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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

2019 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Increase/ (Decrease)
	(RMB'000)	*(RMB'000)*	%
Turnover	**2,565,102**	2,377,745	7.9
Sales from restaurant operation	**2,398,899**	2,218,124	8.1
Gross profit	**1,854,319**	1,793,025	3.4
Profit from operation	**119,749**	231,772	-48.3
Profit before taxation	**231,257**	673,865	-65.7
Profit attributable to owners of the Company	**156,441**	551,020	-71.6
Basic earnings per share (RMB)	**0.14**	0.50	-72.0
Recommended final dividend per share (RMB)	**0.049**	0.1	
	(HK5.3 cents)	(HK12 cents)	
Total number of restaurants (at 31 December)	**799**	766	4.3

ANNUAL RESULTS

The board of directors (the "Directors") (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 together with the comparative figures for the year 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*3*	**2,565,102**	2,377,745
Cost of inventories consumed		**(710,783)**	(584,720)
Staff costs		**(679,858)**	(608,433)
Depreciation and amortisation		**(414,964)**	(156,093)
Other operating expenses		**(639,748)**	(796,727)
Profit from operation		**119,749**	231,772
Other income	*4*	**129,947**	96,794
Impairment losses under expected credit loss model, net of reversal		**(515)**	–
Other gains and losses	*5*	**15,239**	349,320
Share of profit of associates		**2,310**	3,395
Share of loss of a joint venture		**(233)**	(912)
Finance costs	*6*	**(35,240)**	(6,504)
Profit before taxation	*7*	**231,257**	673,865
Taxation	*8*	**(62,947)**	(108,525)
Profit for the year		**168,310**	565,340
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on property, plant and equipment and right-of-use assets upon transfer to investment properties		**174,710**	71,914
Income tax relating to items that will not be reclassified to profit or loss		**(88,670)**	(18,065)
Reversal of income tax previously recognised on properties revaluation reserve		**6,736**	–
		92,776	53,849

	NOTES	2019 RMB'000	2018 RMB'000
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**5,350**	(1,869)
		5,350	(1,869)
Other comprehensive income for the year, net of income tax		**98,126**	51,980
Total comprehensive income for the year		**266,436**	617,320
Profit for the year attributable to:			
Owners of the Company		**156,441**	551,020
Non-controlling interests		**11,869**	14,320
		168,310	565,340
Total comprehensive income attributable to:			
Owners of the Company		**253,430**	585,074
Non-controlling interests		**13,006**	32,246
		266,436	617,320

	NOTES	2019 RMB	2018 RMB
Earnings per share	*10*		
– Basic		**0.14**	0.50
– Diluted		**0.14**	0.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment properties		**1,032,120**	679,874
Property, plant and equipment		**606,933**	882,455
Right-of-use assets		**681,683**	–
Prepaid lease payments		**–**	55,988
Intangible assets		**6,002**	5,608
Interest in associates	*11*	**134,570**	149,349
Interest in a joint venture		**11,713**	11,946
Rental deposits		**98,885**	83,070
Goodwill		**1,344**	7,129
Deferred tax assets		**9,069**	1,695
Financial assets at fair value through profit or loss ("FVTPL")	*12*	**262,708**	310,362
Long term receivables		**–**	86,077
		2,845,027	2,273,553
Current assets			
Inventories		**126,691**	79,260
Trade and other receivables	*13*	**249,443**	425,075
Amount due from a related party		**–**	12
Taxation recoverable		**716**	3,260
Pledged bank deposits		**–**	380
Bank balances and cash		**1,705,399**	1,356,407
		2,082,249	1,864,394
Current liabilities			
Trade and other payables	*14*	**325,341**	246,551
Lease liabilities		**230,231**	–
Contract liabilities		**10,234**	12,824
Amounts due to related companies		**4,073**	4,428
Amounts due to directors		**504**	906
Amount due to a shareholder		**17,525**	30,274
Amounts due to non-controlling interests		**13,434**	13,532
Amount due to associates		**2,245**	12,116
Amount due to a joint venture		**2,076**	–
Dividend payable		**26**	26
Taxation payable		**51,349**	51,416
Bank borrowings		**160,155**	169,598
		817,193	541,671

