AJISEN RAMEN
味千拉麵

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 538)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

2022 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	**Increase/ (Decrease)**
	(RMB'000)	*(RMB'000)*	%
Turnover	**1,429,792**	1,996,209	(28.4)
Sales from restaurant operation	**1,339,611**	1,880,923	(28.8)
Gross profit	**1,054,959**	1,458,873	(27.7)
(Loss) profit from operation	**(114,084)**	24,030	N/A
(Loss) profit before tax	**(176,765)**	52,440	N/A
(Loss) profit attributable to owners of the Company	**(143,906)**	20,940	N/A
Basic (loss) earnings per share (RMB)	**(0.13)**	0.02	N/A
Recommended final dividend per share (RMB)	**0.06**	0.08	
	(HK6.8 cents)	(HK9.8 cents)	
Total number of restaurants (as at 31 December)	**597**	737	

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 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	3	**1,429,792**	1,996,209
Cost of inventories consumed		**(374,833)**	(537,336)
Staff costs	7	**(425,410)**	(542,546)
Depreciation	7	**(367,489)**	(379,725)
Other operating expenses	7	**(376,144)**	(512,572)
(Loss) profit from operation		**(114,084)**	24,030
Other income	4	**87,408**	77,421
Impairment losses under expected credit loss model, net of reversal		**(500)**	83
Impairment loss (recognised) reversed in respect of			
– property, plant and equipment		**(4,125)**	–
– right-of-use assets		**(18,758)**	(1,865)
– interest in associates	11	**(16,953)**	1,348
Other gains and losses	5	**(78,519)**	(16,289)
Share of loss of associates		**(3,488)**	(1,103)
Share of loss of a joint venture		**(1,729)**	(1,225)
Finance costs	6	**(26,017)**	(29,960)
(Loss) profit before tax		**(176,765)**	52,440
Income tax credit (expense)	8	**20,397**	(34,479)
(Loss) profit for the year		**(156,368)**	17,961
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**52,019**	(11,906)
Other comprehensive income (expense) for the year, net of income tax		**52,019**	(11,906)
Total comprehensive (expense) income for the year		**(104,349)**	6,055

	NOTE	2022 RMB'000	2021 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(143,906)**	20,940
Non-controlling interests		**(12,462)**	(2,979)
		(156,368)	17,961
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(96,322)**	10,620
Non-controlling interests		**(8,027)**	(4,565)
		(104,349)	6,055

	NOTE	2022 RMB	2021 RMB
(Loss) earnings per share	*10*		
– Basic		**(0.13)**	0.02
– Diluted		**(0.13)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	**2022** **RMB'000**	2021 RMB'000
Non-current assets			
Investment properties		**999,262**	996,028
Property, plant and equipment		**405,554**	509,569
Right-of-use assets		**445,273**	615,458
Goodwill		**1,342**	1,264
Intangible assets		**1,313**	128
Interest in associates	*11*	**45,980**	56,308
Interest in a joint venture		**6,761**	8,490
Rental deposits		**67,709**	88,329
Deferred tax assets		**47,604**	37,210
Financial assets at fair value through profit or loss ("FVTPL")	*12*	**125,444**	179,320
		2,146,242	2,492,104
Current assets			
Inventories		**99,306**	120,387
Trade and other receivables	*13*	**154,599**	160,342
Taxation recoverable		**1,026**	846
Restricted bank deposits		**2,300**	–
Bank balances and cash		**1,465,111**	1,527,538
		1,722,342	1,809,113
Current liabilities			
Trade and other payables	*14*	**255,102**	261,168
Lease liabilities		**237,031**	229,974
Contract liabilities		**2,559**	4,625
Amounts due to related companies		**5,644**	4,047
Amounts due to directors		**549**	462
Amounts due to non-controlling interests		**13,538**	13,509
Amount due to associates		**2,215**	2,027
Amount due to a joint venture		**289**	480
Taxation payable		**14,051**	17,160
Bank borrowings		**5,243**	41,686
		536,221	575,138
Net current assets		**1,186,121**	1,233,975
Total assets less current liabilities		**3,332,363**	3,726,079

