AJISEN RAMEN
味千拉麵

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 538)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

2021 INTERIM RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	**Increase/ (Decrease)**
	(RMB'000)	*(RMB'000)*	%
Turnover	**1,012,542**	691,785	46.4
Sales from restaurant operation	**951,011**	637,697	49.1
Gross profit	**737,995**	488,624	51.0
Profit (loss) from operation	**40,180**	(123,421)	N/A
Profit (loss) before tax	**86,228**	(149,754)	N/A
Profit (loss) attributable to owners of the Company	**49,658**	(109,393)	N/A
Earnings (loss) per share (RMB)	**0.05**	(0.10)	N/A
Recommended interim dividend per share (RMB)	**0.02**	0.02	
	(HK2.40 cents)	(HK2.20 cents)	
Total number of restaurants (as at 30 June)	**707**	734	

The board (the "**Board**") of directors (the "**Directors**") of Ajisen (China) Holdings Limited (the "**Company**" or "**Ajisen**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	**1,012,542**	691,785
Cost of inventories consumed		**(274,547)**	(203,161)
Staff costs		**(265,160)**	(213,202)
Depreciation		**(195,716)**	(228,272)
Other operating expenses		**(236,939)**	(170,571)
Profit (Loss) from operation		**40,180**	(123,421)
Other income	4	**48,187**	40,846
Impairment losses under expected credit loss model, net of reversal		**49**	(9,140)
Other gains and losses	5	**13,919**	(35,088)
Share of loss of associates		**(17)**	(1,268)
Share of loss of a joint venture		**(157)**	(2,697)
Finance costs		**(15,933)**	(18,986)
Profit (Loss) before tax	6	**86,228**	(149,754)
Income tax (expense) credit	7	**(35,156)**	30,833
Profit (Loss) for the period		**51,072**	(118,921)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(10,733)**	9,268
Other comprehensive (expense) income for the period, net of income tax		**(10,733)**	9,268
Total comprehensive income (expense) for the period		**40,339**	(109,653)
Profit (Loss) for the period attributable to:			
Owners of the Company		**49,658**	(109,393)
Non-controlling interests		**1,414**	(9,528)
		51,072	(118,921)

	Note	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**39,363**	(100,778)
Non-controlling interests		**976**	(8,875)
		40,339	(109,653)
		RMB	*RMB*
Earnings (Loss) per share	*9*		
– Basic		**0.05**	(0.10)
– Diluted		**0.05**	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Investment properties		**1,001,964**	997,956
Property, plant and equipment		**509,541**	532,083
Right-of-use assets		**589,386**	616,312
Intangible assets		**363**	519
Interests in associates		**65,220**	56,099
Interest in a joint venture		**9,558**	9,715
Rental deposits		**98,269**	97,980
Goodwill		**1,279**	1,289
Deferred tax assets		**30,274**	27,568
Financial assets at fair value through profit and loss ("**FVTPL**")	*10*	**213,935**	236,671
		2,519,789	2,576,192
Current assets			
Inventories		**129,808**	137,202
Trade and other receivables	*11*	**155,690**	158,034
Taxation recoverable		**345**	586
Bank balances and cash		**1,724,963**	1,738,380
		2,010,806	2,034,202
Current liabilities			
Trade and other payables	*12*	**250,922**	275,897
Lease liabilities		**214,041**	247,766
Contract liabilities		**7,822**	7,828
Amounts due to related companies		**5,769**	5,162
Amounts due to directors		**162**	460
Amounts due to non-controlling interests		**13,515**	13,518
Amounts due to associates		**2,063**	2,087
Amount due to a joint venture		**–**	576
Dividend payable		**86,286**	–
Taxation payable		**18,552**	39,812
Bank borrowings		**144,773**	146,469
		743,905	739,575
Net current assets		**1,266,901**	1,294,627

