AJISEN RAMEN
味千拉麵

Ajisen (China) Holdings Limited
味千(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 538)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS HIGHLIGHTS

- Turnover increased by 6.1% to RMB1,224 million (corresponding period of 2018: RMB1,153 million)
- Profit from core operations of the Group decreased by 48.1% to RMB63 million (corresponding period of 2018: RMB121 million)
- Gross profit margin decreased by 2.1 percentage points to 73.1% (corresponding period of 2018: 75.2%)
- Profit attributable to owners of the Company decreased by 28.6% to RMB87 million (corresponding period of 2018: RMB121 million)
- Basic earnings per share decreased by RMB0.03 to RMB0.08, representing a decrease of 27.3% (corresponding period of 2018: RMB0.11)
- Total number of restaurants was 770 by 30 June 2019

The board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,223,869**	1,153,448
Cost of inventories consumed		**(328,629)**	(286,512)
Staff costs		**(330,252)**	(302,612)
Depreciation and amortisation		**(198,404)**	(78,781)
Property rentals and related expenses		**(83,829)**	(198,901)
Other operating expenses		**(219,877)**	(165,501)
Profit from operation		**62,878**	121,141
Other income	*4*	**42,900**	39,712
Impairment losses under expected credit loss model, net of reversal		**(774)**	–
Other gains and losses	*5*	**32,205**	24,523
Share of profit of associates		**896**	735
Share of loss of a joint venture		**(237)**	(1,996)
Finance costs		**(18,059)**	(3,388)
Profit before taxation	*6*	**119,809**	180,727
Income tax expense	*7*	**(27,061)**	(46,957)
Profit for the period		**92,748**	133,770
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment on transfer to investment properties		**–**	41,609
		–	41,609

	Notes	Six months ended 30 June **2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**1,817**	2,848
Other comprehensive income for the period, net of income tax		**1,817**	44,457
Total comprehensive income for the period		**94,565**	178,227
Profit for the period attributable to:			
Owners of the Company		**86,582**	121,290
Non-controlling interests		**6,166**	12,480
		92,748	133,770
Total comprehensive income for the period attributable to:			
Owners of the Company		**88,353**	156,963
Non-controlling interests		**6,212**	21,264
		94,565	178,227
		RMB	*RMB*
Earnings per share	*9*		
– Basic		**0.08**	0.11
– Diluted		**0.08**	0.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Non-current assets			
Investment properties		**683,960**	679,874
Property, plant and equipment		**773,149**	882,455
Right-of-use assets		**699,967**	–
Prepaid lease payments		**–**	55,988
Intangible assets		**5,662**	5,608
Interests in associates		**149,271**	149,349
Interest in a joint venture		**11,709**	11,946
Rental deposits		**83,872**	83,070
Goodwill		**7,154**	7,129
Deferred tax assets		**5,116**	1,695
Financial assets at fair value through profit and loss ("FVTPL")	*10*	**313,019**	310,362
Long term receivables		**–**	86,077
		2,732,879	2,273,553
Current assets			
Inventories		**101,396**	79,260
Trade and other receivables	*11*	**225,021**	425,075
Amount due from a related party		**–**	12
Taxation recoverable		**2,038**	3,260
Pledged bank deposits		**380**	380
Bank balances and cash		**1,741,190**	1,356,407
		2,070,025	1,864,394
Current liabilities			
Trade and other payables	*12*	**265,452**	246,551
Lease liabilities		**233,120**	–
Contract liabilities		**15,021**	12,824
Amounts due to related companies		**6,300**	4,428
Amounts due to directors		**202**	906
Amount due to a shareholder		**17,183**	30,274
Amounts due to non-controlling interests		**13,532**	13,532
Amounts due to associates		**12,451**	12,116
Dividend payable		**109,180**	26
Taxation payable		**36,442**	51,416
Bank borrowings		**157,177**	169,598
		866,060	541,671

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Net current assets		**1,203,965**	1,322,723
Total assets less current liabilities		**3,936,844**	3,596,276
Non-current liabilities			
Bank borrowings		**48,394**	49,913
Deferred tax liabilities		**109,083**	107,872
Financial liabilities at FVTPL		**93,953**	132,747
Lease liabilities		**402,334**	–
		653,764	290,532
Net assets		**3,283,080**	3,305,744
Capital and reserves			
Share capital		**108,404**	108,404
Reserves		**3,102,210**	3,122,086
Equity attributable to owners of the Company		**3,210,614**	3,230,490
Non-controlling interests		**72,466**	75,254
Total equity		**3,283,080**	3,305,744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

<u>Allocation of consideration to components of a contract</u>

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs. The Group is required to make minimum fixed payments and additional variable payments depending on the certain percentage of sales whenever the Group's sales achieved prescribed amounts as specified in relevant lease agreements.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9.

