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 2020

2020 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Increase/ (Decrease)
	(RMB'000)	*(RMB'000)*	%
Turnover	**1,820,588**	2,565,102	(29.0)
Sales from restaurant operation	**1,702,117**	2,398,899	(29.0)
Gross profit	**1,305,027**	1,854,319	(29.6)
(Loss) profit from operation	**(37,954)**	119,749	N/A
(Loss) profit before tax	**(97,999)**	231,257	N/A
(Loss) profit attributable to owners of the Company	**(77,868)**	156,441	N/A
(Loss) earnings per share (RMB)	**(0.07)**	0.14	N/A
Recommended final dividend per share (RMB)	**0.08**	0.049	
	(HK9.5 cents)	(HK5.3 cents)	
Total number of restaurants (as at 31 December)	**722**	799	(9.6)

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 2020 together with the comparative figures for the year 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3*	**1,820,588**	2,565,102
Cost of inventories consumed	*7*	**(515,561)**	(710,783)
Staff costs	*7*	**(477,510)**	(679,858)
Depreciation	*7*	**(443,693)**	(414,964)
Other operating expenses	*7*	**(421,778)**	(639,748)
(Loss) profit from operation		**(37,954)**	119,749
Other income	*4*	**96,169**	129,947
Impairment losses under expected credit loss model, net of reversal		**(9,263)**	(515)
Other gains and losses	*5*	**(108,327)**	15,239
Share of (loss) profit of associates		**(448)**	2,310
Share of loss of a joint venture		**(1,998)**	(233)
Finance costs	*6*	**(36,178)**	(35,240)
(Loss) profit before tax		**(97,999)**	231,257
Income tax credit (expense)	*8*	**19,110**	(62,947)
(Loss) profit for the year		**(78,889)**	168,310
Other comprehensive (expense) income, net of income tax			
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
Income tax relating to items that will not be reclassified to profit or loss		**–**	(88,670)
Reversal of income tax previously recognised on properties revaluation reserve		**–**	6,736
		–	92,776

	NOTES	**2020**	2019
		RMB'000	*RMB'000*
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(26,188)**	5,350
		(26,188)	5,350
Other comprehensive (expense) income for the year, net of income tax		**(26,188)**	98,126
Total comprehensive (expense) income for the year		**(105,077)**	266,436
(Loss) profit for the year attributable to:			
Owners of the Company		**(77,868)**	156,441
Non-controlling interests		**(1,021)**	11,869
		(78,889)	168,310
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(96,798)**	253,430
Non-controlling interests		**(8,279)**	13,006
		(105,077)	266,436
		2020	2019
		RMB	*RMB*
(Loss) earnings per share	*10*		
– Basic		**(0.07)**	0.14
– Diluted		**(0.07)**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment properties		**997,956**	1,032,120
Property, plant and equipment		**532,083**	606,933
Right-of-use assets		**616,312**	681,683
Goodwill		**1,289**	1,344
Intangible assets		**519**	6,002
Interests in associates	*11*	**56,099**	134,570
Interest in a joint venture		**9,715**	11,713
Rental deposits		**97,980**	98,885
Deferred tax assets		**27,568**	9,069
Financial assets at fair value through profit or loss ("FVTPL")	*12*	**236,671**	262,708
		2,576,192	2,845,027
Current assets			
Inventories		**137,202**	126,691
Trade and other receivables	*13*	**158,034**	249,443
Taxation recoverable		**586**	716
Bank balances and cash		**1,738,380**	1,705,399
		2,034,202	2,082,249
Current liabilities			
Trade and other payables	*14*	**275,897**	325,341
Lease liabilities		**247,766**	230,231
Contract liabilities		**7,828**	10,234
Amounts due to related companies		**5,162**	4,073
Amounts due to directors		**460**	504
Amount due to a shareholder		**–**	17,525
Amounts due to non-controlling interests		**13,518**	13,434
Amounts due to associates		**2,087**	2,245
Amount due to a joint venture		**576**	2,076
Dividend payable		**–**	26
Taxation payable		**39,812**	51,349
Bank borrowings		**146,469**	160,155
		739,575	817,193

