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 2021

2021 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	**Increase/ (Decrease)**
	(RMB'000)	*(RMB'000)*	%
Turnover	**1,996,209**	1,820,588	9.6
Sales from restaurant operation	**1,880,923**	1,702,117	10.5
Gross profit	**1,458,873**	1,305,027	11.8
Profit (loss) from operation	**24,030**	(37,954)	N/A
Profit (loss) before taxation	**52,440**	(97,999)	N/A
Profit (loss) attributable to owners of the Company	**20,940**	(77,868)	N/A
Basic earnings (loss) per share (RMB)	**0.02**	(0.07)	N/A
Recommended final dividend per share (RMB)	**0.08**	0.08	
	(HK9.8 cents)	(HK9.5 cents)	
Total number of restaurants (as at 31 December)	**737**	722	

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") 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 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	3	**1,996,209**	1,820,588
Cost of inventories consumed		**(537,336)**	(515,561)
Staff costs	7	**(542,546)**	(477,510)
Depreciation	7	**(379,725)**	(443,693)
Other operating expenses	7	**(512,572)**	(421,778)
Profit (loss) from operation		**24,030**	(37,954)
Other income	4	**77,421**	96,169
Impairment losses under expected credit loss model, net of reversal		**83**	(9,263)
Other gains and losses	5	**(16,806)**	(108,327)
Share of loss of associates		**(1,103)**	(448)
Share of loss of a joint venture		**(1,225)**	(1,998)
Finance costs	6	**(29,960)**	(36,178)
Profit (loss) before tax		**52,440**	(97,999)
Income tax (expense) credit	8	**(34,479)**	19,110
Profit (loss) for the year		**17,961**	(78,889)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(11,906)**	(26,188)
Other comprehensive expense for the year, net of income tax		**(11,906)**	(26,188)
Total comprehensive income (expense) for the year		**6,055**	(105,077)

	NOTE	2021 RMB'000	2020 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**20,940**	(77,868)
Non-controlling interests		**(2,979)**	(1,021)
		17,961	(78,889)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**10,620**	(96,798)
Non-controlling interests		**(4,565)**	(8,279)
		6,055	(105,077)

	NOTE	2021 RMB	2020 RMB
Earnings (loss) per share	*10*		
– Basic		**0.02**	(0.07)
– Diluted		**0.02**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	**2021** *RMB'000*	2020 *RMB'000*
Non-current assets			
Investment properties		**996,028**	997,956
Property, plant and equipment		**509,569**	532,083
Right-of-use assets		**615,458**	616,312
Goodwill		**1,264**	1,289
Intangible assets		**128**	519
Interest in associates	*11*	**56,308**	56,099
Interest in a joint venture		**8,490**	9,715
Rental deposits		**88,329**	97,980
Deferred tax assets		**37,210**	27,568
Financial assets at fair value through profit or loss ("FVTPL")	*12*	**179,320**	236,671
		2,492,104	2,576,192
Current assets			
Inventories		**120,387**	137,202
Trade and other receivables	*13*	**160,342**	158,034
Taxation recoverable		**846**	586
Bank balances and cash		**1,527,538**	1,738,380
		1,809,113	2,034,202
Current liabilities			
Trade and other payables	*14*	**261,168**	275,897
Lease liabilities		**229,974**	247,766
Contract liabilities		**4,625**	7,828
Amounts due to related companies		**4,047**	5,162
Amounts due to directors		**462**	460
Amounts due to non-controlling interests		**13,509**	13,518
Amount due to associates		**2,027**	2,087
Amount due to a joint venture		**480**	576
Taxation payable		**17,160**	39,812
Bank borrowings		**41,686**	146,469
		575,138	739,575
Net current assets		**1,233,975**	1,294,627
Total assets less current liabilities		**3,726,079**	3,870,819