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payment by applying HKFRS 16.C8(b)(ii)transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranged from 3.29% to 5.94%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	876,819
Less: Recognition exemption – short-term leases	(61,568)
Change in allocation basis between lease and non-lease components	(94,099)
Undiscounted lease liabilities (excluding short-term leases and non-lease components)	721,152
Lease liabilities as at 1 January 2019 (discounted at relevant incremental borrowing rates)	670,333
Analysed as:	
Current	234,088
Non-current	436,245
	670,333

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

		Right-of-use assets
	Note	*RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		670,333
Reclassified from prepaid lease payments – leasehold lands	*(a)*	57,522
Reclassified from prepaid lease payments – other	*(a)*	17,850
		745,705
By class:		
Land and buildings – rented premises		745,705

Note:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current (included in trade and other receivables) and non-current portion of prepaid lease payments amounting to RMB1,534,000 and RMB55,988,000 respectively were reclassified to right-of-use assets. In addition, lease payment paid in advance for restaurants of RMB17,850,000, which was included in trade and other receivables as at 31 December 2018, was reclassified to right-of-use assets upon application of HKFRS 16.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustments to fair value have had no material impact on the condensed consolidated financial statements of the Group for the current period.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the current period, the Group entered into a sale and leaseback transaction in relation to an office premises located in Shanghai, the PRC and the transaction satisfies the requirements as a sale, details of which are set out in Note 13.

Impact of transition to HKFRS 16 on retained profits

The transition to HKFRS 16 has no impact on retained profits at 1 January 2019.

Impact of transition to HKFRS 16 on the condensed consolidated statement of financial position

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Prepaid lease payments	55,988	(55,988)	–
Right-of-use assets	–	745,705	745,705
Current Assets			
Trade and other receivables	425,075	(19,384)	405,691
– Prepaid lease payments (current portion)	1,534	(1,534)	–
– Property rentals paid in advance for restaurants	28,073	(17,850)	10,223
Current Liabilities			
Lease liabilities	–	234,088	234,088
Non-current liabilities			
Lease liabilities	–	436,245	436,245

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Impact of applying HKFRS 16 as a lessor on the condensed consolidated financial statements

The impacts of applying HKFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the current interim period were insignificant.

3. SEGMENT INFORMATION

Information reported to Ms. Poon Wai ("Ms. Poon"), the Group's chief operating decision maker, for the purposes of resource allocation and assessment of performance, is analysed by different operating divisions and geographical locations. This is also the basis upon which the Group is organised and specifically focuses on the Group's three operating divisions, namely operation of restaurants, manufacture and sales of noodles and related products and investment holding. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2019 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	1,064,511	80,094	1,144,605	79,264	–	1,223,869	–	1,223,869
– inter-segment sales	–	–	–	411,028	–	411,028	(411,028)	–
	1,064,511	80,094	1,144,605	490,292	–	1,634,897	(411,028)	1,223,869
Segment profits	76,066	44	76,110	5,645	24,798	106,553	–	106,553
Interest income								9,532
Gain on disposal of a subsidiary								29,396
Central administrative expenses								(23,002)
Unallocated finance costs								(2,670)
Profit before taxation								119,809
Income tax expense								(27,061)
Profit for the period								92,748

For the six months ended 30 June 2018 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	988,748	88,742	1,077,490	75,958	–	1,153,448	–	1,153,448
– inter-segment sales	–	–	–	369,564	–	369,564	(369,564)	–
	988,748	88,742	1,077,490	445,522	–	1,523,012	(369,564)	1,153,448
Segment profits	175,627	2,586	178,213	7,348	21,473	207,034	–	207,034
Interest income								6,328
Central administrative expenses								(29,247)
Unallocated finance costs								(3,388)
Profit before taxation								180,727
Income tax expense								(46,957)
Profit for the period								133,770

Segment profit represents the profit earned by each segment without allocation of interest income, gain on disposal of a subsidiary, central administrative expenses, unallocated finance costs and income tax expense. This is the measure reported to the chief operating decision maker, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

Measures of total assets and total liabilities are not reported as these financial information is not reviewed by the Group's chief operating decision maker for the assessment of performance and resources allocation of the Group's business activities.