	NOTES	**2020** ***RMB'000***	2019 *RMB'000*
Net current assets		**1,294,627**	1,265,056
Total assets less current liabilities		**3,870,819**	4,110,083
Non-current liabilities			
Bank borrowings		**39,575**	47,521
Lease liabilities		**384,985**	415,992
Deferred tax liabilities		**156,338**	175,355
Financial liabilities at FVTPL		**61,067**	62,776
		641,965	701,644
Net assets		**3,228,854**	3,408,439
Capital and reserves			
Share capital		**108,404**	108,404
Reserves		**3,049,364**	3,220,670
Equity attributable to owners of the Company		**3,157,768**	3,329,074
Non-controlling interests		**71,086**	79,365
Total equity		**3,228,854**	3,408,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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 Company and its subsidiaries (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 Mainland China operating subsidiaries of the Company. The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars ("HK$").

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from 1 to 9 months waiver of lease payments on several leases in Mainland China and Hong Kong. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB34,121,000, which has been recognised as variable lease payments in profit or loss for the current year.

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 and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2[4]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5(2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

Notes:

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[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 2021.

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. OPERATING SEGMENTS

Information reported to Ms. Poon, the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment 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 CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's 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 noodles and related products	– manufacture and sales of noodles and related products in Mainland China and Hong Kong
Investment holding	– investments in property interests, investments in financial instruments and interests in associates and a joint venture

Information regarding these segments is presented below.

Segment revenues and results

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

For the year ended 31 December 2020

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Total reportable segments	Eliminations	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE								
– external sales	1,569,565	132,552	1,702,117	118,471	–	1,820,588	–	1,820,588
– inter-segment sales	–	–	–	665,600	–	665,600	(665,600)	–
	1,569,565	132,552	1,702,117	784,071	–	2,486,188	(665,600)	1,820,588
Segment (loss) profit	(43,889)	822	(43,067)	9,363	(58,980)*	(92,684)	–	(92,684)
Interest income								23,059
Unallocated administrative expenses								(23,822)
Unallocated finance costs								(4,552)
Loss before tax								(97,999)
Income tax credit								19,110
Loss for the year								(78,889)

For the year ended 31 December 2019

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Total reportable segments	Eliminations	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT 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 tax								231,257
Income tax expense								(62,947)
Profit for the year								168,310

* Included share of results of associates and a joint venture of RMB2,446,000 in segment profit for the year ended 31 December 2020 (2019: profit of RMB2,077,000).

Other information

Segment (loss) profit represents the loss incurred from/profit earned by each segment without allocation of interest income, unallocated administrative expenses, gain on disposal of a subsidiary, compensation from Mr. Lau, unallocated finance costs and income tax credit (expense). This is the measure reported to the CODM, 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 CODM 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, intangible assets and interests in associates and a joint venture are located in the Group's 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:

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,752,873**	1,940,738
Hong Kong	**458,553**	530,944
	2,211,426	2,471,682

All of the Group's revenue from external customers were attributed to the locations of the relevant group entities, which are Mainland China and Hong Kong, during the years ended 31 December 2020 and 2019.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2020 and 2019.

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Royalty income from sub-franchisee *(note i)*	**6,094**	18,094
Gross rental income from investment properties *(note ii)*	**25,437**	38,202
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(1,938)**	(1,662)
	23,499	36,540
Bank interest income	**23,059**	27,320
Government grants *(note iii)*	**23,779**	7,123
Compensation received from landlord for early termination of operating leases of restaurants	**1,164**	2,097
Compensation from Mr. Lau *(note iv)*	**–**	25,760
Others	**18,574**	13,013
	96,169	129,947

Notes:

(i) The Group grants the royalties to the sub-franchisees and provides rights for them to operate restaurants with the brand "Ajisen" for fixed contract terms. Royalty income are recognised over time by reference to the amounts specified in the contract.

(ii) Property rental income are recognised on a straight-line basis over the terms of the relevant leases. All the leases for the years ended 31 December 2020 and 2019 were operating leases with fixed lease payments.

(iii) During the year ended 31 December 2020, the Group recognised government grants of RMB18,926,000 in respect of Covid-19-related subsidies, of which RMB13,077,000 related to Employment Support Scheme and RMB5,849,000 related to Subsidy Schemes under Anti-epidemic Fund, both were provided by the Hong Kong government. The remaining amount of government grants represented the incentive subsidies received from the Mainland China local district authorities for the business activities carried out by the group entities in the respective districts. There were no specific conditions attached to the grants.

