings L.P., which in turn beneficially owned the entire issued share capital of Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Mr. Shen Xia, Elite Converge Limited, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the Shares held by Sunshine Property I Limited under the SFO.

SHARE OPTION SCHEMES

The Company currently adopted two share option schemes, the purpose of which is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

(1) Pre-IPO Share Option Schemes

Pursuant to the written resolutions of the shareholders of the Company passed on 10 February 2010 and 15 March 2011, the rules of two Pre-IPO share option schemes (the “**Pre-IPO Share Option Schemes**”) were approved and adopted, respectively. The Pre-IPO Share Option Schemes adopted on 15 March 2011 were subsequently amended on 10 August 2011 pursuant to the written resolutions of the shareholders of the Company passed on 29 July 2011. The options granted to any grantee under the Pre-IPO Share Option Schemes adopted on 15 March 2011 and amended on 10 August 2011 shall vest according to the following schedule:

- (a) from 1 July 2012 to the end of 10 years from the date of grant:
 - (1) 25% shall vest if the Company’s net profit for the year ended 31 December 2011 reaches a specified target;
 - (2) 12.5% shall vest if the Company’s net profit for the year ended 31 December 2011 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company’s net profit for the year ended 31 December 2011 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;
- (b) from 1 July 2013 to the end of 10 years from the date of grant:
 - (1) 25% shall vest if the Company’s net profit for the year ended 31 December 2012 reaches a specified target;
 - (2) 12.5% shall vest if the Company’s net profit for the year ended 31 December 2012 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company’s net profit for the year ended 31 December 2012 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;
- (c) from 1 July 2014 to the end of 10 years from the date of grant:
 - (1) 25% shall vest if the Company’s net profit for the year ended 31 December 2013 reaches a specified target;
 - (2) 12.5% shall vest if the Company’s net profit for the year ended 31 December 2013 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company’s net profit for the year ended 31 December 2013 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options; and

- (d) from 1 July 2015 to the end of 10 years from the date of grant:
- (1) 25% shall vest if the Company's net profit for the year ended 31 December 2014 reaches a specified target;
 - (2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2014 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company's net profit for the year ended 31 December 2014 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options.

Each option granted under the Pre-IPO Share Option Schemes is exercisable within 10 years from the date on which such option becomes vested. For details of the share options, please refer to Note 18 to the financial statements.

Pursuant to the Pre-IPO Share Option Schemes, all the options under the Pre-IPO Scheme Option Schemes were granted on or before 13 June 2012 as mentioned in the Prospectus. No further options will be granted under the Pre-IPO Share Option Schemes upon listing of the shares of the Company (the "Shares") on the Stock Exchange. The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of RMB0.99, RMB1.09 or RMB1.17 by the grantee taking into consideration of the exercise price adjustment of the options upon the Rights Issue.

The summary of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at 30 June 2020 is as follows:

Name of the grantee	As at	During the	During the	During the	During the	As at
	1 January 2020	period ended 30 June 2020	period ended 30 June 2020	period ended 30 June 2020	period ended 30 June 2020	30 June 2020
	No. of share options outstanding	No. of share options granted	No. of share options exercised	No. of share options cancelled	No. of share options lapsed	No. of share options outstanding
	'000	'000	'000	'000	'000	'000
Employees (in aggregate)	17,623	–	–	–	7,590	10,033

OTHER INFORMATION

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at 30 June 2020 are set out below:

Participants	Date of grant of option	Exercise period of option	Exercise Price of Option RMB per share	No. of outstanding option as at 30 June 2020 '000
Employees	1 September 2010	1 January 2012 to 1 September 2020	0.99	741
	15 December 2010	1 January 2012 to 15 December 2020	1.09	617
	26 January 2011	1 January 2012 to 26 January 2021	1.09	6
	28 February 2011	1 January 2012 to 22 March 2021	1.09	1,133
	22 March 2011	1 January 2012 to 22 March 2021	1.09	859
	1 July 2011	1 July 2012 to 1 July 2021	1.09	822
	1 July 2011	1 July 2012 to 1 July 2021	1.09	55
	12 August 2011	1 July 2012 to 12 August 2021	1.09	2,631
	12 August 2011	1 July 2012 to 12 August 2021	1.17	369
	15 January 2012	1 January 2013 to 15 January 2022	1.17	822
	15 May 2012	1 January 2013 to 15 May 2022	1.17	1,978
	Total			

(2) Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participants to subscribe for the Shares at an exercise price and subject to other terms under the Share Option Scheme. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000 Shares, being 10% of the total number of Shares in issue at the time when dealings of the Shares first commenced on the Stock Exchange. The exercise price shall be determined and notified to the qualified participants by the Board and shall not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange’s daily quotations sheet on the date of grant of such share option (which must be a business day); (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange’s daily quotations sheets for the five business days before the date of grant of such share option; and (iii) the nominal value of the Shares on the date of grant.

The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012. Under the Share Option Scheme, each option has a exercise period of ten years. No share option was granted under the Share Option Scheme for the period from 1 January 2020 to 30 June 2020.

The summary of the share options granted under the Share Option Scheme that were still outstanding as at 30 June 2020 is as follows:

Name of the grantee	As at	During the	During the	During the	During the	As at
	1 January 2020	period ended 30 June 2020	period ended 30 June 2020	period ended 30 June 2020	period ended 30 June 2020	30 June 2020
	No. of share options outstanding	No. of share options granted	No. of share options exercised	No. of share options cancelled	No. of share options lapsed	No. of share options outstanding
	'000	'000	'000	'000	'000	'000
Directors						
Mr. Lui Wai Ming	1,000	–	–	–	–	1,000
Dr. Wu Chun Wah	1,000	–	–	–	–	1,000
Mr. Zhang Zhenyu	500	–	–	–	–	500
Employees	20,320	–	–	–	2,653	17,667
Directors and employees (in aggregate)	22,820	–	–	–	2,653	20,167

OTHER INFORMATION

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the Share Option Schemes that were still outstanding as at 30 June 2020 are set out below:

Participants	Date of grant of option	Exercise period of option	Exercise price of option HK\$ per share	No. of outstanding option as at 30 June 2020 '000
Directors	21 October 2019	21 October 2019 to 21 October 2029	0.20	2,500
Employees	23 August 2013	23 August 2013 to 22 August 2023	1.49	5,819
	30 June 2014	1 July 2015 to 29 June 2024	1.49	3,397
	30 June 2014	1 July 2015 to 29 June 2024	1.29	3,945
	1 January 2015	1 January 2016 to 31 December 2024	1.29	1,436
	1 January 2015	1 January 2016 to 31 December 2024	0.99	3,070
Total				20,167

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (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 making 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 six months ended 30 June 2020

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 2020, the Company has complied with the applicable code provisions set out in the CG Code.

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

For the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

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, Dr. Wu Chun Wah and Mr. Zhang Zhenyu. Mr. Lui Wai Ming is the chairman of the Audit Committee.

The Audit Committee has discussed with the management of the Company about the accounting principles and practices adopted by the Company and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020.