All of the Group's non-current assets (other than loan to an associate, deferred tax assets and long term receivables), including investment properties, property, plant and equipment, right-of-use assets, prepaid lease payments, intangible assets and goodwill are located in the Group's entities' countries of domicile, Mainland China and Hong Kong at the end of each reporting period.

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which are Mainland China and Hong Kong, during the both periods.

None of the customers accounted for 10% or more of the total revenue of the Group during the both periods.

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Royalty and other income from sub-franchisees	**12,642**	13,252
Property rental income, net of direct outgoings	**13,218**	12,255
Bank interest income	**9,532**	6,328
Government grant *(note)*	**3,273**	4,175
Others	**4,235**	3,702
	42,900	39,712

Note: The amount of government grant represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of a subsidiary *(note 13)*	**29,396**	–
Gain on disposal of financial asset at FVTPL	**–**	11,313
(Loss) gain on disposal of property, plant and equipment	**(958)**	13,821
Loss on revaluation of property, plant and equipment on transfer to investment properties	**–**	(834)
Fair value gain on investment properties	**2,509**	–
Fair value gain on financial asset at FVTPL	**2,657**	–
Net foreign exchange (loss) gain	**(1,399)**	223
	32,205	24,523

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting) the following items:		
Cost of inventories consumed	**328,629**	286,512
Advertising and promotion expenses	**17,102**	3,437
Depreciation of property, plant and equipment	**76,088**	78,013
Depreciation of right-of-use assets	**122,316**	–
Fuel and utility expenses	**57,363**	54,739
Rental income from investment properties	**(13,218)**	(12,255)
Operating lease rentals in respect of		
– Land lease	**–**	768
– Rental premises	**–**	171,151
Property rentals in respect of		
– Variable lease payment	**28,343**	–
– Short-term lease payment	**27,364**	–

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	**942**	2,044
– over provision in prior periods	**(77)**	–
	865	2,044
PRC Enterprise Income Tax ("EIT")		
– current period	**31,904**	44,850
– under (over) provision in prior periods	**(6,174)**	(5,568)
	25,730	39,282
Withholding tax	**2,671**	–
Deferred taxation (credit) charge	**(2,205)**	5,631
	27,061	46,957

The income tax expense in Hong Kong and the PRC is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. During the current period, the estimated annual tax rates for Hong Kong Profits Tax and the PRC EIT are 16.5% (six months ended 30 June 2018: 16.5%) and 25% (six months ended 30 June 2018: 25%), respectively, for the period under review.

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in 2016, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian"), which is located in Chongqing, the PRC, applied a preferential tax rate of 15% from 2016 to 2020. According to the Chongqing STB, the preferential tax rate needs to be applied by Chongqing Weiqian and approved year by year. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian and reduced the income tax liability only after obtaining the written approval.

During the current period, Chongqing Weiqian was granted a preferential tax rate of 15% for 2018 (six months ended 30 June 2018: 15% for 2017), the Group reversed the income tax liability of approximately RMB5.8 million (six months ended 30 June 2018: RMB5.6 million) which was previously recognised.

Under relevant tax law and implementation regulations in the PRC, dividends paid out of the net profits derived by the PRC operating subsidiaries after 1 January 2008 are subject to the PRC withholding tax at a rate of 10% or a lower treaty rate in accordance with relevant tax laws in the PRC. Under the relevant tax treaty, withholding tax rate on distributions to Hong Kong resident companies is 5%. Withholding tax has been provided based on the anticipated level of dividend payout ratio of the PRC entities.

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – RMB0.10 (HK12.00 cents) per share for 2018 (six months ended 30 June 2018: declared – RMB0.04 (HK5.00 cents) per share for 2017)	**109,154**	43,662

Subsequent to the end of the current period, the directors of the Company have determined that an interim dividend of RMB0.02 (HK2.20 cents) per share and a special dividend of RMB0.023 (HK2.50 cents) per share (subsequent to six months ended 30 June 2018: an interim dividend of RMB0.02 (HK2.80 cents) per share and a special dividend of nil per share) will be paid to the owners of the Company.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	**86,582**	121,290
	Number of shares	
Number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to: – outstanding share options	**2,248**	24,486
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,541,068**	1,091,563,306

During the both periods, certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Group's earnings per share because the exercise prices of these share options were higher than the average market prices of the Company's shares during both periods.