(iv) On 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"), the former chief financial officer of the Company, in relation to his suspected misappropriation of funds of a subsidiary of the Group during the period from January 2012 to November 2018. Relevant disclosures have been in the Company's announcements dated 14 December 2018, 19 March 2019 and 23 April 2019.

5. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**–**	29,396
Compensation in relation to a prior year financial asset at FVTPL	**32,545**	–
Fair value (loss) gain on investment properties	**(10,308)**	47,834
Loss on disposal of property, plant and equipment	**(3,968)**	(1,782)
Fair value loss on financial assets at FVTPL	**(26,037)**	(28,931)
Fair value gain on financial liabilities at FVTPL	**1,709**	1,308
Net foreign exchange loss	**(623)**	(1,503)
Gain on termination of leases, net	**2,444**	–
Impairment loss recognised in respect of		
– intangible assets	**(4,616)**	–
– property, plant and equipment	**(3,875)**	(3,438)
– right-of-use assets	**(17,656)**	(5,667)
– goodwill	**–**	(5,839)
– interest in associates *(note 11)*	**(77,942)**	(16,139)
	(108,327)	15,239

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**31,626**	30,272
Interest on bank borrowings	**4,552**	4,968
	36,178	35,240

7. (LOSS) PROFIT BEFORE TAX

	2020	2019
	RMB'000	*RMB'000*
(Loss) profit before tax has been arrived at after charging (crediting):		
Cost of inventories consumed *(note)*	**515,561**	710,783
Directors' remuneration	**3,747**	3,575
Other staff's salaries, wages and other benefits	**428,953**	607,355
Other staff's retirement benefits scheme contributions	**44,002**	67,684
Other staff's share-based payment expenses	**808**	1,244
Total staff costs	**477,510**	679,858
Depreciation of property, plant and equipment	**162,148**	151,947
Depreciation of right-of-use assets	**281,545**	263,017
Total depreciation	**443,693**	414,964
Other operating expenses included the following:		
Property rentals in respect of		
– Variable lease payment	**34,646**	58,345
– Short-term lease payment	**12,282**	45,192
	46,928	103,537
Covid-19-related rent concessions	**(34,121)**	–
Auditor's remuneration		
– Audit fee	**2,600**	2,600
– Non-audit services	**700**	700
	3,300	3,300

Note: This represents costs of raw materials and consumables used.

8. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current year	**1,572**	2,837
– Over provision in prior years	**(631)**	–
	941	2,837
Mainland China Income Tax		
– Current year	**17,110**	74,712
– Over provision in prior years	**(5,123)**	(5,778)
	11,987	68,934
Withholding tax	**5,470**	12,995
Deferred taxation credit	**(37,508)**	(21,819)
	(19,110)	62,947

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 subsidiaries in Mainland China are subject to EIT rate of 25%.

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, Mainland China, applied a preferential tax rate of 15% ("Preferential Tax Treatment") from 2016 to 2020.

Under relevant tax law and implementation regulations in the PRC, dividends paid out of the net profits derived by the operating subsidiaries in Mainland China 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 entities in Mainland China.

9. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK$0.022) per share for 2020 (2019: paid – RMB0.02 (HK$0.022) per share for 2019)	**21,831**	21,831
Final, paid – RMB0.049 (HK$0.053) per share for 2019 (2019: paid – RMB0.10 (HK$0.12) per share for 2018)	**53,485**	109,154
2019: special paid – RMB0.023 (HK$0.025) per share for 2019	**–**	25,105
	75,316	156,090

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB0.08 (HK$0.095) (2019: final dividend in respect of the year ended 31 December 2019 of RMB0.049 (HK$0.053) per ordinary share, in an aggregate amount of RMB87,323,000 (HK$103,696,000) (2019: RMB53,485,000 (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. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2020	2019
	RMB'000	*RMB'000*
(Loss) earnings for the purposes of basic and diluted earnings per share, being (loss) earnings for the year attributable to owners of the Company	**(77,868)**	156,441

Number of shares

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic (loss) 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 (loss) earnings per share	**1,091,538,820**	1,091,538,820

During the year ended 31 December 2020, the computation of diluted loss per share did not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

During the year ended 31 December 2019, 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 because the exercise prices of these options were higher than the average market prices of the Company's shares during the year ended 31 December 2019.