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total assets less current liabilities	**3,786,690**	3,870,819
Non-current liabilities		
Bank borrowings	**37,556**	39,575
Deferred tax liabilities	**163,794**	156,338
Financial liabilities at FVTPL	**43,112**	61,067
Lease liabilities	**368,027**	384,985
	612,489	641,965
Net assets	**3,174,201**	3,228,854
Capital and reserves		
Share capital	**108,404**	108,404
Reserves	**3,002,735**	3,049,364
Equity attributable to owners of the Company	**3,111,139**	3,157,768
Non-controlling interests	**63,062**	71,086
Total equity	**3,174,201**	3,228,854

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

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

2.1 Impacts on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior periods.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform - Phase 2”

2.2.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie: the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 Financial Instrument on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

2.2.2 Transition and summary of effects

As at 1 January 2021, the Group has financial liability, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts as at 1 January 2021. The amounts of financial liability are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate (“HIBOR”) *RMB’000* **(audited)**
Financial liability	
Bank loans	**141,395**

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

3. OPERATING SEGMENTS

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

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

Six months ended 30 June 2021 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China *RMB'000*	Hong Kong *RMB'000*	Total *RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	878,421	72,590	951,011	61,531	–	1,012,542	–	1,012,542
– inter-segment sales	–	–	–	357,981	–	357,981	(357,981)	–
	878,421	72,590	951,011	419,512	–	1,370,523	(357,981)	1,012,542
Segment profit	39,724	6,913	46,637	2,979	28,611	78,227	–	78,227
Interest income								12,073
Central administrative expenses								(2,795)
Unallocated finance costs								(1,277)
Profit before taxation								86,228
Income tax expense								(35,156)
Profit for the period								51,072

Six months ended 30 June 2020 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	570,528	67,169	637,697	54,088	–	691,785	–	691,785
– inter-segment sales	–	–	–	257,682	–	257,682	(257,682)	–
	570,528	67,169	637,697	311,770	–	949,467	(257,682)	691,785
Segment (loss) profit	(131,919)	(11,621)	(143,540)	2,030	(4,597)	(146,107)	–	(146,107)
Interest income								9,240
Central administrative expenses								(10,354)
Unallocated finance costs								(2,533)
Loss before taxation								(149,754)
Income tax credit								30,833
Loss for the period								(118,921)

Segment profit (loss) represents the profit/loss earned/incurred by each segment without allocation of interest income, central administrative expenses, unallocated finance costs and income tax (expense) credit. 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, rental deposits, deferred tax assets, goodwill and financial assets at FVTPL), including investment properties, property, plant and equipment, right-of-use assets, intangible assets, interests in associates and interest in a joint venture are located in Mainland China and Hong Kong at the end of each reporting period.

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

None of the customers accounted for 10% or more of the total revenue of the Group in each of current and preceding interim period.

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Royalty and other income from sub-franchisees	**3,918**	3,646
Property rental income, net of direct outgoings	**16,787**	11,546
Bank interest income	**12,073**	9,240
Government grants *(Note)*	**7,730**	9,508
Others	**7,679**	6,906
	48,187	40,846

Note: During the current interim period, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognised government grants of RMB3,250,000 (six months ended 30 June 2020: RMB6,549,000), of which RMB3,250,000 (six months ended 30 June 2020: RMB4,428,000) relate to Subsidy Schemes under Anti-epidemic Fund. For the six months ended 30 June 2020, RMB2,121,000 government grant was related to Employment Support Scheme. The remaining amounts of government grants represent the incentive subsidies received from the Mainland China local district authorities for the business activities carried out by the Group. There are no specific conditions attached to the grants.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(3,627)**	(6,533)
Fair value gain (loss) on investment properties	**8,213**	(8,499)
Fair value loss on financial assets at FVTPL	**(22,736)**	(14,205)
Fair value gain (loss) on financial liabilities at FVTPL	**17,369**	(3,415)
Net foreign exchange gain (loss)	**2,655**	(1,300)
Gain on termination of leases, net	**4,072**	1,606
Compensation in relation to a prior year financial asset at FVTPL	**–**	32,545
Impairment loss (recognised) reversed in respect of		
– intangible assets	**–**	(4,616)
– right-of-use assets	**(814)**	(10,183)
– property, plant and equipment	**(365)**	(5,119)
– interest in an associate	**9,152**	(15,369)
	13,919	(35,088)

6. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories consumed	**274,547**	203,161
Depreciation of property, plant and equipment	**68,599**	81,545
Depreciation of right-of-use assets	**127,117**	146,727
Total depreciation	**195,716**	228,272
Covid-19-related rent concessions	**–**	(23,628)
Fuel and utility expenses	**46,060**	33,869
Property rentals in respect of		
– Variable lease payment	**18,968**	13,039
– Short-term lease payment	**1,259**	5,257

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	**1,744**	1,507
– under provision in prior periods	**–**	297
	1,744	1,804
Mainland Enterprise Income Tax ("**EIT**")		
– current period	**14,754**	1,032
– over provision in prior periods	**(1,331)**	(4,707)
	13,423	(3,675)
Withholding tax	**15,238**	–
Deferred taxation	**4,751**	(28,962)
	35,156	(30,833)

The income tax expense in Hong Kong and Mainland China is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. During the current period, the tax rates for Hong Kong Profits Tax and Mainland China EIT are 16.5% and 25% (six months ended 30 June 2020: 16.5% and 25%), respectively, for the period under review.

Pursuant to the relevant provincial policy in 2020, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("**Chongqing Weiqian**"), which is located in Chongqing, the PRC, applied a preferential tax rate of 15% from 2021 to 2030.

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

8. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – RMB0.08 (HK9.5 cents) per share for 2020 (six months ended 30 June 2020: declared – RMB0.049 (HK5.3 cents) per share for 2019)	**86,286**	53,485

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.02 (HK2.40 cents) per share (subsequent to six months ended 30 June 2020: an interim dividend of RMB0.02 (HK2.20 cents) per share and a special dividend of RMB0.023 (HK2.50 cents) per share) will be paid to the owners of the Company.

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings (loss) for the purposes of basic and diluted earnings per share, being profit (loss) for the period attributable to owners of the Company	**49,658**	(109,393)

	Number of shares	
Number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**74,412**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,613,232**	1,091,538,820

During the six months ended 30 June 2021, certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Group's earnings per share because the exercise prices of these share options were higher than the average market prices of the Company's shares during the current interim period.

During the six months ended 30 June 2020, the computation of diluted loss per share does not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

10. FINANCIAL ASSETS AT FVTPL

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted equity investments and fund investments *(Note)*	**213,935**	236,671

Note: The above unlisted equity investments and fund investments represent the Group's investments in certain private entities and funds established in Mainland China.

The management of the Group, by reference to the valuation model formulated by the external independent qualified valuer engaged by the Group for the year ended 31 December 2020, revisited and determined the appropriate assumptions and inputs for fair value measurement for these unlisted equity investments and fund investments.

11. TRADE AND OTHER RECEIVABLES

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
– third parties	**26,025**	31,739
Less: allowance for credit losses	**(3,236)**	(3,306)
	22,789	28,433
Other receivables		
Rental and utility deposits	**16,385**	14,323
Prepaid management fee	**5,728**	4,994
Advance to suppliers	**27,859**	35,874
Value-added tax recoverable	**44,852**	45,411
Lease receivables	**19,989**	11,833
Others	**27,537**	26,594
Less: allowance for doubtful debts on other receivables	**(9,449)**	(9,428)
	132,901	129,601
	155,690	158,034

Customers relating to manufacture and sales of noodles and related products are either having no credit period or granted up to 90 days (year ended 31 December 2020: 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 2020: 180 days), while there is no credit period for customers relating to sales from operation of restaurants.