	2022	2021
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**225,685**	374,395
Bank borrowings	**35,174**	35,317
Deferred tax liabilities	**143,118**	166,198
Financial liabilities at FVTPL	**7,074**	36,020
	411,051	611,930
Net assets	**2,921,312**	3,114,149
Capital and reserves		
Share capital	**108,404**	108,404
Reserves	**2,766,311**	2,951,701
Equity attributable to owners of the Company	**2,874,715**	3,060,105
Non-controlling interests	**46,597**	54,044
Total equity	**2,921,312**	3,114,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust and controlled by Ms. Poon Wai ("Ms.Poon") who is also the Chairwoman and Managing Director of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are operation of restaurants, manufacture and sales of noodles and related products, and investment holding. The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and the Mainland China operating subsidiaries of the Company. The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars ("HK$").

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COOMMITTEE ("COMMITTEE")

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 Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standards Board, including Lessor Forgiveness of Lease Payments (IFRS 9 Financial Instruments and IFRS 16 Leases), which is relevant to the Group.

The application of the amendments to HKFRSs and the Committee's agenda decision 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 application of the agenda decision of the Committee – Lessor Forgiveness of Lease Payments (IFRS 9 Financial Instruments and IFRS 16 Leases)

In October 2022, the Committee published the agenda decision related to the accounting for a rent concession where the lessor legally releases the lessee from its obligation to make specifically identified lease payments. Some of these lease payments are contractually due but not paid and some of them are not yet contractually due. The Committee concluded that, before the rent concession is granted, the lessor applies the impairment requirements in IFRS 9 to the operating lease receivable, the measurement of expected credit losses ("ECL") should include the lessor's expectations of forgiving the related lease payments. In addition, the lessor accounts for the rent concession on the date it is granted by applying: (a) the derecognition requirements in IFRS 9 to forgiven lease payments that the lessor has recognised as operating lease receivables; and (b) the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor has not recognised as an operating lease receivable.

Prior to issuance of this agenda decision, the Group, as a lessor, granted rent concession to release certain of its tenants' obligation to make specific lease payments which included operating lease receivables that were contractually due as at the date of granting the rent concession. The Group accounted for all the forgiven lease payments, including operating lease receivables that were contractually due, as lease modification under HKFRS 16, the related leases in which rent concessions were granted were considered as new leases from the effective date of modification, outstanding operating lease receivables that were forgiven were considered as lease incentives of the related new leases. Subsequent to the publication of this agenda decision, the Group changed its accounting policy retrospectively to reflect the explanatory material in the agenda decision.

The application of the Committee's agenda decision has had no material impact on the Group's consolidated financial statements.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKSA 1	Non-Current Liabilities with Covenants[3]
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]

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for annual periods beginning on or after a date to be determined.
3. Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendents to HKFRs mentioned below, 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.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB369,970,000 and RMB412,478,000 respectively. Upon the application of the amendments, there is no impact on the opening balance of retained profits.

3. OPERATING SEGMENTS

Information reported to Ms. Poon, being 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 2022

	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	1,186,012	153,599	1,339,611	90,181	–	1,429,792	–	1,429,792
– Inter-segment sales	–	–	–	535,461	–	535,461	(535,461)	–
	1,186,012	153,599	1,339,611	625,642	–	1,965,253	(535,461)	1,429,792
Segment (loss) profit	(146,261)	(32,974)	(179,235)	3,598	28,804*	(146,833)	–	(146,833)
Interest income								20,473
Unallocated administrative expenses								(48,949)
Unallocated finance costs								(1,456)
Loss before tax								(176,765)
Income tax credit								20,397
Loss for the year								(156,368)

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

* Share of loss of associates and a joint venture are included in segment loss (2021: segment profit) of RMB5,217,000 for the year ended 31 December 2022 (2021: RMB2,328,000).

Other information

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the loss incurred from/profit earned by each segment without allocation of interest income, unallocated administrative expenses, unallocated finance costs and income tax credit (expense). This is the measure reported to the CODM, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

Inter-segment sales are charged at prevailing market rates.