11. INTERESTS IN ASSOCIATES

	2020	2019
	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	**(2,419)**	(1,971)
	148,922	149,370
Less: Impairment loss recognised *(note)*	**(94,081)**	(16,139)
Loan to an associate	**1,258**	1,339
	56,099	134,570

Note: During the year ended 31 December 2020, the Group engaged an independent qualified professional valuer to assist the management in performing impairment review for an associate of the Group, which is considered as having impairment indicators. Based on the valuation, an impairment loss of RMB16,636,000 (2019: RMB16,139,000) has been recognised during the year ended 31 December 2020.

During the year ended 31 December 2020, in view of the poor operating performance of an associate, Jiangsu Hong Xuan Ecological Agriculture Company Limited (江蘇鴻軒生態農業有限公司) ("Hong Xuan"), the directors of the Company considered that the recoverability of the investments would be remote. As such, an impairment loss of RMB61,306,000 was recognised.

12. FINANCIAL ASSETS AT FVTPL

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Unlisted equity investments and fund investments	**236,671**	262,708

The components of financial assets at FVTPL are as follow:

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Yunxi	**134,238**	133,500
Jiahua Anyuan Fund	**51,947**	62,002
Hezhi	**46,244**	62,964
Others	**4,242**	4,242
	236,671	262,708

In estimating the fair value, the Group engages an independent qualified professional valuer to perform the valuation. The management works closely with the external qualified valuer 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 and assumptions including equity value, redemption value, liquidation value, risk free rate and volatility.

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
– contracts with customers (third parties)	**31,739**	23,494
Less: allowance for credit losses	**(3,306)**	(3,183)
	28,433	20,311
Other receivables		
Rental and utility deposits	**14,323**	19,127
Prepaid management fee and property rental *(note)*	**4,994**	9,462
Advance to suppliers	**35,874**	70,088
Deductible value added tax	**45,411**	40,694
Compensation receivable in relation to a prior year financial asset at FVTPL	**–**	3,850
Receivable from disposal of an investment property	**–**	47,064
Lease receivables	**11,833**	11,741
Others	**26,594**	27,394
	139,029	229,420
Less: allowance for credit losses	**(9,428)**	(288)
	129,601	229,132
	158,034	249,443

Note: The prepaid property rentals are related to short-term leases.

Customers relating to manufacture and sales of noodles and related products are normally granted nil to 90 days (year ended 31 December 2019: nil 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 2019: 180 days), while there is no credit period for customers relating to sales from operation of restaurants, unless when the payments are made through payment platforms, in which case the trade receivables are normally settled within 30 days.

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB31,086,000.

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:

	2020	2019
	RMB'000	*RMB'000*
0 to 30 days	**24,248**	17,057
31 to 60 days	**1,447**	873
61 to 90 days	**1,472**	1,348
91 to 180 days	**1,266**	1,033
	28,433	20,311

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,282,000 (2019: RMB1,046,000) which are past due 90 days or more as at the reporting date. These past due balances are 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

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
– related parties *(note)*	**34,177**	26,809
– third parties	**85,656**	105,129
	119,833	131,938
Other payables		
Payroll and welfare payables	**49,238**	49,614
Customers' deposits received	**19,638**	19,467
Payable for acquisition of property, plant and equipment	**26,392**	52,073
Payable for variable lease payments	**6,196**	9,335
Other taxes payable	**8,856**	17,098
Others	**45,744**	45,816
	275,897	325,341

Note: The related parties 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 2019: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

Ageing	**2020**	2019
	RMB'000	*RMB'000*
0 to 30 days	**84,611**	95,038
31 to 60 days	**23,624**	27,514
61 to 90 days	**3,296**	1,113
91 to 180 days	**2,018**	568
Over 180 days	**6,284**	7,705
	119,833	131,938