10. FINANCIAL ASSETS AT FVTPL

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted equity investments and fund investments *(note i)*	**243,942**	243,942
Convertible debt instrument investment *(note ii)*	**69,077**	66,420
	313,019	310,362

Notes:

(i) The above unlisted equity investments and fund investments represent the Group's investments in certain private entities and funds established in the PRC.

(ii) The amounts represent convertible debt instrument issued by a private entity that can only be executed at the maturity date which is 24 months after the acquisition date with no early redemption right.

The directors of the Company have set up a valuation team to determine the appropriate valuation techniques and inputs for fair value measurement for these unlisted equity investments, fund investments and Convertible debt instruments investments. The basis of determining the inputs and the valuation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Trade receivables		
– a related company *(note i)*	**–**	935
– others	**32,797**	33,107
	32,797	34,042
Less: allowance for doubtful debts	**(3,325)**	(2,956)
	29,472	31,086
Advance to suppliers	**48,403**	26,218
Rental and utility deposits	**26,827**	21,050
Prepaid property rentals and related expenses	**14,098**	28,073
Prepaid lease payment – current portion	**–**	1,534
Compensation receivable in relation to equity investment in prior year *(note ii)*	**41,911**	266,067
Deductible value added tax	**38,010**	24,753
Other receivables	**26,705**	26,294
	195,954	393,989
Less: allowance for doubtful debts on other receivables	**(405)**	–
	195,549	393,989
	225,021	425,075

Notes:

(i) The related company is a company in which Ms. Poon, the chairman and chief executive officer of the Company, has controlling interests.

(ii) The amount as at 31 December 2018 has been settled in full on 10 January 2019, and the amount as at 30 June 2019 was reclassified from long term receivables during the current period and is expected to be settled within 12 months since the end of the current period.

Customers are normally granted 60 to 90 days (year ended 31 December 2018: 60 to 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days (year ended 31 December 2018: 180 days). There is no credit period for customers relating to sales from operation of restaurants.

The following is an ageing analysis of trade receivables net of expected credit losses presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 to 30 days	**26,920**	27,865
31 to 60 days	**1,935**	2,292
61 to 90 days	**303**	768
91 to 180 days	**314**	161
	29,472	31,086

12. TRADE AND OTHER PAYABLES

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Trade payables		
– a related company	**5,916**	6,143
– others	**98,006**	88,525
	103,922	94,668
Payroll and welfare payables	**44,381**	39,386
Customers' deposits received	**13,086**	12,028
Payable for acquisition of property, plant and equipment	**38,263**	28,259
Payable for variable lease payments	**18,512**	24,042
Other taxes payable	**18,118**	22,108
Others	**29,170**	26,060
	265,452	246,551

The related company is a company in which Mr. Katsuaki Shigemitsu, who is a director and shareholder of the Company, has controlling interests.

The average credit period for the purchase of goods is 60 days (year ended 31 December 2018: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
0 to 30 days	**60,173**	62,877
31 to 60 days	**37,065**	24,420
61 to 90 days	**31**	537
91 to 180 days	**59**	342
Over 180 days	**6,594**	6,492
	103,922	94,668

13. DISPOSAL OF A SUBSIDIARY

During the current period, Ajisen Properties Limited ("Ajisen Properties"), an wholly-owned subsidiary of the Group, entered into a share transfer agreement with Ms. Poon pursuant to which, Ajisen Properties has agreed to sell and Ms. Poon has agreed to acquire the entire equity interest in the JILIN Property 1 S.A. 麒麟不動產有限公司 ("JILIN"), a wholly-owned subsidiary of the Group, for a consideration of approximately HK$186,700,896 (equivalent to approximately RMB164,233,000). JILIN is a property holding company and its principal asset is an office premises located in Shanghai, the PRC, which is used as an office premises of the Group. On 30 April 2019, the Group lost control of JILIN in accordance with HKFRS 10.