	NOTES	2019 RMB'000	2018 RMB'000
Net current assets		**1,265,056**	1,322,723
Total assets less current liabilities		**4,110,083**	3,596,276
Non-current liabilities			
Bank borrowings		**47,521**	49,913
Lease liabilities		**415,992**	–
Deferred tax liabilities		**175,355**	107,872
Financial liabilities at FVTPL		**62,776**	132,747
		701,644	290,532
Net assets		**3,408,439**	3,305,744
Capital and reserves			
Share capital		**108,404**	108,404
Reserves		**3,220,670**	3,122,086
Equity attributable to owners of the Company		**3,329,074**	3,230,490
Non-controlling interests		**79,365**	75,254
Total equity		**3,408,439**	3,305,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Ajisen (China) Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007. Its immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust and controlled by Ms. Poon Wai ("Ms. Poon") who is also the Chairwoman and Managing Director of the Company.

The principal activities of the Group are operation of restaurants, manufacture and sales of noodles and related products, and investment holding.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and the PRC operating subsidiaries of the Company. The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars ("HK$").

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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 year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

The Group applied the following accounting policies in accordance with the transition provisions 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 standard 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 the date of 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

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

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 or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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;

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.

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	(12,571)
Recognition exemption – lease with lease term ending within 12 months from the date of initial application	(48,997)
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 for own use as at 1 January 2019 comprises the following:

	Note	Right-of-use assets
		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

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 consolidated statement of financial position at 1 January 2019. However, effective on 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 consolidated financial statements of the Group for the current year.

Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year as only a few contracts contain non-lease components and the corresponding amounts are not material.

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 consolidated statement of financial position

The following adjustments were made to the amounts recognised in the consolidated statement of financial position 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 year ended 31 December 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 consolidated financial statements

The impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current year were insignificant.

2.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

Information reported to 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 Group's operating and reportable segments under HKFRS 8 are as follows:

Operation of restaurants	– operation of restaurants in Mainland China – operation of restaurants in Hong Kong
Manufacture and sales of packaged noodles and related products	– manufacture and sales of packaged noodles and related products in Mainland China and Hong Kong
Investment holding	– leasing of property interests and investment in financial instruments

Information regarding these segments is presented below.

Segment revenue and results

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

For the year ended 31 December 2019

	Operation of restaurants			Manufacture and sales of packaged 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	**2,240,566**	**158,333**	**2,398,899**	**166,203**	**–**	**2,565,102**	**–**	**2,565,102**
– inter-segment sales	**–**	**–**	**–**	**868,549**	**–**	**868,549**	**(868,549)**	**–**
	2,240,566	**158,333**	**2,398,899**	**1,034,752**	**–**	**3,433,651**	**(868,549)**	**2,565,102**
Segment profit (loss)	**152,272**	**(45,335)**	**106,937**	**16,639**	**58,828***	**182,404**	**–**	**182,404**
Interest income								**27,320**
Gain on disposal of a subsidiary								**29,396**
Compensation from Mr. Lau								**25,760**
Unallocated administrative expenses								**(28,655)**
Unallocated finance costs								**(4,968)**
Profit before taxation								**231,257**
Taxation								**(62,947)**
Profit for the year								**168,310**

For the year ended 31 December 2018

	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	2,038,888	179,236	2,218,124	159,621	–	2,377,745	–	2,377,745
– inter-segment sales	–	–	–	779,219	–	779,219	(779,219)	–
	2,038,888	179,236	2,218,124	938,840	–	3,156,964	(779,219)	2,377,745
Segment profit	347,392	1,856	349,248	14,295	368,469*	732,012	–	732,012
Interest income								15,935
Unallocated administrative expenses								(67,578)
Unallocated finance costs								(6,504)
Profit before taxation								673,865
Taxation								(108,525)
Profit for the year								565,340

* *Included share results of associates and a joint venture of profit of RMB2,077,000 in segment profit for the year ended 31 December 2019 (2018: profit of RMB2,483,000).*

Other information

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income, central administrative costs, gain on disposal of a subsidiary, compensation from Mr. Lau and finance costs. 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, goodwill, rental deposits and other assets), including investment properties, property, plant and equipment, right-of-use assets, prepaid lease payments, intangible assets and interests in associates and a joint venture are located in the Group entities' countries of domicile, Mainland China and Hong Kong.