DIVIDEND

A final dividend of RMB0.08 (HK9.5 cents) per ordinary share (2019: a final dividend of RMB0.049 (HK5.3 cents) per ordinary share) for the year ended 31 December 2020 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 (the "AGM") to be held on 21 May 2021. The proposed final dividend is expected to be paid on or about 30 July 2021. Including the interim dividend of RMB0.02 (HK2.20 cents) per ordinary share (2019: interim dividend of RMB0.02 (HK2.20 cents) and special dividend of RMB0.023 (HK2.5 cents) per ordinary share) already paid, the total dividend for the year ended 31 December 2020 will amount to RMB0.1 (HK11.7 cents) per ordinary share (2019: RMB0.092 (HK10.0 cents) per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the year ended 31 December 2020 (the "Period"), the worldwide spread of the novel coronavirus pneumonia (COVID-19) pandemic caused certain impacts on the production and manufacturing, consumption and investment, social governance, and public confidence of various economies. Faced with the severe and complex domestic situation, all regions and departments in China adhered to the general working guideline of making progress while maintaining stability, and implemented pandemic prevention and control and economic and social development in a coordinated way, thereby quickly controlling the situation in a short term, achieving major strategic results for the prevention and control of the COVID-19 pandemic, and realising economic growth from negative to positive. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB101.5986 trillion, representing an increase of 2.3% year-on-year (corresponding period of 2019: 6.1%); and the market and sales have gradually improved. The national per capita disposable income was RMB32,189, an actual increase of 2.1% over the corresponding period last year.

Affected by the pandemic, consumption growth slowed down in 2020. According to the National Bureau of Statistics of China, during the Period, the total retail sales of social consumer goods for the year amounted to RMB39.1981 trillion, a decrease of 3.9% from the previous year. Among them, the revenue of the catering industry amounted to RMB3.9527 trillion, accounting for 10.08% of the total retail sales of social consumer goods, a year-on-year decrease of 16.6% (corresponding period of 2019: an increase of 9.4%), showing that the overall situation was better than expected. Since March 2020, the society actively responded to various government policies, driven by a series of coordinated measures for pandemic prevention and control and economic and social development, economic operation continued to improve, the consumer market recovered steadily, and the catering market rebounded gradually. According to iiMedia Research, the total number of takeaway orders in China reached 17.12 billion in 2020, a year-on-year increase of 7.5%. Along with the continuously growing takeaway market scale, the penetration rate of the takeaway industry also continued to increase, particularly, the consumer penetration rate of food takeaway in first-tier, second-tier and third-tier cities of China reached 96.31% throughout 2020. Affected by the COVID-19 pandemic, the traditional catering industry has accelerated its online transformation, online catering consumption and online operations are accepted and used by more and more consumers, and online and offline omni-channel operations will become a trend. As products and formats will become more diversified, the takeaway market scale will continue to expand, which is expected to develop into a RMB trillion-scale market in the next one to three years.

In order to embrace the period of important strategic opportunities, China's economy will form a "new development pattern which is based on international and domestic dual-circulation and mutual promotion, along with domestic macro-circulation". According to the China Catering Report 2020 (《2020年中國餐飲業年度報告》), the catering industry has always been a traditional industry, and the degree of digitalization is generally low. However, under the COVID-19 pandemic, some catering companies that had realised the "Internet+" and digital layout in advance showed good anti-risk capability and market resilience. The integrative development of "Internet+" and the industry, as well as the digital and intelligent development, will become a new driving force for the development of the industry.

In 2021, facing the impact of the COVID-19 pandemic and the rising global uncertainties, the Group will adopt a prudent strategy, conduct lean management, strictly control the quality and safety of food, and take effective measures to ensure the safety of employees and customers. Meanwhile, the Group will continue to strengthen customer relationship management and upgrade the membership system to enhance customer experience, and continue to optimize brand strategy upgrading and strive to promote internal organizational reform, with a view to grasping development opportunities arising from industry reform and bringing better return on investment for the Shareholders by fully leveraging the advantages of adequate cash flows.

Business Review

With the outbreak of COVID-19 pandemic, Mainland China and Hong Kong implemented strict precautionary measures, including travel bans and social gathering bans. The Group's turnover was significantly impacted in the first quarter of the year since a number of the Group's restaurants in China were temporarily closed to ensure the safety of employees and customers. As the Chinese government began to ease its restrictions on the lockdown measures in mid-March 2020, the restaurants that were affected by the COVID-19 gradually resumed operation. All the re-opened restaurants has implemented strict prevention and control measures, such as temperature measuring, providing hand sanitizer and trainings were provided to staff to ensure personal hygiene and shop cleanliness.