The net assets of JILIN at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	123,690
Trade and other receivables	756
Bank balances and cash	11,890
Trade and other payable	(90)
Taxation payable	(1,409)
Net assets disposed of	134,837
Total cash consideration	164,233
Less: net assets disposed of	(134,837)
Gain on disposal of the subsidiary:	29,396
Total cash consideration received	164,233
Less: bank balances and cash disposed of	(11,890)
Net cash inflow arising on disposal of the subsidiary	152,343

Following the disposal, the Group has entered into a tenancy agreement, pursuant to which JILIN continues to lease the aforesaid office premise to the Group for an initial term of 3 years. This tenancy agreement is accounted for under HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the six months ended 30 June 2019 (the "Period"), under the background of the complex and severe international situation and the downward pressure on the economy, China's economy has overcome various difficulties and maintained a generally stable growth while making further progress, with the main macro economic indicators kept within an appropriate range and economic structure further improved and adjusted. By combining "positive" fiscal policies with "prudent" monetary policies, China's economy is gradually moving towards a high-quality development path. According to the National Bureau of Statistics of China, during the Period, gross domestic product increased by 6.3% year-on-year to RMB45.0933 trillion; the growth in consumption was generally accelerated, with the total retail sales of social consumer goods increased by 8.4% year-on-year to RMB19.5210 trillion, showing a generally steady and upward trend. The national per capita disposable income was RMB15,294, an actual growth of 6.5% over the corresponding period in the previous year.

According to Blue Book of Catering Industry-Annual Report on Catering Industry Development of China (2019) (《餐飲產業藍皮書:中國餐飲產業發展報告(2019)》), catering industry of China has maintained rapid and steady growth for a long time, and is expected to surpass the United States in 2023 to become the world's largest catering market. In the development process of China's resident consumption structure, the food and beverage consumption has shifted from self-service to socialized service, where consumers' demand for socialized catering services keeps growing, resulting in continuously increasing proportion of dining out, which has promoted the continuous and steady growth of catering consumption expenditure. In addition, the increasing per capita income has driven the upgrading of consumers' demand for food and beverage. According to the National Bureau of Statistics, during the Period, the revenue of the catering industry increased by 9.4% (corresponding period of 2018: 9.9%) year-on-year to RMB2,127.9 billion. As the catering market continues to expand, catering consumption has become the main growth driver for the domestic consumption market. In particular, new types of business such as takeaway and group meals have led the catering consumption market, with the takeaway market size surpassing RMB240 billion in 2018, indicating that the market development has entered into a stage of stable growth. As the fast food and takeaway market further penetrates into the catering market, the takeaway industry will embrace all categories of food, segmentation, intelligence and new retail in the future.

Currently, there is an enhanced trend towards diversity, personalization and segmentation in types of the operation of China's catering industry. In the future, the trend of consumption upgrading will be further increased, and catering enterprises will explore differentiated services, innovate different types of businesses and further implement lean approach in terms of personalization, intelligentization and experience. At the time of reform, intelligence technology will penetrate into the catering industry to a large extent, thus affecting the entire industry. Through online and offline integration, digitization and technicalization, a restaurant can turn every customer into a user and every user into a member, and the store manager can understand each customer through big data and provide personalized services in the future.

The Group will continue to adopt lean management approach and strictly control the quality and safety of food. Moreover, the Group will upgrade its membership system comprehensively to enhance customer experience. Meanwhile, the Group will continue to optimize its brand strategy upgrading and dedicate itself to promoting internal organizational reform, with a view to grasping development opportunities arising from industry reform and bringing better return on investment for the shareholders of the Company (the "Shareholders").

Business Review

For the six months ended 30 June 2019, the Group's turnover increased from approximately RMB1,153,448,000 during the corresponding period in 2018, by approximately 6.1% to approximately RMB1,223,869,000. The gross profit of the Group reached approximately RMB895,240,000, an increase of approximately 3.3% from approximately RMB866,936,000 during the corresponding period in 2018; the profit attributable to the owners of the Company reached approximately RMB86,582,000, a decrease of approximately 28.6% from approximately RMB121,290,000 in 2018. The basic earnings per share decreased to RMB0.08 from RMB0.11 per ordinary share during the corresponding period in the previous year.

During the Period, the Group focused on streamlining the existing stores, adopting a prudent strategy in opening new stores. The Group adopted more focused strategies in its development, continued to expand the restaurant network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai. As at 30 June 2019, the Group had a total of 770 fast casual chain restaurants, an increase of 52 from 718 during the corresponding period in 2018; the Group's restaurant network extended its reach to 140 cities in 31 provinces and municipalities nationwide.