The following is an analysis of the Group's non-current assets by geographical location of assets:

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**1,940,738**	1,358,413
Hong Kong	**530,944**	515,696
	2,471,682	1,874,109

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 years ended 31 December 2019 and 2018.

None of the customers accounted for 10% or more of the total revenue of the Group during each of the years ended 31 December 2019 and 2018.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Royalty income from sub-franchisee *(note i)*	**18,094**	38,148
Property rental income, net of direct outgoings *(note ii)*	**36,540**	26,433
Bank interest income	**27,320**	15,935
Government grant *(note iii)*	**7,123**	6,311
Compensation received from landlord for early termination of operating leases of restaurants	**2,097**	682
Compensation from Mr. Lau *(note iv)*	**25,760**	–
Others	**13,013**	9,285
	129,947	96,794

Notes:

(i) The Group grants the royalties to the sub-franchisee and provide rights for them to operate restaurants with the Brand "Ajisen" for fixed contract terms. Royalty incomes are recognised over time by reference to the contract terms.

(ii) Property rental incomes are recognised on a straight-line basis over the terms of the relevant leases. All the leases for the years ended 31 December 2019 and 2018 are operating leases with fixed lease payments.

(iii) 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.

(iv) At 16 December 2019, the Group has recovered a total amount of RMB25,760,000 from Mr. Lau Ka Ho, Robert (劉家豪) ("Mr. Lau") in relation to his suspected misappropriation of funds of a subsidiary of the Group during the period from January 2012 to November 2018 as disclosed in the Company's announcements dated 14 December 2018, 19 March 2019 and 23 April 2019.

5. OTHER GAINS AND LOSS

	2019	2018
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary *(Note 15)*	**29,396**	–
Compensation in relation to a prior year financial asset at FVTPL	**–**	329,404
Fair value gain on investment properties	**47,834**	47,840
(Loss) gain on disposal of property, plant and equipment	**(1,782)**	12,385
Fair value (loss) gain on financial assets at FVTPL	**(28,931)**	11,536
Fair value gain (loss) on financial liabilities at FVTPL	**1,308**	(49,227)
Net foreign exchange loss	**(1,503)**	(2,618)
Impairment loss on goodwill	**(5,839)**	–
Impairment loss on right of use assets	**(5,667)**	–
Impairment loss on property, plant and equipment	**(3,438)**	–
Impairment loss on interest in an associate	**(16,139)**	–
	15,239	349,320

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on lease liabilities	**30,272**	–
Interest on bank borrowings	**4,968**	6,504
	35,240	6,504

7. PROFIT BEFORE TAXATION

	2019 *RMB'000*	2018 *RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories consumed *(note a)*	**710,783**	584,720
Directors' remuneration	**3,575**	3,327
Other staff's salaries, wages and other benefits	**607,355**	535,978
Other staff's retirement benefits scheme contributions	**67,684**	67,181
Other staff's share-based payment expenses	**1,244**	1,947
Total staff costs	**679,858**	608,433
Advertising and promotion expenses	**29,349**	17,802
Depreciation of property, plant and equipment	**151,947**	154,565
Depreciation of right of use assets	**263,017**	–
Auditor's remuneration		
Audit fee	**2,600**	2,500
Non-audit services	**700**	650
	3,300	3,150
Fuel and utility expenses	**121,484**	117,182
Gross rental income from investment properties	**(38,202)**	(27,821)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	**1,662**	1,388
	(36,540)	(26,433)
Operating lease rentals in respect of		
– land lease	**–**	1,528
– rented premises	**–**	348,554
Property rentals in respect of		
– Variable lease payment	**58,345**	–
– Short-term lease payment	**45,192**	–
	103,537	350,082

Note:

a. This represents costs of raw materials and consumables used.