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 entities' regions 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**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**1,270,628**	1,831,816	**1,445,277**	1,724,574
Hong Kong	**159,164**	164,393	**458,873**	461,449
	1,429,792	1,996,209	**1,904,150**	2,186,023

Note: Non-current assets excluded financial instruments at FVTPL, loan to an associate and deferred tax assets.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2022 and 2021.

4. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Royalty income from sub-franchisee *(note i)*	**6,287**	8,384
Gross rental income from investment properties *(note ii)*	**33,186**	31,344
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(2,400)**	(2,112)
	30,786	29,232
Bank interest income	**20,473**	19,348
Government grants *(note iii)*	**18,574**	8,064
Compensation received from landlord for early termination of operating leases of restaurants	**100**	10
Others	**11,188**	12,383
	87,408	77,421

Notes:

(i) The Group grants to the franchisees the rights to operate restaurants with the brand "Ajisen" for fixed contract term. 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 2022 and 2021 were operating leases with fixed lease payments.

(iii) During the year ended 31 December 2022, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognised government grants of RMB9,822,000 (2021: RMB3,234,000), of which RMB4,659,000 (2021: RMB3,234,000) related to Subsidy Schemes under Anti-epidemic Fund and RMB5,163,000 (2021: nil) 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 received from Mainland China local district authorities. For the government grant received from the Hong Kong government, the Group is required to hire numbers of working employees not less than the number reported to the government.

5. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Fair value (loss) gain on investment properties	**(29,803)**	8,688
Loss on disposal of property, plant and equipment	**(13,592)**	(7,521)
Gain on termination of right-of-use assets	**6,835**	8,565
Fair value loss on financial assets at FVTPL	**(63,876)**	(57,351)
Fair value gain on financial liabilities at FVTPL	**28,946**	25,047
Dividends from financial assets at FVTPL	**753**	1,203
Net foreign exchange (loss) gain	**(6,371)**	5,080
Loss on de-registration of subsidiaries	**(1,411)**	–
	(78,519)	(16,289)

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**24,561**	27,784
Interest on bank borrowings	**1,456**	2,176
	26,017	29,960

7. (LOSS) PROFIT BEFORE TAX

	2022	2021
	RMB'000	*RMB'000*
(Loss) profit before tax has been arrived at after (crediting) charging:		
Directors' remuneration	**3,765**	3,518
Salaries, wages and other benefits	**366,439**	479,174
Retirement benefits scheme contributions	**52,214**	58,983
Share-based payment	**2,992**	871
Total staff costs	**425,410**	542,546
Depreciation of property, plant and equipment	**131,095**	138,472
Depreciation of right-of-use assets	**236,394**	241,253
Total depreciation	**367,489**	379,725
Covid-19-related rent concessions	**(41,423)**	–
Auditor's remuneration	**3,250**	3,300

8. INCOME TAX (CREDIT) EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current year	**1,906**	2,165
– Over provision in prior years	**(275)**	(1,298)
	1,631	867
Mainland China Income Tax		
– Current year	**4,413**	15,930
– Under (over) provision in prior years	**100**	(994)
	4,513	14,936
Withholding tax	**6,937**	18,457
Deferred taxation (credit) expense	**(33,478)**	219
	(20,397)	34,479

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 2022 (2021: 15%).

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

	2022	2021
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Interim, paid – RMBnil (HK$nil) per share for 2022 (2021: paid – RMB0.02 (HK$0.024) per share for 2021)	**–**	21,831
Final, paid – RMB0.08 (HK$0.098) per share for 2021 (2021: paid – RMB0.08 (HK$0.095) per share for 2020)	**91,480**	87,323
	91,480	109,154

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB0.06 (HK$ 0.068)(2021: final dividend in respect of the year ended 31 December 2021 of RMB0.08 (HK$0.098)) per ordinary share, in an aggregate amount of RMB65,492,000 (HK$ 74,225,000) (2021: RMB87,323,000 (HK$106,971,000)), has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

10. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings figures are calculated as follows:

	2022	2021
	RMB'000	*RMB'000*
(Loss) earnings for the purposes of basic and diluted earnings per share, being (loss) earnings for the year attributable to owners of the Company	**(143,906)**	20,940

Number of shares

	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to outstanding share options	**–**	3,940
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**1,091,538,820**	1,091,542,760

During the year ended 31 December 2022, the computation of diluted loss per share did not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

During the year ended 31 December 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.