The construction and operation of the six major production bases in China guaranteed the steady growth and food quality of the Group's chain restaurant network. The Group's six major factories in Shanghai, Chengdu, Tianjin, Qingdao, Wuhan and Dongguan have been put into operation to support the Group's chain restaurant network expansion.

During the Period, the Group's cost of inventories as a proportion to turnover was approximately 26.9%, representing an increase of approximately 2.1 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin decreased to approximately 73.1% from approximately 75.2% during the corresponding period last year, which was attributable to the increase in raw material cost. During the Period, the Group's labour costs accounted for approximately 27.0% of the turnover, which was approximately 0.8 percentage point higher than that of the corresponding period last year. During the Period, the level of minimum wage was raised in a number of provinces and cities in China successively, and the Group has adjusted its employee wages in compliance with the relevant law and regulations. During the Period, rent and related costs as a proportion to turnover of the Group was approximately 6.8%, which was approximately 10.4 percentage points lower than that of the corresponding period last year due to the adoption of HKFRS 16 where lease payments were treated as repayment of lease liabilities and finance costs. During the Period, the Group applied stringent criteria in location selection, so as to guarantee the success rate of new stores. Also, a large number of medium-sized and small-sized restaurants were developed to enhance the output per unit area. The Group was able to secure long-term fixed lease terms as it expands the restaurant network.

The operation of 770 restaurants under the Group is dependent upon the efficacy of our management and staff training. During the Period, the Group placed emphasis on the guidance and training of restaurant managers. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level and incentive mechanism. During the Period, the Group continued to host the inter-restaurant competition to fully mobilize its staff, thus making prominent contribution to the Group's turnover.

Retail Chain Restaurants

During the Period, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the Period, the Group's restaurant business income recorded approximately RMB1,144,605,000 (2018: RMB1,077,490,000), accounted for approximately 93.5% (2018: 93.4%) of the Group's total revenue, an increase of 6.2% from the corresponding period last year.

As at 30 June 2019, the Group's restaurant portfolio consisted of 770 Ajisen chain restaurants, comprising the following:

	30 June 2019	30 June 2018	+/–
By provinces/cities:			
Shanghai	**124**	126	-2
Beijing	**45**	46	-1
Tianjin	**8**	7	+1
Guangdong (excluding Shenzhen)	**53**	49	+4
Shenzhen	**21**	24	-3
Jiangsu	**92**	84	+8
Zhejiang	**79**	64	+15
Sichuan	**17**	15	+2
Chongqing	**13**	14	-1
Fujian	**25**	24	+1
Hunan	**18**	19	-1
Hubei	**13**	17	-4
Liaoning	**26**	21	+5
Shandong	**50**	43	+7
Guangxi	**13**	11	+2
Guizhou	**3**	4	-1
Jiangxi	**18**	15	+3
Shaanxi	**16**	14	+2
Yunnan	**10**	9	+1
Henan	**15**	10	+5
Hebei	**11**	8	+3
Anhui	**18**	16	+2
Xinjiang	**3**	2	+1
Hainan	**8**	8	–
Shanxi	**4**	1	+3
Neimenggu	**4**	5	-1
Heilongjiang	**14**	12	+2
Ningxia, Qinghai	**4**	3	+1
Jilin	**15**	15	–
Tibet	**1**	1	–
Gansu	**1**	–	+1
Hong Kong	**26**	30	-4
Others:			
Rome	**1**	1	–
Finland	**1**	0	+1
Total	**770**	718	+52

	30 June 2019	30 June 2018	+/–
By geographical region:			
Northern China	**173**	153	+20
Eastern China	**313**	290	+23
Southern China	**164**	161	+3
Central China	**118**	113	+5
Europe	**2**	1	+1
Total	**770**	718	+52

Financial Review

Turnover

For the six months ended 30 June 2019, the Group's turnover increased by approximately 6.1%, or approximately RMB70,421,000 to approximately RMB1,223,869,000 from approximately RMB1,153,448,000 for the corresponding period in 2018. Such increase was mainly due to the increase in number of stores of the Group during the Period.

Cost of inventories consumed

For the six months ended 30 June 2019, the Group's cost of inventories increased by approximately 14.7%, or approximately RMB42,117,000 to approximately RMB328,629,000 from approximately RMB286,512,000 for the corresponding period in 2018. During the Period, the ratio of inventories cost to turnover was approximately 26.9%, higher than 24.8% for the corresponding period in 2018. Such an increase was attributable to the increase in material cost for the Period.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2019 increased by approximately 3.3%, or approximately RMB28,304,000 to approximately RMB895,240,000 from approximately RMB866,936,000 for the corresponding period in 2018.