8. TAXATION

	2019	2018
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current year	**2,837**	8,476
PRC Income Tax		
– Current year	**74,712**	85,742
– Over provision in prior years	**(5,778)**	(6,511)
	68,934	79,231
Withholding tax	**12,995**	4,633
Deferred taxation (credit) charge	**(21,819)**	16,185
	62,947	108,525

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2019.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except the followings:

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in 2016, Chongqing Weiqian Food & Culture Co., Ltd. 重慶味千餐飲文化有限公司 ("Chongqing Weiqian"), which is located in Chongqing, the PRC, applied a preferential tax rate of 15% ("Preferential Tax Treatment") 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 years ended 31 December 2019 and 2018, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2018 and 2017 respectively, and therefore, Chongqing Weiqian reversed the income tax liability of approximately RMB5,828,000 and RMB5,568,000 which was previously recognised in the year 2018 and 2017 respectively.

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.

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK2.20 cents) per share for 2019 (2018: paid – RMB0.02 (HK2.80 cents) per share for 2018)	**21,831**	26,164
Final, paid – RMB0.10 (HK12.00 cents) per share for 2018 (2018: paid – RMB0.04 (HK5.00 cents) per share for 2017)	**109,154**	46,721
Special paid – RMB0.023 (HK2.50 cents) per share for 2019	**25,105**	–
	156,090	72,885

A final dividend of RMB0.049 (HK5.3 cents) per ordinary share (2018: a final dividend of RMB0.1 (HK12 cents) per ordinary share), in an aggregate amount of approximately RMB53,485,000 (approximately HK$57,852,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

10. EARNINGS PER SHARE

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

Earnings

	2019	2018
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share, being earnings for the year attributable to owners of the Company	**156,441**	551,020

Number of shares

	2019	2018
Weighted average 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	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,538,820**	1,091,538,820

All (31 December 2018: all) outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2019 and 2018 because the exercise prices of these options were higher than the average market prices of the Company's shares during the years ended 31 December 2019 and 2018.

11. INTEREST IN ASSOCIATES

	2019	2018
	RMB'000	*RMB'000*
Cost of investment in associates	**151,341**	151,341
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(1,971)**	(3,302)
	149,370	148,039
Less: Impairment loss recognised *(note)*	**(16,139)**	–
Loan to an associate	**1,339**	1,310
	134,570	149,349

Note: During the year ended 31 December 2019, the Group engaged an independent qualified professional valuer to assist in performing impairment review for a certain associates of the Group. Based on the valuation, an impairment loss of RMB16,139,000 (2018: Nil) has been recognised during the year ended 31 December 2019.

12. FINANCIAL ASSETS AT FVTPL

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Unlisted equity investments and fund investments	**262,708**	310,362

The components of financial assets at FVTPL are as follow:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Yunxi	**133,500**	137,000
Jiahua Anyuan Fund	**62,002**	70,000
Hezhi	**62,964**	99,120
Others	**4,242**	4,242
	262,708	310,362

In estimating the fair value, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fair value of the major unlisted equity investments are determined by market approach, using key inputs including equity value, risk free rate and volatility, etc.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
– a related company *(note i)*	**–**	935
– others	**23,494**	33,107
	23,494	34,042
Less: allowance for credit losses	**(3,183)**	(2,956)
	20,311	31,086
Other receivables		
Rental and utility deposits	**19,127**	21,050
Prepaid management fee and property rental *(note ii)*	**9,462**	6,133
Prepaid property rentals	**–**	21,940
Advance to suppliers	**70,088**	26,218
Deductible value added tax	**40,694**	24,753
Compensation receivable in relation to equity investment in prior year	**3,850**	266,067
Receivable from disposal of an investment property	**47,064**	–
Prepaid lease payment – current portion	**–**	1,534
Others	**39,135**	26,294
	229,420	393,989
Less: allowance for doubtful debts on other receivables	**(288)**	–
	229,132	393,989
	249,443	425,075

Notes:

(i) The related company is a company in which Ms. Poon has controlling interests.

(ii) The prepaid property rentals are related to short-term leases.

Customers including both independent third parties and related company of noodles and related products are normally granted 60 to 90 days (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. There was no credit period for customers relating to sales from operation of restaurants.

As at 31 December 2019 and 1 January 2019, trade receivables from contracts with customers amounted to RMB20,311,000 and RMB31,086,000 respectively.