11. INTERESTS IN ASSOCIATES

	2022	2021
	RMB'000	*RMB'000*
Cost of investment in associates *(note i)*	**161,341**	151,341
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(7,010)**	(3,522)
	154,331	147,819
Less: Accumulated impairment losses recognised *(note ii)*	**(109,686)**	(92,733)
Loan to an associate *(note iii)*	**1,335**	1,222
	45,980	56,308

Note i: During the year ended 31 December 2022, the Group increased its equity in ordinary shares of 2% in Hubei Jupeng Kitchen Equipment Co. Ltd. ("Hubei Jupeng") for cash consideration amounting to RMB10,000,000. Accordingly, the Group owns 31% of total share capital of Hubei Jupeng.

Note ii: During the year ended 31 December 2022, in view of the poor performance of certain associates, the directors of the Company estimated that the recoverable amount of the interests in these associates, which is the higher of value in use and fair value less costs of disposal, to be less than its carrying amount. Following the impairment assessment, the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount accordingly. Details are set out below.

For interest in Guangzhou Yunnex Information Technology Co., Ltd.,("Yunnex"), the recoverable amount is determined based on fair value less costs of disposal. As at 31 December 2022, the carrying amount of Yunnex amounted to RMB987,000 (2021: RMB19,487,000), with an initial investment cost, share of post-acquisition loss and accumulated impairment losses of RMB64,791,000, RMB15,424,000 and RMB48,380,000 (2021: RMB64,791,000, RMB13,877,000 and RMB31,427,000), respectively. For the year ended 31 December 2022, 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, an impairment loss of RMB16,953,000 (2021: a reversal of impairment loss of RMB1,348,000) has been recognised for the year ended 31 December 2022.

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 carring amount is nil (2021: nil) with the initial investment cost of RMB61,306,000 and accumulated impairment loss of RMB61,306,000 (2021: RMB61,306,000).

Note iii: 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 2022	31 December 2021
	RMB'000	*RMB'000*
Unlisted equity investments and fund investments	**125,444**	179,320

The components of financial assets at FVTPL are as follows:

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Guangzhou Yunxi Information Technology Co., Ltd. ("Yunxi")	**24,348**	83,695
Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership) ("Jiahua Anyuan Fund")	**60,243**	61,566
Guangzhou Hezhi Investment Center (Limited Partnership) ("Hezhi")	**27,440**	29,817
Others	**13,413**	4,242
	125,444	179,320

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Financial liabilities at FVTPL	**7,074**	36,020

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

	2022	2021
	RMB'000	*RMB'000*
Trade receivables		
– contracts with customers (third parties)	**19,145**	19,096
Less: allowance for credit losses	**(680)**	(232)
	18,465	18,864
Other receivables		
Rental and utility deposits	**41,709**	28,929
Prepaid management fee and property rental *(note)*	**4,416**	5,729
Advance to suppliers	**34,000**	28,117
Deductible value added tax	**36,029**	45,093
Lease receivables	**13,408**	12,028
Prepayments	**2,718**	9,364
Staff advance	**5,921**	5,911
Others	**7,448**	15,770
	145,649	150,941
Less: allowance for credit losses	**(9,515)**	(9,463)
	136,134	141,478
	154,599	160,342

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 (2021: 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 (2021: 180 days). 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 2021, trade receivables from contracts with customers amounted to RMB28,433,000.