In response to the COVID-19 pandemic, the Group enhanced its membership system, launched membership day and resurrected the inactive members. In the fourth quarter of the year, the Group's turnover has recovered approximately 85% when comparing with the same period in 2019.

Other than the revenue recovering, the Group also sought various measures to control the costs to improve the bottom line such as streamlining and increasing the efficiency of its six major production bases in China, including those in Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan, through staff training and utilizing the machines to increase the per labour productivity. Besides, the Group also negotiated with landlords for better rental terms for existing tenant agreements.

During the year, the Group also focused on closing those stores with unsatisfactory operating performance, and adopted a prudent strategy in opening new stores. As at 31 December 2020, the Group had a total of 722 fast chain restaurants, a decrease of 77 from 799 during the corresponding period in 2019; the Group's restaurant network reached 167 cities in 31 provinces and municipalities nationwide.

The effective operation of 722 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.

Retail Chain Restaurants

In 2020, 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 RMB1,702,117,000 (2019: RMB2,398,899,000) , accounted for approximately 93.5% (2019: 93.5%) of the Group's total revenue.

As at 31 December 2020, the Group's restaurant portfolio consisted of 722 chain restaurants, comprising the following:

	31 December 2020	31 December 2019	+/-
By provinces/cities			
Shanghai	**117**	129	-12
Beijing	**41**	46	-5
Tianjin	**7**	8	-1
Guangdong (excluding Shenzhen)	**59**	58	1
Shenzhen	**16**	20	-4
Jiangsu	**85**	90	-5
Zhejiang	**83**	86	-3
Sichuan	**13**	15	-2
Chongqing	**13**	14	-1
Fujian	**14**	23	-9
Hunan	**14**	17	-3
Hubei	**12**	14	-2
Liaoning	**19**	25	-6
Shandong	**49**	54	-5
Guangxi	**17**	17	–
Guizhou	**4**	4	–
Jiangxi	**18**	18	–
Shaanxi	**13**	16	-3
Yunnan	**10**	10	–
Henan	**14**	16	-2
Hebei	**16**	16	–

By provinces/cities	**31 December 2020**	31 December 2019	+/-
Anhui	**14**	17	-3
Xinjiang	**2**	3	-1
Hainan	**7**	8	-1
Shanxi	**4**	5	-1
Neimenggu	**5**	5	–
Heilongjiang	**14**	16	-2
Ningxia, Qinghai	**3**	3	–
Jilin	**12**	15	-3
Tibet	**1**	1	–
Gansu	**1**	1	–
Hong Kong	**23**	27	-4
Rome	**1**	1	–
Finland	**1**	1	–
Total	**722**	799	-77

By geographical region	**31 December 2020**	31 December 2019	+/-
Northern China	**154**	185	-31
Eastern China	**299**	322	-23
Southern China	**162**	171	-9
Central China	**105**	119	-14
Europe	**2**	2	–
Total	**722**	799	-77

Financial Review

Turnover

For the year ended 31 December 2020, the Group's turnover decreased by approximately 29.0%, or approximately RMB744,514,000 to approximately RMB1,820,588,000 from approximately RMB2,565,102,000 for the corresponding period in 2019. Such decrease was mainly due to the adverse impact of the outbreak of COVID-19 and the decrease in number of stores of the Group during the year.

Cost of inventories consumed

For the year ended 31 December 2020, the Group's cost of inventories decreased by approximately 27.5%, or approximately RMB195,222,000 to approximately RMB515,561,000 from approximately RMB710,783,000 for the corresponding period in 2019.

During the year, the ratio of inventories cost to turnover was approximately 28.3%, which slightly increased by 0.6 percentage point from approximately 27.7% for the corresponding period in 2019 due to the increase in material cost during the year.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2020 decreased by approximately 29.6%, or approximately RMB549,292,000 to approximately RMB1,305,027,000 from approximately RMB1,854,319,000 for the corresponding period in 2019.

Gross profit margin of the Group also decreased to 71.7% from approximately 72.3% for the corresponding period in 2019.