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

	2019	2018
	RMB'000	*RMB'000*
Ageing		
0 to 30 days	**17,057**	27,865
31 to 60 days	**873**	2,292
61 to 90 days	**1,348**	768
91 to 180 days	**1,033**	161
	20,311	31,086

As at 31 December 2019, included in the Group's trade receivables balance, are debtors with aggregate carrying amount of RMB1,046,000 (2018: RMB161,000) which are past due as at the reporting date. Out of the past due balances, RMB1,046,000 (2018: RMB161,000) has been past due 90 days or more and is not considered as in default as these balances are mainly due from customers of good credit quality. The Group does not hold any collateral over the balances.

14. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– related companies *(Note)*	**26,809**	6,143
– others	**105,129**	88,525
	131,938	94,668
Payroll and welfare payables	**49,614**	39,386
Customers' deposits received	**11,667**	12,028
Payable for acquisition of property, plant and equipment	**52,073**	28,259
Payable for variable lease payment	**9,335**	8,738
Payable for fixed lease payment	**–**	15,304
Other taxes payable	**17,098**	22,108
Others	**53,616**	26,060
	325,341	246,551

Note: The related companies are the companies in which Mr. Katsuaki Shigemitsu, who is a director and shareholder of the Company, or Ms. Poon has controlling interests.

The average credit period for purchase of goods is 60 days (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:

Ageing	**2019**	2018
	RMB'000	*RMB'000*
0 to 30 days	**95,038**	62,877
31 to 60 days	**27,514**	24,420
61 to 90 days	**1,113**	537
91 to 180 days	**568**	342
Over 180 days	**7,705**	6,492
	131,938	94,668

15. DISPOSAL OF A SUBSIDIARY

During the current year, Ajisen Properties Limited ("Ajisen Properties"), a 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 premises to the Group for an initial term of 3 years. This tenancy agreement is accounted for under HKFRS 16.

DIVIDEND

A final dividend of RMB0.049 (HK5.3 cents) per ordinary share (2018: a final dividend of RMB0.1 (HK12 cents) per ordinary share) for the year ended 31 December 2019 has been proposed by the Board and is subject to the approval by the shareholders of the Company (the "Shareholders") at the annual general meeting ("AGM") to be held on 22 May 2020. The proposed final dividend is expected to be paid on or about 30 September 2020. Including the interim dividend of RMB0.02 (HK2.2 cents) per ordinary share and a special dividend of RMB0.023 (HK2.5 cents) per ordinary share (2018: interim dividend of RMB0.02 (HK2.8 cents) per ordinary share) already paid, the total dividend for the year ended 31 December 2019 will amount to RMB0.092 (HK10.0 cents) per ordinary share (2018: RMB0.12 (HK14.8 cents) per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2019, in the face of mounting risks and challenges both at home and abroad, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping as the core, China adhered to the general working guideline of making progress while maintaining stability and the new development philosophy, committed to the high-quality development, focused on the supply-side structural reform, deepened the reform and opened wider to the world, and unswervingly fought the "Three Critical Battles" and endeavored to maintain stability in areas of employment, financial sector, foreign trade, foreign investment, domestic investment and market expectation. As a result, the economy was generally stable and the development reached a new stage with steadily raised quality. According to the National Bureau of Statistics of China, in 2019, gross domestic product (GDP) reached RMB99.0865 trillion, representing an increase of 6.1% (corresponding period of 2018: 6.6%) calculated at comparable prices; and the total retail sales of social consumer goods for the year increased by 8.0% year-on-year to RMB41.1649 trillion, exceeding RMB40 trillion for the first time and showing a generally steady and upward trend. The national per capita disposable income for the year was RMB30,733, an actual growth of 5.8% 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, the revenue of the catering industry for the year of 2019 increased by 9.4% (corresponding period of 2018: 9.5%) year-on-year to RMB4.6721 trillion, indicating that the catering market continued to maintain a generally stable growth while making further progress in 2019. Of which, new types of business such as takeaway and group meals have led the catering consumption market, and the takeaway market size will exceed RMB280 billion in 2019 according to iiMedia Research, indicating that the market development has entered a stage of stable growth after several years of popularization of takeaway services. In light of the gradual maturity of the takeaway market in the catering industry, Ele.Me and Meituan are accelerating the exploration of new retail business which will be a new playground for mainstream takeaway platforms in the future. In addition, the catering sector has gradually become the highlight of the consumer industry, accounting for 11.35%. In 2019, the contribution rate of consumption to economic growth was 57.8%, driving GDP growth by 3.5%, and being the first driving force for economic growth for six consecutive years. In particular, the scale of catering accounted for 11.3% of the total retail sales of social consumer goods, contributing 13.1% to the growth of total retail sales of social consumer goods, and driving the growth of total retail sales of consumer goods by 1%. The continuous expansion of the catering market is still an important force driving the domestic consumer market.

