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AJISEN RAMEN
味千拉麵

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 538)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

2023 INTERIM RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2023	2022	**Increase/ (Decrease)**
	(RMB'000)	*(RMB'000)*	%
Turnover	**884,847**	677,469	30.6
Sales from restaurant operation	**842,594**	628,250	34.1
Gross profit	**664,952**	496,329	34.0
Profit (loss) from operation	**65,251**	(99,587)	N/A
Profit (loss) before tax	**181,256**	(136,066)	N/A
Profit (loss) attributable to owners of the Company	**133,095**	(106,513)	N/A
Earnings (loss) per share (RMB)	**0.12**	(0.10)	N/A
Total number of restaurants (as at 30 June)	**569**	669	

The board (the "**Board**") of directors (the "**Directors**") of Ajisen (China) Holdings Limited (the "**Company**" or "**Ajisen**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**884,847**	677,469
Cost of inventories consumed		**(219,895)**	(181,140)
Staff costs		**(227,664)**	(211,016)
Depreciation		**(160,333)**	(187,855)
Other operating expenses		**(211,704)**	(197,045)
Profit (loss) from operation		**65,251**	(99,587)
Other income	*4*	**54,915**	35,522
Impairment losses under expected credit loss model, net of reversal		**(476)**	(428)
Other gains and losses	*5*	**70,077**	(56,301)
Share of result of associates		**415**	(1,430)
Share of result of a joint venture		**644**	(1,127)
Finance costs		**(9,570)**	(12,715)
Profit (loss) before tax	*6*	**181,256**	(136,066)
Income tax (expense) credit	*7*	**(41,660)**	15,705
Profit (loss) for the period		**139,596**	(120,361)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**25,965**	23,219
Other comprehensive income for the period, net of income tax		**25,965**	23,219
Total comprehensive income (expense) for the period		**165,561**	(97,142)

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**133,095**	(106,513)
Non-controlling interests		**6,501**	(13,848)
		139,596	(120,361)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**156,155**	(84,340)
Non-controlling interests		**9,406**	(12,802)
		165,561	(97,142)
		RMB	*RMB*
Earnings (loss) per share	*9*		
– Basic and diluted		**0.12**	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Non-current assets			
Investment properties		**1,049,413**	999,262
Property, plant and equipment		**370,760**	405,554
Right-of-use assets		**402,817**	445,273
Intangible assets		**1,761**	1,313
Interests in associates		**45,449**	45,980
Interest in a joint venture		**7,405**	6,761
Rental deposits		**68,904**	67,709
Goodwill		**1,371**	1,342
Deferred tax assets		**28,861**	47,604
Financial assets at fair value through profit and loss ("**FVTPL**")	*10*	**171,915**	125,444
		2,148,656	2,146,242
Current assets			
Inventories		**82,588**	99,306
Trade and other receivables	*11*	**154,372**	154,599
Taxation recoverable		**797**	1,026
Restricted bank deposits		**6,215**	2,300
Cash and cash equivalents		**1,578,250**	1,465,111
		1,822,222	1,722,342
Current liabilities			
Trade and other payables	*12*	**254,861**	255,102
Lease liabilities		**177,568**	237,031
Contract liabilities		**1,550**	2,559
Amounts due to related companies		**6,546**	5,644
Amounts due to directors		**222**	549
Amounts due to non-controlling interests		**13,549**	13,538
Amounts due to associates		**2,286**	2,215
Amount due to a joint venture		**–**	289
Dividend payable		**65,493**	–
Taxation payable		**20,554**	14,051
Bank borrowing		**5,375**	5,243
		548,004	536,221

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net current assets	**1,274,218**	1,186,121
Total assets less current liabilities	**3,422,874**	3,332,363
Non-current liabilities		
Bank borrowing	**34,555**	35,174
Lease liabilities	**208,398**	225,685
Deferred tax liabilities	**157,084**	143,118
Financial liabilities at FVTPL	**507**	7,074
	400,544	411,051
Net assets	**3,022,330**	2,921,312
Capital and reserves		
Share capital	**108,404**	108,404
Reserves	**2,857,923**	2,766,311
Equity attributable to owners of the Company	**2,966,327**	2,874,715
Non-controlling interests	**56,003**	46,567
Total equity	**3,022,330**	2,921,312

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts[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 12	International Tax Reform – Pillar Two Model Rules[2]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2023 (except for HKAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments)

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

2.1.2 Transition and summary of effects

For reporting entities which previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision the Group also, as at 1 January 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB106,004,000 and deferred tax liabilities of RMB92,034,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