Staff costs

For the year ended 31 December 2020, staff costs of the Group decreased by approximately 29.8% to approximately RMB477,510,000 from approximately RMB679,858,000 for the corresponding period in 2019. Staff costs as a proportion to turnover remained relative stable at approximately 26.2% (2019: 26.5%).

Depreciation

For the year ended 31 December 2020, depreciation of the Group increased by approximately 6.9% to approximately RMB443,693,000 from approximately RMB414,964,000 for the corresponding period in 2019. Some short term leases were switched into long term leases during the year, thus the lease depreciation increased.

Other operating expenses

For the year ended 31 December 2020, other operating expenses decreased by approximately 34.1% to approximately RMB421,778,000 from RMB639,748,000.

With various cost control measures, the operation expenses generally decreased except the service charges for delivery platforms, which the delivery service for the Group has grown slightly during COVID-19 pandemic period.

Set out below is the breakdown of the main operating expenses for the years ended 31 December 2020 and 2019.

	2020	2019	%
	RMB million	*RMB million*	+/-
Utilities	**83.9**	121.5	-31.0%
Store and factory management fee	**60.4**	63.7	-5.2%
Consumables & utensils	**46.0**	65.4	-29.7%
Service charges for delivery platforms	**40.3**	37.9	6.3%
Rental expenses under variable lease payment	**34.6**	58.3	-40.6%
Logistics expenses	**24.6**	36.5	-32.6%
Franchise expenses	**22.1**	32.4	-31.8%
Advertising and promotions	**14.3**	29.3	-51.2%
Rental expenses under short-term lease	**12.3**	45.2	-72.8%
Consultancy fee	**6.8**	16.2	-58.0%
Travelling expenses	**6.7**	9.2	-27.2%
Repairment and maintenance expenses	**5.0**	7.0	-28.6%
Bank charges on credit card payment	**3.3**	7.2	-54.2%
Auditors' remuneration	**3.3**	3.3	–
Cleaning expenses	**3.1**	6.7	-53.7%

Other income

For the year ended 31 December 2020, other income of the Group decreased by approximately 26.0% to approximately RMB96,169,000 from approximately RMB129,947,000 for the corresponding period in 2019. The decrease was mainly due to the decrease in royalty income, as well as the decrease in rental income from investment properties. Besides, there was a compensation of approximately RMB25,760,000 from Mr. Lau Ka Ho, Robert, the former chief financial officer of the Group, last year.

The significant decrease in royalty income from the sub-franchise income was a result of the temporary or permanent closure of the franchised shops owing to the COVID-19 pandemic.

Other gains and losses

For the year ended 31 December 2020, other gains and losses of the Group decreased to a loss of approximately RMB108,327,000 from a gain of approximately RMB15,239,000 for the corresponding period in 2019. The loss was mainly attributable to the impairment loss of RMB61,306,000 recognised for the interest in Jiangsu Hong Xuan Ecological Agriculture Company Limited (江蘇鴻軒生態農業有限公司), the Group's associate, due to the poor operating performance.

Besides, the Group also impaired the property, plant and equipment and the right-of-use assets of approximately RMB3,875,000 and RMB17,656,000 respectively because the performance of certain shops did not meet expectation under the challenging economic environment.

Finance costs

For the year ended 31 December 2020, finance costs increased by approximately 2.7% to approximately RMB36,178,000 from approximately RMB35,240,000 for the corresponding period in 2019.

The interest on lease liabilities increased since some short term leases were switched into long term leases during the year.

The interest on borrowings decreased as a result of the decrease in overall loan balance during the year.

Loss before taxation

Being affected by the factors referred to above, the Group recorded a loss before taxation of approximately RMB97,999,000 for the year ended 31 December 2020 (31 December 2019: gain of approximately RMB231,257,000).

Loss attributable to owners of the Company

Being affected by the factors referred to above, loss attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately RMB77,868,000 (31 December 2019: gain of approximately RMB156,441,000).

Investments

The group maintained a investment portfolio, the portfolio can be divided into three categories depends on its accounting treatment:

Financial assets at fair value through profit or loss ("FVTPL"), interests in associates and interest in a joint venture.