	NOTE	**2021** *RMB'000*	2020 *RMB'000*
Non-current liabilities			
Lease liabilities		**374,395**	384,985
Bank borrowings		**35,317**	39,575
Deferred tax liabilities		**166,198**	156,338
Financial liabilities at FVTPL		**36,020**	61,067
		611,930	641,965
Net assets		**3,114,149**	3,228,854
Capital and reserves			
Share capital		**108,404**	108,404
Reserves		**2,951,701**	3,049,364
Equity attributable to owners of the Company		**3,060,105**	3,157,768
Non-controlling interests		**54,044**	71,086
Total equity		**3,114,149**	3,228,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 Favor Choice Group Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holding Company, 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 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 periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 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 Group also applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has 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 beyond 30 June 2021*

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

As at 1 January 2021, the Group has several bank borrowings, 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 bank borrowings are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR") *RMB'000*
Financial liability	
Bank borrowings	141,395

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

2.3 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 *Inventories*)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[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]

[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.

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 *Operating Segments* 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 2021

	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	**1,720,905**	**160,018**	**1,880,923**	**115,286**	**–**	**1,996,209**	**–**	**1,996,209**
– inter-segment sales	**–**	**–**	**–**	**728,024**	**–**	**728,024**	**(728,024)**	**–**
	1,720,905	**160,018**	**1,880,923**	**843,310**	**–**	**2,724,233**	**(728,024)**	**1,996,209**
Segment profit	**30,787**	**4,665**	**35,452**	**5,490**	**35,590***	**76,532**	**–**	**76,532**
Interest income								**19,348**
Unallocated administrative expenses								**(41,264)**
Unallocated finance costs								**(2,176)**
Profit before tax								**52,440**
Income tax expense								**(34,479)**
Profit for the year								**17,961**

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)

* Share of loss of associates and a joint venture are included in segment profit of RMB2,328,000 for the year ended 31 December 2021 (2020: share of loss of RMB2,446,000).

Other information

Segment profit (loss) represents the profit earned by/loss incurred from each segment without allocation of interest income, unallocated administrative expenses, unallocated finance costs and income tax (expense) credit. 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, including investment properties, property, plant and equipment, right-of-use assets, goodwill, intangible assets, interests in associates (other than loan to an associate) and a joint venture are located in the Group's entities' countries of domicile, Mainland China and Hong Kong.

The following table set forth the Group's revenue from external customers and the Group's non-current assets by geographical location of assets:

	Revenue from external customers Year ended 31 December		Non-current assets Year ended 31 December	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**1,831,816**	1,683,057	**1,724,574**	1,752,873
Hong Kong	**164,393**	137,531	**461,449**	459,842
	1,996,209	1,820,588	**2,186,023**	2,212,715

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2021 and 2020.

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Royalty income from sub-franchisee *(note i)*	**8,384**	6,094
Gross rental income from investment properties *(note ii)*	**31,344**	25,437
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(2,112)**	(1,938)
	29,232	23,499
Bank interest income	**19,348**	23,059
Government grants *(note iii)*	**8,064**	23,779
Compensation received from landlord for early termination of operating leases of restaurants	**10**	1,164
Others	**12,383**	18,574
	77,421	96,169

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 2021 and 2020 were operating leases with fixed lease payments.

(iii) During the year ended 31 December 2021, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognized government grants of RMB3,234,000 (2020:RMB18,926,000), of which RMB3,234,000 (2020: RMB5,849,000) related to Subsidy Schemes under Anti-epidemic Fund and nil (2020: RMB13,077,000) 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