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

	2022	2021
	RMB'000	*RMB'000*
0 to 30 days	**13,487**	13,988
31 to 60 days	**1,280**	2,599
61 to 90 days	**2,764**	1,602
91 to 180 days	**256**	675
180 to 365 days	**678**	–
	18,465	18,864

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,140,000 (2021: RMB684,000) 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

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
– related parties *(note)*	**36,190**	43,976
– third parties	**56,891**	73,542
	93,081	117,518
Other payables		
Payroll and welfare payables	**42,458**	38,926
Rental deposits received	**11,371**	10,500
Payable for acquisition of property, plant and equipment	**25,422**	30,360
Payable for variable lease payments	**13,579**	9,190
Other taxes payable	**10,337**	9,292
Others	**58,854**	45,382
	255,102	261,168

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

The average credit period for purchase of goods is 60 days (2021: 60 days). The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

Aging	**2022**	2021
	RMB'000	*RMB'000*
0 to 30 days	**72,371**	89,825
31 to 60 days	**13,522**	20,277
61 to 90 days	**468**	1,051
91 to 180 days	**391**	283
Over 180 days	**6,329**	6,082
	93,081	117,518

DIVIDEND

A final dividend of RMB0.06 (HK$6.8 cents) per ordinary share (2021: a final dividend of RMB0.08 (HK$9.8 cents) per ordinary share) for the year ended 31 December 2022 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 7 June 2023. The proposed final dividend is expected to be paid on or about 28 July 2023. Nil interim dividend were paid (2021: RMB0.02 (HK$2.40 cents) per ordinary share), the total dividend for the year ended 31 December 2022 will amount to RMB0.06 (HK$6.8 cents) per ordinary share (2021: RMB0.1 (HK$12.2 cents) per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the year ended 31 December 2022 (the "Period"), the unprecedented changes in a century, the pandemic of the century, and the turbulent geopolitical situation caused greater downward risks to the world economy. Facing various challenges such as the complex and severe international environment and the sporadic outbreak of domestic pandemic, all regions and departments have effectively carried out pandemic prevention and economic and social development in a coordinated way, and earnestly implemented various policies and measures to stabilize the economy. Therefore, the national economy overall maintained a recovery momentum. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB121,020.7 billion, representing a year-on-year increase of 3.0% (corresponding period in 2021: 8.1%); the total retail sales of social consumer goods amounted to RMB43,973.3 billion, representing a year-on-year decrease of 0.2%; the national per capita disposable income amounted to RMB36,883, representing a real growth of 2.9% over the same period last year; and the national consumer price index (CPI) increased by 2.0% year on year.

In 2022, the catering industry was seriously affected by the pandemic, and since December, with the implementation of optimized pandemic prevention and control measures, the catering industry in various places has gradually got back on track. According to the National Bureau of Statistics of China, during the Period, the national revenue of the catering industry was RMB4,394.1 billion, representing a year-on-year decrease of 6.3%. According to iiMedia Research, as at the end of 2021, the scale of takeaway users in China reached 540 million, and the takeaway revenue as a percentage of the total revenue of catering industry increased to 21.4%. Takeaway could alleviate users' inconvenience in eating out, help catering enterprises solve the problem of reduced profits of offline business, and increase the revenue of the entire industry to a certain extent.

Today, when all industries focus on digital transformation, the catering industry is also moving towards digitalization. Since the beginning of this year, the suspension of dine-in due to the impact of the COVID-19 pandemic has promoted the digital transformation of many catering enterprises from offline to online channels, and from traditional stores to mobile phone mini programs and other channels. Nowadays, "digital store management", "digital membership marketing", "digital supply chain management" and other business formats have sprung up everywhere, which shows that the digital transformation of the catering industry is moving in depth.

In 2023, with the implementation of optimized pandemic prevention and control measures, the catering industry will continue to recover. The Group will continue to conduct lean management, strictly control food quality and safety, and accelerate the expansion of the restaurant network. Meanwhile, the Group will continue to optimize the membership system, and speed up digital transformation, so as to grasp the development opportunities arising from industry transformation and bring better return on investment for the shareholders.

Business Review

During the year ended 31 December 2022 (the "Period"), the Group's turnover was approximately RMB1,430 million, representing a decrease of approximately 28.4% from approximately RMB1,996 million for the corresponding period in 2021.