The following table shows the breakdown of the major investments:

Financial assets at FVTPL, net of financial liabilities at FVTPL:

	31 December 2020 *RMB'000*	**31 December 2019** *RMB'000*	**Initial investment cost** *RMB'000*
Yunxi	**73,171**	72,370	60,000
Jiahua Anyuan Fund	**51,947**	60,356	50,000
Hezhi	**46,244**	62,964	99,120
Others	**4,242**	4,242	6,907
	175,604	199,932	216,027

Financial assets at FVTPL represented the unlisted equity investments and fund investments.

The Group engaged an independent qualified professional valuer to access the valuation.

Interests in associates

	31 December 2020 *RMB'000*	**31 December 2019** *RMB'000*	**Initial investment cost** *RMB'000*
Jiangsu Hong Xuan Ecological Agriculture Company Limited	**–**	61,306	43,354
Yunnex Inc.	**18,266**	35,702	64,791
Others	**37,833**	37,562	43,177
	56,099	134,570	151,322

The Group engaged an independent qualified professional valuer to assist the management in performing impairment review for Yunnex Inc.. During the year ended 31 December 2020, in view of the poor operating performance of an associate, Jiangsu Hong Xuan Ecological Agriculture Company Limited (江蘇鴻軒生態農業有限公司) ("Hong Xuan"), the directors of the Company considered that the recoverability of the investments would be remote. As such, an impairment loss of RMB61,306,000 was recognised.

Interest in a joint venture

	31 December 2020 *RMB'000*	**31 December 2019** *RMB'000*	**Initial investment cost** *RMB'000*
Beijing Feicui Jinghua & Restaurant Management Co., Ltd	**9,715**	11,713	12,857

The decrease in the value of joint venture mainly represented the share of post-acquisition results of the joint venture.

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2020 remained healthy and strong, with bank balances amounting to approximately RMB1,738,380,000 (31 December 2019: RMB1,705,399,000) and a current ratio of 2.8 (31 December 2019: 2.6).

As at 31 December 2020, the Group had bank borrowings of RMB186,044,000 (31 December 2019: RMB207,676,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.0 (31 December 2019: 4.2).

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 2020 and 31 December 2019 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 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 and bank balances and cash, 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 of the self-managed outlets. As of 31 December 2020 and 31 December 2019, all of the bank balances were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in Mainland China 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

Save for those disclosed in this annual results announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this annual results announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual results announcement.

Contingent liabilities

As of 31 December 2020, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,294,627,000 and the current ratio was 2.8 as at 31 December 2020 (31 December 2019: 2.6). 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 2020 was approximately RMB405,331,000, while loss before taxation for the same period was approximately RMB97,999,000. The difference was mainly due to impairment of interest in associates, depreciation of property, plant and equipment and right-of use assets and the finance interest on lease liabilities.

Capital expenditure

For the year ended 31 December 2020, the Group's capital expenditure was approximately RMB125,664,000 (2019: RMB166,612,000), the decrease was mainly because of the outbreak of COVID-19, which affected the shop opening progress.

Key operating ratios for restaurant operations

	Hong Kong			**Mainland China**		
	1-12/2020	1-6/2020	1-12/2019	**1-12/2020**	1-6/2020	1-12/2019
Comparable restaurant sales growth	**-21.6%**	-24.0%	-27.9%	**-29.7%**	-49.9%	7.0%
Per capita spending	**HK$78.0**	HK$71.9	HK$66.1	**RMB46.5**	RMB48.5	RMB48.0
Table turnover per day (times per day)	**4.0**	3.9	5.0	**3.0**	3.4	3.4

SUBSEQUENT EVENT

Subsequent to 31 December 2020, no material events affecting the Company and its subsidiaries have occurred.

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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 to 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 throughout the year ended 31 December 2020, 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 BY DIRECTORS

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 to 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 2020.

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 2021, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2020 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 2020 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 17 May 2021 to 21 May 2021 (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 2020, the register of members of the Company will be closed from 27 May 2021 to 1 June 2021 (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 14 May 2021 and 26 May 2021 respectively.

AGM AND DESPATCH OF 2020 ANNUAL REPORT

The AGM will be held on 21 May 2021. 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and will be despatched to all Shareholders together with the 2020 annual report of the Company in due course.

The 2020 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 website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk in due course.

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

Hong Kong, 26 March 2021

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.