	2021	2020
	RMB'000	*RMB'000*
Compensation in relation to a prior year financial asset at FVTPL	**–**	32,545
Fair value gain (loss) on investment properties	**8,688**	(10,308)
Loss on disposal of property, plant and equipment	**(7,521)**	(3,968)
Gain on disposal of right-of-use assets	**8,565**	2,444
Fair value loss on financial assets at FVTPL	**(57,351)**	(26,037)
Fair value gain on financial liabilities at FVTPL	**25,047**	1,709
Dividends from financial assets at FVTPL	**1,203**	–
Net foreign exchange gain (loss)	**5,080**	(623)
Impairment loss (recognised) reversed in respect of		
– intangible assets	**–**	(4,616)
– property, plant and equipment	**–**	(3,875)
– right-of-use assets	**(1,865)**	(17,656)
– interests in associates	**1,348**	(77,942)
	(16,806)	(108,327)

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**27,784**	31,626
Interest on bank borrowings	**2,176**	4,552
	29,960	36,178

7. PROFIT (LOSS) BEFORE TAX

	2021	2020
	RMB'000	*RMB'000*
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' remuneration	**3,518**	3,747
Salaries, wages and other benefits	**479,174**	428,953
Retirement benefits scheme contributions	**58,983**	44,002
Share-based payment expenses	**871**	808
Total staff costs	**542,546**	477,510
Depreciation of property, plant and equipment	**138,472**	162,148
Depreciation of right-of-use assets	**241,253**	281,545
Total depreciation	**379,725**	443,693
Impairment losses recognised on property, plant and equipment, right-of-use assets and intangible assets included in – other gains and losses	**1,865**	26,147
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

8. INCOME TAX EXPENSE (CREDIT)

	2021	2020
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current year	**2,165**	1,572
– Over provision in prior years	**(1,298)**	(631)
	867	941
Mainland China Income Tax		
– Current year	**15,930**	17,110
– Over provision in prior years	**(994)**	(5,123)
	14,936	11,987
Withholding tax	**18,457**	5,470
Deferred taxation expense (credit)	**219**	(37,508)
	34,479	(19,110)

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 PRC 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 in 2016, Chongqing Weiqian Food & Culture Co., Ltd. 重慶味千餐飲文化有限公司, which is located in Chongqing, Mainland China, applied a preferential tax rate of 15% in 2021.

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

	2021	2020
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK$0.024) per share for 2021 (2020: paid – RMB0.02 (HK$0.022) per share for 2020)	**21,831**	21,831
Final, paid – RMB0.08 (HK$0.095) per share for 2020 (2020: paid – RMB0.049 (HK$0.053) per share for 2019)	**87,323**	53,485
	109,154	75,316

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB0.08 (HK$0.098) (2020: final dividend in respect of the year ended 31 December 2020 of RMB0.08 (HK$0.095) per ordinary share, in an aggregate amount of RMB87,323,000 (HK$106,971,000) (2020: RMB87,323,000 (HK$103,696,000)), has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

10. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	2021	2020
	RMB'000	*RMB'000*
Earnings (loss) earnings for the purposes of basic and diluted earnings per share, being earnings (loss) for the year attributable to owners of the Company	**20,940**	(77,868)

Number of shares

	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**3,940**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**1,091,542,760**	1,091,538,820

During the year ended 31 December 2021, the computation of diluted earnings per share was calculated on certain outstanding options where the exercise price of which are lower than the average market price of the shares of the Company for 2021. Where the exercise price of the Company's outstanding options is higher than the average market price of the Company's share, the computation of diluted earnings per share does not assume the exercise of these options.

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.

11. INTERESTS IN ASSOCIATES

	2021	2020
	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	**(3,522)**	(2,419)
	147,819	148,922
Less: Impairment losses recognised *(note i)*	**(92,733)**	(94,081)
Loan to an associate *(note ii)*	**1,222**	1,258
	56,308	56,099

Note i: During the year ended 31 December 2021, in view of the poor performance of certain associates, in the opinion of the directors of the Company, the recoverable amount of the interests in these associates, which is the higher of value in use and fair value less costs of disposal, was estimated to be less than its carrying amount, and the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount accordingly.