The following is an analysis of trade receivables by age, net of expected credit losses, presented based on the invoice date which approximated the revenue recognition date.

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**18,425**	24,248
31 to 60 days	**1,755**	1,447
61 to 90 days	**1,331**	1,472
91 to 180 days	**1,278**	1,266
	22,789	28,433

12. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables		
– related parties *(Note)*	**24,667**	34,177
– third parties	**67,858**	85,656
	92,525	119,833
Payroll and welfare payables	**37,514**	49,238
Customers' deposits received	**20,473**	19,638
Payable for acquisition of property, plant and equipment	**24,068**	26,392
Payable for variable lease payments	**21,399**	6,196
Other taxes payable	**9,028**	8,856
Others	**45,915**	45,744
	250,922	275,897

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 the purchase of goods is 60 days (year ended 31 December 2020: 60 days). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	**67,070**	84,611
31 to 60 days	**21,603**	23,624
61 to 90 days	**553**	3,296
91 to 180 days	**1,606**	2,018
Over 180 days	**1,693**	6,284
	92,525	119,833

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the six months ended 30 June 2021 (the "**Period**"), facing the complex and changing environment at home and abroad, all regions and departments in China adhered to the general principle of making progress while maintaining stability, continued to consolidate and expand the achievements in pandemic prevention and control and economic and social development, and accurately implemented macro policies, resulting in sustained and stable economic recovery in China. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB53,216.7 billion, representing an increase of 12.7% year-on-year (same period in 2020: a decrease of 1.6%), and an average growth rate of 5.3% for two years; the total retail sales of social consumer goods amounted to RMB21,190.4 billion, representing an increase of 23.0% year-on-year, and an average growth rate of 4.4% for two years, indicating that the market and sales have gradually improved; the national per capita disposable income amounted to RMB17,642, representing a real growth of 12.0% over the same period last year, and an average growth rate of 5.2% for two years; and the national consumer price index (CPI) increased by 0.5% year-on-year.

In the first half of 2021, the catering market continued to recover steadily. According to the National Bureau of Statistics of China, during the Period, the national revenue of the catering industry was RMB2,171.2 billion, representing an increase of 48.6% year-on-year, and the scale was basically the same as that in the first half of 2019. According to iiMedia Research, as of 2020, China's takeaway market size has reached RMB664.6 billion, representing an increase of 15.0% year-on-year. At the same time, driven by delivery platforms, the number of takeaway users in China also increased significantly, and the takeaway users in China reached 456 million in 2020. The novel coronavirus pneumonia (COVID-19) pandemic accelerated the digitalization process of the catering industry, takeaway has become an important way to industrial transformation, and online and offline omni-channel operations will become a trend.

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 realized 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 instability and uncertainties in global economic recovery and pandemic prevention and control, the Group will continue to conduct lean management, strictly control the quality and safety of food, and strategically expand its restaurant network. Meanwhile, the Group will continue to optimize the membership system, increase the members' repurchase rate, speed up digital transformation, and continue to optimize brand strategy upgrading and strive to promote internal organizational reform, with a view to grasping the development opportunities arising from industry reform and bringing better return on investment for the shareholders.

Business Review

For the six months ended 30 June 2021, the Group's turnover was approximately RMB1,013 million, representing an increase of approximately 46.4% from approximately RMB692 million for the corresponding period in 2020; and the gross profit was approximately RMB738 million, representing an increase of approximately 51.0% as compared with the corresponding period last year.

The Company achieved a turnaround from loss to profit during the Period, and recorded a profit attributable to owners of the Company of approximately RMB49.7 million for the Period, as compared with a loss attributable to owners of the Company of approximately RMB109.4 million for the corresponding period in 2020. Accordingly, the basic earnings per share of the Comapny was approximately RMB0.05 per ordinary share, as compared with a loss of RMB0.10 per ordinary share for the corresponding period in 2020.