According to the China Catering Report 2019 (《中國餐飲報告2019》), the future development trend of the catering industry will be the industrial structure transformation, supply-side digitalization, business model upgrading in dimension, intelligent commerce, catering retail, and refined operations. 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 strategically expand its restaurant network to further increase the restaurant density and expand the coverage of restaurants, and will also 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.

Business Review

For the year ended 31 December 2019, the Group's turnover increased from approximately RMB2,378 million in 2018, by approximately 7.9% to approximately RMB2,565 million in 2019. The gross profit of the Group reached approximately RMB1,854 million, an increase of approximately 3.4% from last year. Profit from operation for the year of the Company decreased by approximately 48.3% and profit attributable to the owners of the Company decreased by approximately 71.6% to approximately RMB156.4 million from approximately RMB551.0 million last year. Correspondingly, basic earnings per share decreased from RMB0.5 last year to RMB0.14 per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of RMB0.049 (2018: RMB0.1) per ordinary share for the year ended 31 December 2019 as a return to the Shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2019, the Group has six major production bases in Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan throughout China.

During the year, 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 Guangdong, Shandong, Zhejiang and Shanghai. As at 31 December 2019, the Group had a total of 799 fast casual chain restaurants, an increase of 33 from 766 during the corresponding period in 2018; the Group's restaurant network extended its reach to 176 cities in 31 provinces and municipalities nationwide.

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 27.7%, indicating an increase of approximately 3.1 percentage points from that of the corresponding period last year. Accordingly, gross profit margin decreased from approximately 75.4% last year to approximately 72.3% in 2019. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw materials.

During the year, the Group's labour costs accounted for approximately 26.5% of the turnover, which was approximately 0.9 percentage point higher than that of the corresponding period of last year. During the year, 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 laws and regulations.

During the year, rental expenses as a proportion to turnover of the Group was approximately 4%, which was approximately 10.7 percentage points lower than that of the corresponding period last year. Such decrease was mainly due to the adoption of HKFRS 16 where lease payments were treated as repayment of lease liabilities and finance costs.

Besides, the number of stores increased by 33 compared with last year. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium- and small-sized restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. The Group has timely introduced a number of enriched and attractive marketing activities. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. These activities not only encouraged new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The effective operation of 799 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operational efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully motivate its staff.

Retail Chain Restaurants

In 2019, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately RMB2,398,899,000 (2018: RMB2,218,124,000), accounted for approximately 93.5% (2018: 93.3%) of the Group's total revenue.

As at 31 December 2019, the Group's restaurant portfolio consisted of 799 Ajisen chain restaurants, comprising the following:

	31 December 2019	31 December 2018	+/–
By provinces/cities:			
Shanghai	**129**	129	–
Beijing	**46**	47	-1
Tianjin	**8**	6	+2
Guangdong (excluding Shenzhen)	**58**	49	+9
Shenzhen	**20**	22	-2
Jiangsu	**90**	91	-1
Zhejiang	**86**	74	+12
Sichuan	**15**	16	-1
Chongqing	**14**	12	+2
Fujian	**23**	25	-2
Hunan	**17**	18	-1
Hubei	**14**	16	-2
Liaoning	**25**	24	+1
Shandong	**54**	47	+7
Guangxi	**17**	13	+4
Guizhou	**4**	4	–
Jiangxi	**18**	15	+3
Shaanxi	**16**	15	+1
Yunnan	**10**	12	-2
Henan	**16**	14	+2
Hebei	**16**	12	+4
Anhui	**17**	19	-2
Xinjiang	**3**	3	–
Hainan	**8**	9	-1
Shanxi	**5**	4	+1
Neimenggu	**5**	5	–
Heilongjiang	**16**	14	+2
Ningxia, Qinghai	**3**	4	-1
Jilin	**15**	15	–
Tibet	**1**	1	–
Gansu	**1**	–	+1
Hong Kong	**27**	30	-3