For an interest in associate, Guangzhou Yunnex Information Technology Co., Ltd., ("Yunnex"), the recoverable amount is determined based on fair value less costs of disposal. As at 31 December 2021, the carrying amount of Yunnex amounted to RMB19,487,000 (2020: RMB18,266,000), with an initial investment cost, share of post-acquisition loss and accumulated impairment loss of RMB64,791,000, RMB13,877,000 and RMB31,427,000 (2020: RMB64,791,000, RMB13,750,000 and RMB32,775,000), respectively. For the year ended 31 December 2021, the Group engaged an independent qualified professional valuer to assist the management in determining the fair value less costs of disposal of Yunnex. Based on the valuation, a reversal of impairment loss of RMB1,348,000 (2020: an impairment loss of RMB16,636,000) has been recognised during the year ended 31 December 2021.

For another interest in associate, Jiangsu Hong Xuan Ecological Agriculture Company Limited (江蘇鴻軒生態農業有限公司)("Hong Xuan"), the recoverable amount is determined based on value in use under the impairment review performed by the management. As at 31 December 2021 and 2020, the gross carrying amount of Hong Xuan amounted to RMB61,306,000, with an initial investment cost and share of post-acquisition gain of RMB43,354,000 and RMB17,952,000, respectively. For the year ended 31 December 2020, in view of the poor operating performance of Hong Xuan, the directors conducted a review of impairment. The directors of the Company considered that the recoverability of the investments would be remote. As a result, the directors of the Company determined to recognise an impairment loss of RMB61,306,000 for the year ended 31 December 2020, equivalent to the gross carrying amount of interest in Hong Xuan. The management assessed and considered no impairment loss was required to reserve for the year ended 31 December 2021.

Note ii: Loan to an associate forms part of the net interests in the associate. The amounts are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders.

12. FINANCIAL ASSETS AND LIABILITES AT FVTPL

Financial assets at FVTPL

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Unlisted equity investments and fund investments	**179,320**	236,671

The components of financial assets at FVTPL are as follows:

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Guangzhou Yunxi Information Technology Co., Ltd. ("Yunxi")	**83,695**	134,238
Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership) ("Jiahua Anyuan Fund")	**61,566**	51,947
Guangzhou Hezhi Investment Center (Limited Partnership) ("Hezhi")	**29,817**	46,244
Others	**4,242**	4,242
	179,320	236,671

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Financial liabilities at FVTPL	**36,020**	61,067

Note: Financial assets and liabilities at FVTPL are classified as non-current as the directors of the Company expect to realize and/or settle these financial assets and liabilities not earlier than twelve months from the end of the reporting period.

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
– contracts with customers (third parties)	**19,096**	31,739
Less: allowance for credit losses	**(232)**	(3,306)
	18,864	28,433
Other receivables		
Rental and utility deposits	**28,929**	14,323
Prepaid management fee and property rental *(note)*	**5,729**	4,994
Advance to suppliers	**28,117**	35,874
Deductible value added tax	**45,093**	45,411
Lease receivables	**12,028**	11,833
Prepayments	**9,364**	8,531
Staff advance	**5,911**	3,873
Others	**15,770**	14,190
	150,941	139,029
Less: allowance for credit losses	**(9,463)**	(9,428)
	141,478	129,601
	160,342	158,034

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 0 to 90 days (2020: 0 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 (2020: 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 2020, trade receivables from contracts with customers amounted to RMB20,538,000.

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:

	2021	2020
	RMB'000	*RMB'000*
0 to 30 days	**13,988**	24,248
31 to 60 days	**2,599**	1,447
61 to 90 days	**1,602**	1,472
91 to 180 days	**675**	1,266
	18,864	28,433

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB684,000 (2020: RMB1,282,000) which are past due 90 days or more as at the reporting date. These past due balances are not considered as default as these balances are mainly due from customers with good credit quality. The Group does not hold any collateral over the balances.

14. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables		
– related parties (note)	**43,976**	34,177
– third parties	**73,542**	85,656
	117,518	119,833
Other payables		
Payroll and welfare payables	**38,926**	49,238
Rental deposits received	**10,500**	19,638
Payable for acquisition of property, plant and equipment	**30,360**	26,392
Payable for variable lease payments	**9,190**	6,196
Other taxes payable	**9,292**	8,856
Others	**45,382**	45,744
	261,168	275,897

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

The average credit period for purchase of goods is 60 days (2020: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

Ageing	**2021**	2020
	RMB'000	*RMB'000*
0 to 30 days	**89,825**	84,611
31 to 60 days	**20,277**	23,624
61 to 90 days	**1,051**	3,296
91 to 180 days	**283**	2,018
Over 180 days	**6,082**	6,284
	117,518	119,833

DIVIDEND

A final dividend of RMB0.08 (HK$9.8 cents) per ordinary share (2020: a final dividend of RMB0.08 (HK$9.5 cents) per ordinary share) for the year ended 31 December 2021 has been proposed by the Board and is subject to the approval by the shareholders of the Company (the "Shareholders") at the annual general meeting ("AGM") to be held on 20 May 2022. The proposed final dividend is expected to be paid on or about 15 July 2022. Including the interim dividend of RMB0.02 (HK$2.40 cents) per ordinary share (2020: RMB0.02 (HK$2.20 cents) per ordinary share) already paid, the total dividend for the year ended 31 December 2021 will amount to RMB0.1 (HK$12.2 cents) per ordinary share (2020: RMB0.1 (HK$11.7 cents) per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the year ended 31 December 2021 (the "Period"), facing various challenges such as the complex and severe international environment and the sporadic outbreak of domestic pandemic, all regions and departments in China adhered to the general working guideline of making progress while maintaining stability, scientifically implemented pandemic prevention, economic and social development in a coordinated way, strengthened the cross-cycle adjustment of macro policies, and increased support for the economy. Therefore, the national economy continued to recover and develop, and headed the "14th Five-Year Plan" to a good start. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB114,367.0 billion, representing an increase of 8.1% year-on-year (corresponding period in 2020: 2.3%), and an average growth rate of 5.1% for two years; the total retail sales of social consumer goods amounted to RMB44,082.3 billion, representing an increase of 12.5% year-on-year, and an average growth rate of 3.9% for two years; the national per capita disposable income amounted to RMB35,128, representing a real growth of 8.1% over the same period last year, and an average growth rate of 5.1% for two years; and the national consumer price index (CPI) increased by 0.9% year-on-year.

In 2021, the catering market maintained overall steady recovery. According to the National Bureau of Statistics of China, during the Period, the national revenue of the catering industry was RMB4,689.5 billion, representing an increase of 18.6% year-on-year, and the scale returned to the level of 2019. According to iiMedia Research, as of 2020, China's takeaway market size 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 scale of 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 facilitate industrial transformation, and online and offline omni-channel operation will become a trend.

Digital transformation is the direction that every industry is striving for, so is the catering industry. Measures such as driving product innovation and optimization by digital manner, relying on big data to select locations, improving efficiency and accuracy, and carrying out lean management of members through digital channels, can play a key role in the sustainable operation of catering brands, and will surely become the most important source of dividends in the development of the catering industry.

In 2022, facing a more complex, severe and uncertain external environment, as well as the domestic economy being under pressures of contracting demand, supply shock and weakening expectation, 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 to increase the members' repurchase rate by applying new lifetime membership marketing model, 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

During the year ended 31 December 2021 (the "Period"), the Group's turnover was approximately RMB1,996 million, representing an increase of approximately 9.6% from approximately RMB1,820 million for the corresponding period in 2020.