Gross profit margin of the Group also decreased from approximately 75.2% for the corresponding period in 2018 to approximately 73.1% due to the increase in material costs.

Property rentals and related expenses

For the six months ended 30 June 2019, property rentals and related expenses of the Group decreased by approximately 57.9% from approximately RMB198,901,000 for the corresponding period in 2018 to approximately RMB83,829,000 due to the initial adoption of HKFRS 16 in 2019 where the lease payments were treated as repayment of lease liabilities and finance costs.

Had the impact of HKFRS 16 adoption been excluded for both periods, the amount of property rentals and related expenses for the period ended 30 June 2019 would have been RMB206,731,000, an increase of RMB7,830,000 or 3.9%, from RMB198,901,000 for the corresponding period in 2018.

Staff costs

For the six months ended 30 June 2019, staff costs of the Group increased by approximately 9.1% from approximately RMB302,612,000 for the corresponding period in 2018 to approximately RMB330,252,000 which reflected the raise in level of minimum wage in a number of provinces and cities in China for the Period. Staff costs as a proportion to turnover remained constant at around 27.0% (2018: 26.2%).

Depreciation

For the six months ended 30 June 2019, depreciation of the Group increased by approximately 151.8% or approximately RMB119,623,000 from approximately RMB78,781,000 for the corresponding period in 2018 to approximately RMB198,404,000. Such an increase was mainly attributable to the depreciation of right of use of assets from the initial adoption of HKFRS 16 in 2019.

Had the impact of HKFRS 16 adoption been excluded for both periods, the amount of depreciation for the period ended 30 June 2019 would have been RMB76,839,000, a decrease of RMB1,942,000, or 2.5%, from RMB78,781,000 for the corresponding period in 2018.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the six months ended 30 June 2019, other operating expenses increased by approximately 32.9%, or approximately RMB54,376,000, to approximately RMB219,877,000 from approximately RMB165,501,000 for the corresponding period in 2018. Its proportion to turnover increased by 3.7 percentage points from 14.3% to approximately 18.0%, which was mainly attributable to the increase in expenses on advertising and promotion. The advertising and promotion expenses increased to approximately RMB17,102,000 from approximately RMB3,437,000 for the corresponding period in 2018.

Other income

For the six months ended 30 June 2019, other income of the Group increased by approximately 8.0%, or approximately RMB3,188,000, to approximately RMB42,900,000 from approximately RMB39,712,000 for the corresponding period in 2018. The increase was mainly originated from the increase in bank interest income during the Period.

Other gains and losses

For the six months ended 30 June 2019, other gains and losses of the Group increased by approximately 31.3% or approximately RMB7,682,000 to a gain of approximately RMB32,205,000 from a gain of approximately RMB24,523,000 for the corresponding period in 2018. The other gains and losses were mainly attributable to the gain on disposal of a subsidiary during the Period.

Finance costs

For the six months ended 30 June 2019, finance costs increased by approximately 433.0%, or approximately RMB14,671,000 to approximately RMB18,059,000 from approximately RMB3,388,000 for the corresponding period in 2018. The increase was mainly due to the finance costs recognised on lease liabilities upon initial adoption of HKFRS 16 in 2019. The interest on bank borrowings decreased by approximately 21.2%, or approximately RMB718,000 to approximately RMB2,670,000 from approximately RMB3,388,000 for the corresponding period in 2018, which was mainly due to repayment of bank borrowings during the Period.

Profit before taxation/Profit for the period

Being affected by the factors referred to above, the Group's profit before taxation for the six months ended 30 June 2019 decreased by approximately 33.7%, or approximately RMB60,918,000 to approximately RMB119,809,000 from approximately RMB180,727,000 for the corresponding period in 2018.

Had the impact of HKFRS 16 adoption been excluded for both periods, the amount of profit before taxation for the period ended 30 June 2019 would have been RMB133,861,000, a decrease of RMB46,866,000 or 25.9% from RMB180,727,000 for the corresponding period in 2018. Meanwhile, the profit for the period would have been RMB103,387,000, a decrease of RMB30,383,000 or 22.7% from RMB133,770,000 for the corresponding period in 2018.

Profit attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the six months ended 30 June 2019 decreased by approximately 28.6%, or approximately RMB34,708,000, to approximately RMB86,582,000 from approximately RMB121,290,000 for the corresponding period in 2018.