The Group achieved a turnaround from loss to profit mainly due to the increase in the revenue of the Group as compared with the corresponding period in 2020. Majority of the restaurants of the Group have gradually recovered from the COVID-19 pandemic, and the number of restaurant operation days has increased. However, due to the recurring COVID-19 pandemic, some of the stores have not been fully put into operation, affecting the recovery of the Group's revenue.

Since the impact of the COVID-19 pandemic on the catering industry is expected to continue, the Group streamlined the existing stores during the Period and closed those stores with unsatisfactory operating performance. As at 30 June 2021, the Group had a total of 707 fast casual chain restaurants, a decrease of 27 from 734 for the corresponding period in 2020; and the Group's restaurant network reached 167 cities in 30 provinces and municipalities nationwide.

The Group's cost of inventories consumed as a proportion to turnover was approximately 27.1%, representing a decrease of approximately 2.3 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin increased to 72.9% for the Period from approximately 70.6% for the corresponding period in 2020. In addition, the Group's labour costs accounted for approximately 26.2% of the turnover, representing a decrease of 4.6 percentage points as compared with 30.8% for the corresponding period in 2020. The decrease in the proportion of costs was mainly due to the increase in turnover, resulting in the reduction of ingredients waste and the improvement in staff efficiency.

The effective operation of 707 restaurants under the Group would not be achieved without our efficient management and intensive staff training. The Group also strengthened the guidance and training of restaurant managers and regional supervisors, and enhanced the operational efficiency of each restaurant through constant improvement of the manangement ability of frontline employees. In addition, the Group has six major production bases in China, including those in Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan, which guaranteed the food quality, food safety and stable supply of the Group's restaurants during the pandemic.

The Group will closely monitor market conditions, respond quickly to market changes and actively control operating costs to reduce the impact of various negative factors.

Retail Chain Restaurants

During the Period, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the Period, the Group's restaurant business income recorded approximately RMB951,011,000 (corresponding period in 2020: approximately RMB637,697,000), accounted for approximately 93.9% (corresponding period in 2020: approximately 92.2%) of the Group's total revenue, an increase of approximately 49.1% from the corresponding period last year.

As at 30 June 2021, the Group's restaurant portfolio consisted of 707 chain restaurants, comprising the following:

By provinces	**30 June 2021**	30 June 2020	+/–
Shanghai	**111**	123	-12
Beijing	**43**	41	+2
Tianjin	**6**	7	-1
Guangdong (excluding Shenzhen)	**56**	55	+1
Shenzhen	**16**	17	-1
Jiangsu	**86**	84	+2
Zhejiang	**81**	83	-2
Sichuan	**15**	14	+1
Chongqing	**12**	12	–
Fujian	**14**	17	-3
Hunan	**12**	13	-1
Hubei	**16**	13	+3
Liaoning	**18**	23	-5
Shandong	**46**	48	-2
Guangxi	**17**	16	+1
Guizhou	**4**	4	–
Jiangxi	**18**	18	–
Shaanxi	**11**	13	-2
Yunnan	**10**	9	+1
Henan	**16**	15	+1
Hebei	**14**	16	-2
Anhui	**16**	15	+1
Xinjiang	**2**	2	–
Hainan	**6**	8	-2
Shanxi	**2**	4	-2
Neimenggu	**6**	5	+1
Heilongjiang	**12**	16	-4
Ningxia, Qinghai	**3**	3	–
Jilin	**12**	15	-3
Tibet	**1**	1	–
Gansu	**1**	1	–
Hong Kong	**22**	21	+1
Rome	**1**	1	–
Finland	**1**	1	–
Total	**707**	734	-27

By geographical region:	**30 June 2021**	30 June 2020	+/–
Northern China	**162**	170	-8
Eastern China	**291**	305	-14
Southern China	**146**	152	-6
Central China	**106**	105	+1
Europe	**2**	2	–
Total	**707**	734	-27

Financial Review

Turnover

For the six months ended 30 June 2021, the Group's turnover increased by approximately 46.4%, or approximately RMB320,757,000 to approximately RMB1,012,542,000 from approximately RMB691,785,000 for the corresponding period in 2020. Stores were temporarily shut down in the corresponding period in 2020 due to the outbreak of the COVID-19, while majority of these stores have returned to normal operation since the second half of 2020.