The Company achieved an increased revenue and a turnaround from loss to profit, mainly due to the gradual recovery of the restaurants of the Group from the Covid-19 pandemic and the increase in the number of restaurant operating days. However, due to the recurring outbreak of the Covid-19 pandemic, especially in the second half of the Period, the highly infectious mutant virus caused small-scale sporadic outbreaks in different cities in China, resulting in an unsatisfactory recovery of the revenue of the Group. The Group expects that the Covid-19 pandemic will continue to impact the catering industry, the citizens are also gradually changing their consumption patterns accordingly, and the number of takeaway users has increased significantly. Therefore, the Group has also adapted to the changing market by strengthening the promotion of takeaways to reduce the impact of Covid-19 pandemic on the revenue of the Group.

The Group's cost of inventories consumed as a proportion to turnover was approximately 26.9%, representing a decrease of approximately 1.4 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin increased to 73.1% for the Period from approximately 71.7% for the corresponding period in 2020. The increase in gross profit margin was mainly attributable to the decrease in pork prices during the Period. The Group will closely monitor the price trend of various raw materials to control the cost of food ingredients.

In addition, the Group's labour costs accounted for approximately 27.2% of the turnover, representing an increase of 1.0 percentage point as compared with 26.2% for the corresponding period in 2020. The increase in the proportion of costs was mainly due to the increase in wages in Mainland China.

The effective operation of 737 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 management 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

In 2021, 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 RMB1,880,923,000 (2020: RMB1,702,117,000), accounted for approximately 94.2% (2020: 93.5%) of the Group's total revenue.

As at 31 December 2021, the Group's restaurant portfolio consisted of 737 chain restaurants, comprising the following:

	31 December 2021	31 December 2020	+/–
By provinces/cities			
Shanghai	**119**	117	+2
Beijing	**44**	41	+3
Tianjin	**4**	7	-3
Guangdong (excluding Shenzhen)	**68**	59	+9
Shenzhen	**20**	16	+4
Jiangsu	**86**	85	+1
Zhejiang	**79**	83	-4
Sichuan	**14**	13	+1
Chongqing	**13**	13	–
Fujian	**15**	14	+1
Hunan	**14**	14	–
Hubei	**16**	12	+4
Liaoning	**18**	19	-1
Shandong	**51**	49	+2
Guangxi	**16**	17	-1
Guizhou	**4**	4	–
Jiangxi	**18**	18	–
Shaanxi	**11**	13	-2
Yunnan	**11**	10	+1
Henan	**14**	14	–
Hebei	**16**	16	–
Anhui	**16**	14	+2
Xinjiang	**2**	2	–
Hainan	**6**	7	-1
Shanxi	**4**	4	–
Neimenggu	**5**	5	–
Heilongjiang	**14**	14	–
Ningxia	**2**	3	-1
Jilin	**12**	12	–
Tibet	**0**	1	-1
Gansu	**1**	1	–
Hong Kong	**22**	23	-1
Rome	**1**	1	–
Finland	**1**	1	–
Total	**737**	722	+15

	31 December 2021	31 December 2020	+/–
By geographical region			
Northern China	**163**	154	+9
Eastern China	**300**	299	+1
Southern China	**165**	162	+3
Central China	**107**	105	+2
Europe	**2**	2	–
Total	**737**	722	+15

Financial Review

Turnover

For the year ended 31 December 2021, the Group's turnover increased by approximately 9.6%, or approximately RMB175,621,000 to approximately RMB1,996,209,000 from approximately RMB1,820,588,000 for the corresponding period in 2020. Such increase was mainly due to the gradual recovery from the COVID-19 pandemic and increase in operation days of restaurants.

Cost of inventories consumed

For the year ended 31 December 2021, the Group's cost of inventories increased by approximately 4.2%, or approximately RMB21,775,000 to approximately RMB537,336,000 from approximately RMB515,561,000 for the corresponding period in 2020.

During the year, the ratio of inventories cost to turnover was approximately 26.9%, which decreased by 1.4 percentage point from approximately 28.3% for the corresponding period in 2020 due to the decrease in pork price in Mainland China during 2021.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2021 increased by approximately 11.8%, or approximately RMB153,846,000 to approximately RMB1,458,873,000 from approximately RMB1,305,027,000 for the corresponding period in 2020.