Assets and liabilities

The Group's net current assets were approximately RMB1,203,965,000 and the current ratio was 2.4 as at 30 June 2019 (31 December 2018: 3.4). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Net cash inflow from operations of the Group for the six months ended 30 June 2019 was approximately RMB202,170,000 while profit before taxation for the same period was approximately RMB119,809,000. The operating cash inflow was mainly due to the increase in profitability of FCR operated by the Group which the increase in size of operation of the Group strengthened the bargaining power of the Group with the suppliers and slowed down settlement of purchases.

Liquidity and financial resources

The liquidity and financial position of the Group as at 30 June 2019 remained healthy and strong, with bank balances amounting to RMB1,741,190,000 (31 December 2018: RMB1,356,407,000) and a current ratio of 2.4 (31 December 2018: 3.4). As at 30 June 2019, the Group had bank borrowings of RMB205,571,000 (31 December 2018: RMB219,511,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.3 (31 December 2018: 5.3).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 30 June 2019 and 31 December 2018 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Subsequent events

Subsequent to 30 June 2019, no material events affecting the Company and its subsidiaries have occurred.

Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets

In 2019, the Group disposed of its 100% equity interest of JILIN Property 1 S.A. to Ms. Poon, who is the chairman, an executive Director and a controlling shareholder of the Company, for a consideration of HK$186,700,896.39. The Group has recognised a gain on disposal of a subsidiary of approximately RMB29,396,000.

Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Interest rate risk

As the Group has no significant interest-bearing assets (other than pledged bank deposits and bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash and pledged bank deposits included in the condensed consolidated statement of financial position represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 30 June 2019 and 31 December 2018, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 30 June 2019, the Group did not have any significant contingent liabilities.

Capital expenditure

For the six months ended 30 June 2019, the Group's capital expenditure was approximately RMB81,265,000 (corresponding period in 2018: RMB241,156,000), which was due to the decrease in purchase of property, plant and equipment, acquisition of investment in an associate and purchase of financial assets at FVTPL during the Period.

Key operating ratios for restaurant operations

	Hong Kong			**Mainland**		
	1-6/2019	1-12/2018	1-6/2018	**1-6/2019**	1-12/2018	1-6/2018
Comparable restaurant sales growth	**-18.3%**	-6.9%	-7.5%	**5.4%**	-2.6%	-0.6%
Per capita spending	**HK$65.3**	HK$65.8	HK$65.1	**RMB53.8**	RMB48.0	RMB47.4
Table turnover per day (times per day)	**4.2**	4.1	4.0	**3.4**	3.4	3.4

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules during the Period, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, i.e., the roles of the Chairman and CEO have not been separated. Although Ms. Poon performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard (the "Required Standard") of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the six months ended 30 June 2019, they were in compliance with the Required Standard.

Audit Committee Review

The audit committee of the Company (the "Audit Committee"), which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Wang Jincheng, reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal controls, and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

Employee's Remuneration and Policy

As at 30 June 2019, the Group employed 11,797 persons (30 June 2018: 11,615 persons), most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will vary from time to time as necessary and the remuneration will be determined by reference to the practice of the industry.

The Group conducted regular reviews on its remuneration policy and overall remuneration payment. Besides retirement scheme and internal training courses, employees may be granted discretionary bonuses and/or share options based on their performances.

The total remuneration payment of the Group for the six months ended 30 June 2019 was approximately RMB330,252,000 (30 June 2018: RMB302,612,000).

Dividends

An interim dividend of RMB0.02 (HK2.20 cents) per ordinary share and a special dividend of RMB0.023 (HK2.50 cents) per ordinary share for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB0.02 (HK2.80 cents) and nil) have been declared by the Board to Shareholders and such interim dividend and special dividend will be paid on 29 November 2019 to Shareholders whose names appear on the register of members of the Company on 13 September 2019.

Closure of the Register of Members

The register of members of the Company will be closed from 11 September 2019 to 13 September 2019 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for the aforesaid interim dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 September 2019.

By order of the Board
Ajisen (China) Holdings Limited
Poon Wai
Chairman

Hong Kong, 20 August 2019

As at the date of this announcement, the Board comprises Ms. Poon Wai, Mr. Poon Ka Man, Jason and Ms. Minna Ng as executive Directors; Mr. Katsuaki Shigemitsu as non-executive Director and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.