The Group's revenue decreased mainly because its restaurants were subject to various restrictions for pandemic prevention due to the outbreak of the COVID-19 pandemic in different cities in China from the second half of 2021, resulting in shortened opening hours or suspension of business. In order to reduce losses and manage risks, the Group assessed the situation of each restaurant during the Period, closed the restaurants that did not perform satisfactorily, and retained quality restaurants to tide over the pandemic period. Under the impact of the pandemic and the closure of stores, the revenue fell by nearly 30%. Despite the decline in revenue, the Group actively optimized its brand and restaurant portfolio, which brought about a record high in per capita spending in the Hong Kong market, as well as the decrease in pork price in Mainland China, therefore, the Group's cost of inventories consumed as a proportion to turnover was approximately 26.2%, representing a decrease of approximately 0.7 percentage points as compared with the corresponding period last year. Accordingly, gross profit margin increased to 73.8% for the Period from approximately 73.1% for the corresponding period in 2021.

The Group's labour costs accounted for approximately 29.8% of the turnover, representing an increase of 2.6 percentage points as compared with 27.2% for the corresponding period in 2021. The increase in the proportion of labour costs was mainly due to the fact that the opening hours of stores were shortened due to the pandemic, but salaries were not adjusted proportionally, resulting in the ineffective use of human resources.

The effective operation of 597 restaurants under the Group would not be achieved without its efficient management and intensive staff training. The Group also strengthened the guidance and training for 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 maintained five major production bases in Shanghai, Chengdu, Tianjin, Wuhan 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, and respond quickly to market changes to improve the Group's competitiveness.

Retail Chain Restaurants

In 2022, 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 RMB1,339,611,000 (2021: RMB1,880,923,000), accounted for approximately 93.7% (2021: 94.2%) of the Group's total revenue.

As at 31 December 2022, the Group's restaurant portfolio consisted of 597 chain restaurants, comprising the following:

	31 December 2022	31 December 2021	+/–
By provinces/cities			
Shanghai	**104**	119	-15
Beijing	**33**	44	-11
Tianjin	**2**	4	-2
Guangdong (excluding Shenzhen)	**61**	68	-7
Shenzhen	**19**	20	-1
Jiangsu	**71**	86	-15
Zhejiang	**61**	79	-18
Sichuan	**12**	14	-2
Chongqing	**10**	13	-3
Fujian	**10**	15	-5
Hunan	**13**	14	-1
Hubei	**11**	16	-5
Liaoning	**12**	18	-6
Shandong	**37**	51	-14
Guangxi	**16**	16	–
Guizhou	**2**	4	-2
Jiangxi	**13**	18	-5
Shaanxi	**10**	11	-1
Yunnan	**10**	11	-1
Henan	**6**	14	-8
Hebei	**11**	16	-5
Anhui	**15**	16	-1
Xinjiang	**2**	2	–
Hainan	**3**	6	-3
Shanxi	**4**	4	–
Neimenggu	**4**	5	-1
Heilongjiang	**11**	14	-3
Ningxia	**1**	2	-1
Jilin	**8**	12	-4

	31 December 2022	31 December 2021	+/–
Gansu	**1**	1	–
Hong Kong	**22**	22	–
Rome	**1**	1	–
Finland	**1**	1	–
Total	**597**	737	-140

	31 December 2022	31 December 2021	+/–
By geographical region			
Northern China	**118**	163	-45
Eastern China	**251**	300	-49
Southern China	**144**	165	-21
Central China	**82**	107	-25
Europe	**2**	2	–
Total	**597**	737	-140

Financial Review

Turnover

For the year ended 31 December 2022, the Group's turnover decreased by approximately 28.4%, or approximately RMB566,417,000 to approximately RMB1,429,792,000 from approximately RMB1,996,209,000 for the corresponding period in 2021. The decrease in revenue is mainly caused by the resurgence of the COVID-19 pandemic, restaurants were not fully operating during the year and restaurants with unsatisfactory performance were shut down.

Cost of inventories consumed

For the year ended 31 December 2022, the Group's cost of inventories decreased by approximately 30.2%, or approximately RMB162,503,000 to approximately RMB374,833,000 from approximately RMB537,336,000 for the corresponding period in 2021.