	31 December 2019	31 December 2018	+/–
Others:			
Rome	**1**	1	–
Finland	**1**	0	+1
Total	**799**	766	+33
By geographical region:			
Northern China	**185**	169	+16
Eastern China	**322**	313	+9
Southern China	**171**	163	+8
Central China	**119**	120	-1
Europe	**2**	1	+1
Total	**799**	766	+33

Financial Review

Turnover

For the year ended 31 December 2019, the Group's turnover increased by approximately 7.9%, or approximately RMB187,357,000 to approximately RMB2,565,102,000 from approximately RMB2,377,745,000 for the corresponding period in 2018. Such increase was mainly due to the increase in number of stores of the Group during the year.

Cost of inventories consumed

For the year ended 31 December 2019, the Group's cost of inventories increased by approximately 21.6%, or approximately RMB126,063,000 to approximately RMB710,783,000 from approximately RMB584,720,000 for the corresponding period in 2018.

During the year, the ratio of inventories cost to turnover was approximately 27.7%, higher than 24.6% for the corresponding period in 2018. Such increase was attributable to the increase in material cost for the year.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2019 increased by approximately 3.4%, or approximately RMB61,294,000 to approximately RMB1,854,319,000 from approximately RMB1,793,025,000 for the corresponding period in 2018. Gross profit margin of the Group also decreased from approximately 75.4% for the corresponding period in 2018 to approximately 72.3% due to the increase in material costs.

Staff costs

For the year ended 31 December 2019, staff costs of the Group increased by approximately 11.7% from approximately RMB608,433,000 for the corresponding period in 2018 to approximately RMB679,858,000 which reflected the raise in level of minimum wage in a number of provinces and cities in China for the year. Staff costs as a proportion to turnover remained stable at around 26.5% (2018: 25.6%).

Depreciation

For the year ended 31 December 2019, depreciation of the Group increased by approximately 165.8% or approximately RMB258,871,000 from approximately RMB156,093,000 for the corresponding period in 2018 to approximately RMB414,964,000. Such 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 years, the amount of depreciation for the year ended 31 December 2019 would have been approximately RMB153,673,000, a decrease of approximately RMB2,420,000, or approximately 1.6%, from approximately RMB156,093,000 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 year ended 31 December 2019, other operating expenses decreased by approximately 19.7%, or approximately RMB156,979,000, to approximately RMB639,748,000 from approximately RMB796,727,000 for the corresponding period in 2018. Its proportion to turnover decreased by 7.8 percentage points from approximately 33.5% to approximately 24.9% 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 years, the amount of other operating expenses for the year ended 31 December 2019 would have been approximately RMB905,066,000, an increase of approximately RMB108,339,000 or approximately 13.6%, from approximately RMB796,727,000 for the corresponding period in 2018, which was mainly attributable to the increase in expenses on advertising and promotion.

Other income

For the year ended 31 December 2019, other income of the Group increased by approximately 34.3%, or approximately RMB33,153,000, to approximately RMB129,947,000 from approximately RMB96,794,000 for the corresponding period in 2018. The increase was mainly originated from the compensation from Mr. Lau Ka Ho, Robert, the former chief financial officer in 2019.

Other gains and losses

For the year ended 31 December 2019, other gains and losses of the Group decreased by approximately 95.6% or approximately RMB334,081,000 to a gain of approximately RMB15,239,000 from a gain of approximately RMB349,320,000 for the corresponding period in 2018. The decrease in other gains and losses were mainly attributable to one-off investment gain in 2018.

Finance costs

For the year ended 31 December 2019, finance costs increased by approximately 441.8%, or approximately RMB28,736,000 to approximately RMB35,240,000 from approximately RMB6,504,000 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 23.6%, or approximately RMB1,536,000 to approximately RMB4,968,000 from approximately RMB6,504,000 for the corresponding period in 2018, which was mainly due to repayment of bank borrowings during the year.