Cost of inventories consumed

For the six months ended 30 June 2021, the Group's cost of inventories increased by approximately 35.1%, or approximately RMB71,386,000 to approximately RMB274,547,000 from approximately RMB203,161,000 for the corresponding period in 2020. During the current reporting period, the ratio of inventories cost to turnover was approximately 27.1%, which decreased by 2.3 percentage point from 29.4% for the corresponding period in 2020, such decrease was mainly achieved by the reduction in wastage as stores have returned to normal operation with revenue growth.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2021 increased by approximately 51.0%, or approximately RMB249,371,000 to approximately RMB737,995,000 from approximately RMB488,624,000 for the corresponding period in 2020.

Gross profit margin of the Group also increased to 72.9% from approximately 70.6% for the corresponding period in 2020.

Staff costs

For the six months ended 30 June 2021, staff costs of the Group increased by approximately 24.4% to approximately RMB265,160,000 from approximately RMB213,202,000 for the corresponding period in 2020. Staff costs as a proportion to turnover decreased to 26.2% from 30.8% in the corresponding period in 2020, the Group is able to achieve a higher labour efficiency as a result of the revenue growth.

Depreciation

For the six months ended 30 June 2021, depreciation of the Group decreased by approximately 14.3% or approximately RMB32,556,000 to approximately RMB195,716,000 from approximately RMB228,272,000 for the corresponding period in 2020. As a result of the decrease in the number of shops, the lease depreciation and fixed asset depreciation decreased.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the six months ended 30 June 2021, other operating expenses increased by approximately 38.9%, or approximately RMB66,368,000, to approximately RMB236,939,000 from approximately RMB170,571,000 for the corresponding period in 2020. Its proportion to turnover remained relatively stable at 23.4% (2020: 24.7%).

Set out below is the breakdown of the main operating expenses for the period ended 30 June 2021 and 2020.

	30 June 2021	30 June 2020	%
	RMB million	*RMB million*	+/-
Utilities	**46.1**	33.9	+36.0%
Store and factory management fee	**29.2**	28.6	+2.1%
Consumables & utensils	**24.9**	18.1	+37.6%
Service charges for delivery platforms	**21.9**	15.9	+37.7%
Rental expenses under variable lease payment	**19.0**	13.0	+46.2%
Logistics expenses	**14.9**	11.1	+34.2%
Franchise expenses	**13.4**	7.3	+83.6%
Advertising and promotions	**7.6**	4.4	+72.7%
Travelling expenses	**3.3**	1.8	+83.3%
Repairment and maintenance expenses	**2.6**	2.1	+23.8%
Bank charges on credit card payment	**2.3**	1.2	+91.7%
Cleaning expenses	**1.5**	1.7	-11.8%
Rental expenses under short-term lease	**1.3**	5.3	-75.5%
Consultancy fee	**0.4**	6.4	-93.8%

Other income

For the six months ended 30 June 2021, other income of the Group increased by approximately 18.0%, or approximately RMB7,341,000, to approximately RMB48,187,000 from approximately RMB40,846,000 for the corresponding period in 2020. This is mainly because the property rental income surged by approximately RMB5,241,000.

Other gains and losses

For the six months ended 30 June 2021, other gains and losses of the Group recorded a net gain of approximately RMB13,919,000, while the corresponding period in 2020 recorded a net loss of approximately RMB35,088,000. The net gain arose mainly from the fair value gain on investment properties of RMB8,213,000 and impairment loss reversal on interest in associate of RMB9,152,000, which net off by the net fair value loss on financial assets on FVTPL of RMB5,367,000.