During the year, the ratio of inventories cost to turnover was approximately 26.2%, which decreased by 0.7 percentage point from approximately 26.9% for the corresponding period in 2021 due to the decrease in pork price in Mainland China during 2022.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2022 decreased by approximately 27.7%, or approximately RMB403,914,000 to approximately RMB1,054,959,000 from approximately RMB1,458,873,000 for the corresponding period in 2021.

Gross profit margin of the Group also increased to 73.8% from approximately 73.1% for the corresponding period in 2021.

Staff costs

For the year ended 31 December 2022, staff costs of the Group decreased by approximately 21.6% to approximately RMB425,410,000 from approximately RMB542,546,000 for the corresponding period in 2021. Staff costs as a proportion to turnover increased by 2.6 percentage points to 29.8% from approximately 27.2% for the corresponding period in 2021. Under the COVID-19 pandemic, restaurants were not fully operating while the salaries still had to be paid, which drove up the staff cost proportion.

Depreciation

For the year ended 31 December 2022, depreciation of the Group decreased by approximately 3.2% to approximately RMB367,489,000 from approximately RMB379,725,000 for the corresponding period in 2021.

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; depreciation of property, plant and equipment decreased due to the decrease in capital expenditure in recent years as a result of the COVID-19 pandemic.

Other operating expenses

For the year ended 31 December 2022, other operating expenses decreased by approximately 26.6% to approximately RMB376,144,000 from approximately RMB512,572,000.

Other operating expenses generally decreased as a result of the decrease in the number of restaurants.

Set out below is the breakdown of the main operating expenses for the years ended 31 December 2022 and 2021.

	2022	2021	%
	RMB million	*RMB million*	+/–
Utilities	**73.5**	89.9	-18.2%
Store and factory management fee	**66.3**	67.1	-1.2%
Service charges for delivery platforms	**52.2**	55.1	-5.3%
Consumables & utensils	**41.2**	52.9	-22.1%
Logistics expenses	**24.4**	29.9	-18.4%
Franchise expenses	**23.7**	29.7	-20.2%
Rental expenses under variable lease payment	**17.9**	34.0	-47.4%
Rental expenses under short-term lease	**16.5**	17.4	-5.2%
Advertising and promotions	**11.6**	17.8	-34.8%
Travelling expenses	**4.6**	6.9	-33.3%
Auditors' remuneration	**3.3**	3.3	–
Repairment and maintenance expenses	**3.5**	5.1	-31.4%
Bank charges on credit card payment	**3.3**	5.2	-36.5%
Cleaning expenses	**2.3**	3.0	-23.3%
Consultancy fee	**1.0**	3.0	-66.7%

Other income

For the year ended 31 December 2022, other income of the Group increased by approximately 12.9% to approximately RMB87,408,000 from approximately RMB77,421,000 for the corresponding period in 2021. The increase in other income was mainly due to the increase in COVID-19 pandemic related government grant, the government grant recognized during the year amounted to RMB18,574,000 (2021: RMB8,064,000).

Other gains and losses

For the year ended 31 December 2022, the Group recognised other losses of approximately RMB78,519,000 (2021: losses of approximately RMB16,289,000). The other losses increased significantly was mainly due to the decrease in the fair value of the investment properties and the increase in loss on disposal of property, plant and equipment.

Fair value loss of approximately RMB29,803,000 was recognised on the investment properties (2021: gain of approximately RMB8,688,000). The fair value of the investment properties decreased was mainly caused by the increase in the global interest rate.

Loss on disposal of property, plant and equipment of approximately RMB13,592,000 (2021: approximately RMB7,521,000) was recognised, it mainly arosed when the restaurants were closed.

Finance costs

For the year ended 31 December 2022, finance costs decreased by approximately 13.2% to approximately RMB26,017,000 from approximately RMB29,960,000 for the corresponding period in 2021.

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

(Loss) profit before tax

Being affected by the factors referred to above, the Group recorded a loss before tax of approximately RMB176,765,000 for the year ended 31 December 2022 (31 December 2021: gain of approximately RMB52,440,000).

(Loss) profit attributable to owners of the Company

Being affected by the factors referred to above, loss attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB143,906,000 (31 December 2021: profit of approximately RMB20,940,000).