Gross profit margin of the Group also increased to 73.1% from approximately 71.7% for the corresponding period in 2020.

Staff costs

For the year ended 31 December 2021, staff costs of the Group increased by approximately 13.6% to approximately RMB542,546,000 from approximately RMB477,510,000 for the corresponding period in 2020. Staff costs as a proportion to turnover increased by 1.0 percentage point to 27.2% from approximately 26.2% for the corresponding period in 2020 due to the increase in wages in Mainland China.

Depreciation

For the year ended 31 December 2021, depreciation of the Group decreased by approximately 14.4% to approximately RMB379,725,000 from approximately RMB443,693,000 for the corresponding period in 2020.

Both depreciation of right-of-use assets and depreciation of property, plant and equipment decreased during the year.

Depreciation of right-of-use assets decreased as a result of the decrease in the number of shops in the first half of the year; depreciation of property, plant and equipment decreased due to the decrease in capital expenditure in recent years because of the Covid-19 pandemic which slowed down the restaurant opening progress.

Other operating expenses

For the year ended 31 December 2021, other operating expenses increased by approximately 21.5% to approximately RMB512,572,000 from RMB421,778,000.

Other operating expenses generally increased as a result of the increase in operation days of restaurants. Service charges for delivery increased by 36.7% since the Group has been stregthening the takeaway services.

Set out below is the breakdown of the main operating expenses for the years ended 31 December 2021 and 2020.

	2021 ***RMB million***	2020 *RMB million*	% +/–
Utilities	**89.9**	83.9	+7.2%
Store and factory management fee	**67.1**	60.4	+11.1%
Consumables & utensils	**52.9**	46.0	+15.0%
Service charges for delivery platforms	**55.1**	40.3	+36.7%
Rental expenses under variable lease payment	**34.0**	34.6	-1.7%
Logistics expenses	**29.9**	24.6	+21.5%
Franchise expenses	**29.7**	22.1	+34.4%
Advertising and promotions	**17.8**	14.3	+24.5%
Rental expenses under short-term lease	**17.4**	12.3	+41.5%
Consultancy fee	**3.0**	6.8	-55.9%
Travelling expenses	**6.9**	6.7	+2.9%
Repairment and maintenance expenses	**5.1**	5.0	+2.0%
Bank charges on credit card payment	**5.2**	3.3	+57.6%
Auditors' remuneration	**3.3**	3.3	–
Cleaning expenses	**3.0**	3.1	-3.2%

Other income

For the year ended 31 December 2021, other income of the Group decreased by approximately 19.5% to approximately RMB77,421,000 from approximately RMB96,169,000 for the corresponding period in 2020. The decrease in other income was mainly due to the decrease in Covid-19 pandemic related government grant, the government grant recognized during the year amounted to RMB8,064,000 (2020: RMB23,779,000).

Other gains and losses

For the year ended 31 December 2021, the Group recognized other gains and losses of approximately RMB16,806,000 (2020: losses of RMB108,327,000). The losses decreased significantly was mainly attributable to the impairment loss of RMB61,306,000 recognised in 2020 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 impairment loss recognised for intangible assets; property, plant and equipment and right-of-use assets also decreased significantly to approximately RMB1,865,000 (2020: approximately RMB26,147,000) as a result of the improving performing during the year.

Finance costs

For the year ended 31 December 2021, finance costs decreased by approximately 17.2% to approximately RMB29,960,000 from approximately RMB36,178,000 for the corresponding period in 2020.

The interest on lease liabilities decreased due to the decrease in number of shop in the first half of the year; The interest on borrowings decreased as a result of the decrease in overall loan balance during the year.

Profit (loss) before taxation

Being affected by the factors referred to above, the Group recorded a profit before taxation of approximately RMB52,440,000 for the year ended 31 December 2021 (31 December 2020: loss of approximately RMB97,999,000).