Finance costs

For the six months ended 30 June 2021, finance costs decreased by approximately 16.1%, or approximately RMB3,053,000 to approximately RMB15,933,000 from approximately RMB18,986,000 for the corresponding period in 2020.

Set out below is the breakdown of the finances costs:

	30 June 2021	30 June 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**1,277**	2,533
Interest on lease liabilities	**14,656**	16,453
	15,933	18,986

The finance costs decreased as a result of the reduction on the bank borrowing rate, as well as the decrease in interest on lease liabilities due to the decline in number of shops and future lease payments.

Profit before tax

Being affected by the factors referred to above, the Group recorded a profit before tax of approximately RMB86,228,000 for the six months ended 30 June 2021 (30 June 2020: loss of RMB149,754,000).

Profit attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to RMB49,658,000. (30 June 2020: loss of RMB109,393,000).

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 30 June 2021 remained healthy and strong, with bank balances amounting to RMB1,724,963,000 (31 December 2020: RMB1,738,380,000) and a current ratio of 2.7 (31 December 2020: 2.8).

As at 30 June 2021, the Group had bank borrowings of RMB182,329,000 (31 December 2020: RMB186,044,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.0 (31 December 2020: 4.0).

Exposure to exchange rates

At present, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 30 June 2021 and 31 December 2020 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 and pledged bank deposits included in the condensed consolidated statement of financial position represent, the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 30 June 2021 and 31 December 2020 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 Mainland China and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 30 June 2021, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,266,901,000 and the current ratio was 2.7 as at 30 June 2021 (31 December 2020: 2.8). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Net cash inflow from operations of the Group for the six months ended 30 June 2021 was approximately RMB212,225,000 while the Group recorded profit before tax for the same period of RMB86,228,000. The difference was primarily due to depreciation of property, plant and equipment and right-of-use assets.

Capital expenditure

For the six months ended 30 June 2021, the Group's capital expenditure was approximately RMB52,969,000 (corresponding period in 2020: RMB49,300,000), the amounts in two periods are comparable.

Subsequent events

Subsequent to 30 June 2021, no material events affecting the Company and its subsidiaries have occurred.

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

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

Key operating ratios for restaurant operations

	Hong Kong			Mainland China		
	1-6/2021	1-12/2020	1-6/2020	**1-6/2021**	1-12/2020	1-6/2020
Comparable restaurant sales growth	**-1.0%**	-21.6%	-24.0%	**+30.7%**	-29.7%	-49.9%
Per Capita spending	**HK$94.0**	HK$78.0	HK$71.9	**RMB47.0**	RMB46.5	RMB48.5
Table turnover per day (times per day)	**3.87**	4.0	3.85	**3.2**	3.0	3.4

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2021, 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.

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

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the six months ended 30 June 2021, they were in compliance with the Required Standard.

Audit Committee Review

The audit committee of the Company (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Wang Jincheng, reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal controls, and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

Employee's Remuneration and Policy

As at 30 June 2021, the Group employed 9,451 persons (30 June 2020: 8,748 persons), most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will vary from time to time as necessary and the remuneration will be determined by reference to the practice of the industry.

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

The total remuneration payment of the Group for the six months ended 30 June 2021 was approximately RMB265,160,000 (30 June 2020: RMB213,202,000).

Dividend

An interim dividend of RMB0.02 (HK2.40 cents) per ordinary share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB0.02 (HK2.20 cents)) has been declared by the Board to shareholders and such interim dividend will be paid on 15 October 2021 to shareholders whose names appear on the register of members of the Company on 29 September 2021.

Closure of the Register of Members

The register of members of the Company will be closed from 24 September 2021 to 29 September 2021 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for the aforesaid interim 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 23 September 2021.

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

Hong Kong, 23 August 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.