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 2022	31 December 2021	Initial investment cost
	RMB'000	*RMB'000*	*RMB'000*
Yunxi	**17,274**	47,675	60,000
Jiahua Anyuan Fund	**60,243**	61,566	50,000
Hezhi	**27,440**	29,817	99,120
Others	**13,413**	4,242	16,907
	118,370	143,300	226,027

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 2022	31 December 2021	Initial investment cost
	RMB'000	*RMB'000*	*RMB'000*
Jiangsu Hong Xuan Ecological Agriculture Company Limited	**–**	–	43,354
Yunnex Inc.	**987**	19,487	64,791
Others	**44,993**	36,821	53,196
	45.980	56,308	161,341

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

Interest in a joint venture

	31 December 2022	31 December 2021	Initial investment cost
	RMB'000	*RMB'000*	*RMB'000*
Beijing Feicui Jinghua & Restaurant Management Co., Ltd	**6,761**	8,490	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 2022 remained healthy and strong, with bank balances amounting to approximately RMB1,465,111,000 (31 December 2021: RMB1,527,538,000) and a current ratio of 3.2 (31 December 2021: 3.1).

As at 31 December 2022, the Group had bank borrowings of approximately RMB40,417,000 (31 December 2021: approximately RMB77,003,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 1.0 (31 December 2021: 1.8).

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 2022 and 31 December 2021 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 2022 and 31 December 2021, 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 2022, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,186,121,000 and the current ratio was 3.2 as at 31 December 2022 (31 December 2021: 3.1). 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 2022 was approximately RMB299,923,000, while loss before taxation for the same period was approximately RMB176,765,000. The difference was due to the non-cash items, mainly fair value movements on the investment properties, 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 2022, the Group's capital expenditure was approximately RMB55,056,000 (2021: RMB121,256,000), 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		
	1-12/2022	1-6/2022	1-12/2021	**1-12/2022**	1-6/2022	1-12/2021
Comparable restaurant sales growth	**-12.3%**	-18.7%	-13.7%	**-20.5%**	-23.6%	-0.9%
Per capita spending	**HK$105.5**	HK$100.6	HK$98.4	**RMB43.0**	RMB43.0	RMB43.5
Table turnover per day (times per day)	**3.7**	3.2	4.0	**2.5**	2.3	3.0

SUBSEQUENT EVENT

Subsequent to 31 December 2022, 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 2022.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with all applicable code provisions under the Code throughout the year ended 31 December 2022, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.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 C.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.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the code provisions of the Code and maintaining a high standard of corporate governance of the Company.

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 2022.

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 2023, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's annual results for the year ended 31 December 2022 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 2022 which have been agreed with DTT, the auditor of the Company.

PROPPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposed to amend and restate the existing memorandum and articles of association of the Company ("Memorandum and Articles") for the purposes of, among others, aligning the Memorandum and Articles with the legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3, in respect to a uniform set of 14 "Core Standards" for the shareholder protections, to Listing Rules which took effect on 1 January 2022.

Other house-keeping amendments to the Memorandum and Articles are also proposed for the purpose of clarifying existing practices and making consequential amendments in line with the amendments to the Memorandum and Articles (collectively, the "Amendments"). Details of the proposed Amendments will be set out in the circular to be despatched to the Shareholders in due course. After the proposed amendments to the Memorandum and Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company and the Stock Exchange (www.hkexnews.hk).

The proposed Amendments are subjected to the approval of the shareholders by way of a special resolution ("Special Resolution") at the upcoming AGM, with the amendments to take effect when the proposed Amendments become effective at the AGM. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid.

A circular of the AGM of the Company containing, inter alia, full details of the proposed Amendments to the Memorandum and Articles, together with a notice of the AGM of the Company and the related proxy form, will be despatched to the shareholders of the Company in due course.

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 2 June 2023 to 7 June 2023 (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 2022, the register of members of the Company will be closed from 14 June 2023 to 16 June 2023 (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 1 June 2023 and 13 June 2023 respectively.

AGM AND DESPATCH OF 2022 ANNUAL REPORT

The AGM will be held on 7 June 2023. 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 2022 annual report of the Company in due course.

The 2022 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, 28 March 2023

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.