Profit (loss) attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB20,940,000 (31 December 2020: loss of approximately RMB77,868,000).

Investments

The group maintained an 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 2021	31 December 2020	Initial investment cost
	RMB'000	*RMB'000*	*RMB'000*
Yunxi	**47,675**	73,171	60,000
Jiahua Anyuan Fund	**61,566**	51,947	50,000
Hezhi	**29,817**	46,244	99,120
Others	**4,242**	4,242	6,907
	143,300	175,604	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 2021	31 December 2020	Initial investment cost
	RMB'000	*RMB'000*	*RMB'000*
Jiangsu Hong Xuan Ecological Agriculture Company Limited	**–**	–	43,354
Yunnex Inc.	**19,487**	18,266	64,791
Others	**36,821**	37,833	43,196
	56,308	56,099	151,341

The Group engaged an independent qualified professional valuer to assist the management in performing impairment review for Yunnex Inc..

For Jiangsu Hong Xuan Ecological Agriculture Company Limited, in view of the poor operating performance, the directors of the Company considered that the recoverability of the investments would be remote. As such, the investment was fully impaired for the year 31 December 2020, the Group assessed and considered no impairment loss is required to reserve for the year ended 31 December 2021.

Interest in a joint venture

	31 December 2021	31 December 2020	Initial investment cost
	RMB'000	*RMB'000*	*RMB'000*
Beijing Feicui Jinghua & Restaurant Management Co., Ltd	**8,490**	9,715	12,858

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 2021 remained healthy and strong, with bank balances amounting to approximately RMB1,527,538,000 (31 December 2020: RMB1,738,380,000) and a current ratio of 3.1 (31 December 2020: 2.8).

As at 31 December 2021, the Group had bank borrowings of RMB77,003,000 (31 December 2020: RMB186,044,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 1.8 (31 December 2020: 4.0).

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 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 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 2021 and 31 December 2020, 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 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 announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Contingent liabilities

As of 31 December 2021, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,233,975,000 and the current ratio was 3.1 as at 31 December 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

Cash generated from operations for the year ended 31 December 2021 was approximately RMB417,717,000, while profit before taxation for the same period was approximately RMB52,440,000. The difference was mainly due to fair value movements on the financial assets and financial liabilities at FVTPL, 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 2021, the Group's capital expenditure was approximately RMB121,256,000 (2020: RMB125,664,000), the decrease in capital expenditure was mainly caused by the COVID-19 pandemic, which slowed down the shop opening progress.

Key operating ratios for restaurant operations

	Hong Kong			Mainland China		
	1-12/2021	1-6/2021	1-12/2020	**1-12/2021**	1-6/2021	1-12/2020
Comparable restaurant sales growth	**13.7%**	-1.0%	-21.6%	**-0.9%**	+30.7%	-29.7%
Per capita spending	**HK$98.4**	HK$94.0	HK$78.0	**RMB43.5**	RMB47.0	RMB46.5
Table turnover per day (times per day)	**4.0**	3.87	4.0	**3.0**	3.2	3.0

SUBSEQUENT EVENT

Subsequent to 31 December 2021, 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 2021.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "Code") effective on or before 31 December 2021 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 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.

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 2021.

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)
Mr. Lo Peter
Mr. Wang Jincheng

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 2022, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2021 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 2021 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 2022 to 20 May 2022 (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 2021, the register of members of the Company will be closed from 27 May 2022 to 31 May 2022 (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 16 May 2022 and 26 May 2022 respectively.

AGM AND DESPATCH OF 2021 ANNUAL REPORT

The AGM will be held on 20 May 2022. A notice convening the AGM will be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk and will be despatched to all Shareholders together with the 2021 annual report of the Company in due course.

The 2021 annual report of the Company will be despatched to all Shareholders and will also be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 24 March 2022

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.