Profit before taxation

Being affected by the factors referred to above, the Group's profit before taxation for the year ended 31 December 2019 decreased by approximately 65.7%, or approximately RMB442,608,000 to approximately RMB231,257,000 from approximately RMB673,865,000 for the corresponding period in 2018.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of profit before taxation for the year ended 31 December 2019 would have been approximately RMB263,169,000, a decrease of approximately RMB410,696,000 or approximately 60.9% from approximately RMB673,865,000 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 year ended 31 December 2019 decreased by approximately 71.6%, or approximately RMB394,579,000, to approximately RMB156,441,000 from approximately RMB551,020,000 for the corresponding period in 2018.

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2019 remained healthy and strong, with bank balances amounting to approximately RMB1,705,399,000 (31 December 2018: approximately RMB1,356,047,000) and a current ratio of 2.6 (31 December 2018: 3.4).

As at 31 December 2019, the Group had bank borrowings of approximately RMB207,676,000 (31 December 2018: approximately RMB219,511,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.2 (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 31 December 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.

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, pledged bank deposits included in the consolidated balance sheets 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 using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 31 December 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.

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 Wai, 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 as at the date of this announcement.

Contingent liabilities

As of 31 December 2019, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,265,056,000 and the current ratio was 2.6 as at 31 December 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

Cash generated from operations for the year ended 31 December 2019 was approximately RMB502,317,000, while profit before taxation for the same period was approximately RMB231,257,000. The difference was primarily due to depreciation of property, plant and equipment and right-of-use assets.

Capital expenditure

For the year ended 31 December 2019, the Group's capital expenditure was approximately RMB166,612,000 (2018: RMB334,591,000), the decrease was mainly because of purchase of financial assets in 2018.

Key operating ratios for restaurant operations

	Hong Kong			Mainland China		
	1-12/2019	1-6/2019	1-12/2018	**1-12/2019**	1-6/2019	1-12/2018
Comparable restaurant sales growth	**-27.9%**	-18.3%	-6.9%	**7.0%**	5.4%	-2.6%
Per capita spending	**HK$66.1**	HK$65.3	HK$65.8	**RMB48.0**	RMB53.8	RMB48.0
Table turnover per day (times per day)	**5.0**	4.2	4.1	**3.4**	3.4	3.4

SUBSEQUENT EVENT

The outbreak of the 2019 Novel Coronavirus ("COVID-19") in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have had a serve negative impact on the operations of the Group since January 2020, as most of the Group's restaurants are located in China.

The Group had to close its restaurants since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

Even though the Group had reopened parts of its restaurants since 1 March 2020, they are still not operating at normal capacity due to the market sentiment.

In addition, as the operations of substantially all of the Group's associates, a joint venture and investees are located in mainland China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments in these investees, which are subject to impairment assessments as appropriate. The recoverability of the Group's inventories is also expected to be negatively affected.

As the situation remains fluid as at the date these financial statements are authorised for issue, the Directors considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to materially affect the consolidated results of the Group for the first half and full year of 2020, e.g. provision of inventory, impairment of property, plant and equipment, right-of-use assets and investments in associates and a joint venture, fair value decrease of financial assets at FVTPL and investment properties.

Save as disclosed above, Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this announcement.

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 year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has, throughout the year ended 31 December 2019, adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all applicable code provisions under the Code, 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 Wai 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by 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 (the "Model Code") as set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of inside information of the Company on no less exacting terms than the Model Code.

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee was set up on 8 March 2007 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules.

Currently, the Audit Committee comprises three independent non-executive Directors as follows:

Mr. Jen Shek Voon (Chairman), an independent non-executive Director
Mr. Lo Peter, an independent non-executive Director
Mr. Wang Jincheng, an independent non-executive Director

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor in the year 2020, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

This annual results announcement is based on the Company's audited consolidated financial statements for the year ended 31 December 2019 which have been agreed with DTT, the auditor of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 19 May 2020 to 22 May 2020 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the Shareholders who are entitled to receive the final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from 28 May 2020 to 2 June 2020 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final 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 18 May 2020 and 27 May 2020 respectively.

AGM AND DESPATCH OF 2019 ANNUAL REPORT

The AGM will be held on 22 May 2020. A notice convening the AGM will be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk and will be despatched to all Shareholders together with the 2019 annual report of the Company in due course.

The 2019 annual report of the Company will be despatched to all Shareholders and will also be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 31 March 2020

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.