3. OPERATING SEGMENTS

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

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

Six months ended 30 June 2023 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	**741,853**	**100,741**	**842,594**	**42,253**	**–**	**884,847**	**–**	**884,847**
– inter-segment sales	**–**	**–**	**–**	**300,376**	**–**	**300,376**	**(300,376)**	**–**
	741,853	**100,741**	**842,594**	**342,629**	**–**	**1,185,223**	**(300,376)**	**884,847**
Segment profit	**96,501**	**531**	**97,032**	**419**	**86,950**	**184,401**	**–**	**184,401**
Interest income								**15,019**
Central administrative expenses								**(17,641)**
Unallocated finance costs								**(523)**
Profit before taxation								**181,256**
Income tax expense								**(41,660)**
Profit for the period								**139,596**

Six months ended 30 June 2022 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China	Hong Kong	Total					
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	569,420	58,830	628,250	49,219	–	677,469	–	677,469
– inter-segment sales	–	–	–	257,865	–	257,865	(257,865)	–
	569,420	58,830	628,250	307,084	–	935,334	(257,865)	677,469
Segment (loss) profit	(106,880)	(7,472)	(114,352)	1,797	(16,463)	(129,018)	–	(129,018)
Interest income								6,807
Central administrative expenses								(13,221)
Unallocated finance costs								(634)
Loss before taxation								(136,066)
Income tax credit								15,705
Loss for the period								(120,361)

Segment profit (loss) represents the profit/loss earned/incurred by each segment without allocation of interest income, central administrative expenses, certain finance costs and income tax expense (credit). This is the measure reported to the chief operating decision maker, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

Measures of total assets and total liabilities are not reported as these financial information is not reviewed by the Group's chief operating decision maker for the assessment of performance and resources allocation of the Group's business activities.

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 Six months ended 30 June		Non-current assets	
	2023	2022	**30 June 2023**	31 December 2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Mainland China	**781,701**	615,775	**1,445,320**	1,445,277
Hong Kong	**103,146**	61,694	**501,184**	458,873
	884,847	677,469	**1,946,504**	1,904,150

Note: Non-current assets excluded financial assets 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 in each of the current and preceding interim period.

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Royalty and other income from sub-franchisees	**3,191**	2,734
Property rental income, net of direct outgoings *(note i)*	**15,743**	12,307
Bank interest income	**15,019**	6,807
Government grants *(note ii)*	**4,466**	11,216
Waive of franchise commission payable to a related party *(note iii)*	**12,049**	–
Others	**4,447**	2,458
	54,915	35,522

Note i: Direct outgoings during the current interim period amounted to RMB1,746,000 (six months ended 30 June 2022: RMB1,096,000).

Note ii: During the prior interim period, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognised government grants of RMB8,020,000, of which RMB4,404,000 was related to Subsidy Schemes under Anti-epidemic Fund and an amount of RMB3,616,000 was related to Employment Support Scheme. The remaining amounts of government grants represent the incentive subsidies received from the Mainland China local district authorities for the business activities carried out by the Group. There were no specific conditions attached to the grants. No such relevant government grants were entitled by the Group during the current interim period.

Note iii: During the current interim period, franchise commission payable to a related party, namely Shigemitsu Industry Co., Ltd, has been waived under mutually agreed terms.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(3,149)**	(6,101)
Fair value gain on investment properties	**37,070**	5,630
Fair value gain (loss) on financial assets at FVTPL	**26,471**	(33,587)
Fair value gain on financial liabilities at FVTPL	**6,567**	11,874
Net foreign exchange gain	**1,220**	1,752
Gain on termination of leases, net	**3,072**	1,004
Impairment loss recognised in respect of		
– property, plant and equipment	**–**	(3,089)
– right-of-use assets	**(187)**	(23,654)
– interests in an associate	**(987)**	(10,130)
	70,077	(56,301)

6. PROFIT (LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**57,613**	67,161
Depreciation of right-of-use assets	**102,720**	120,694
Total depreciation	**160,333**	187,855
Covid-19-related rent concessions	**–**	(5,908)
Fuel and utility expenses	**36,652**	34,960
Property rentals in respect of		
– Variable lease payment	**13,131**	8,408
– Short-term lease payment	**1,300**	5,933

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
– current period	**2,283**	1,043
Mainland China Enterprise Income Tax ("**EIT**")		
– current period	**6,684**	1,537
– (over) under provision in prior periods	**(17)**	213
	6,667	1,750
Deferred taxation	**32,710**	(18,498)
	41,660	(15,705)

The income tax expense in Hong Kong and Mainland China is recognised based on management's best estimate of the annual income tax rate enacted for the full financial year. During the current period, the tax rates for Hong Kong Profits Tax and Mainland China EIT are 16.5% and 25% (six months ended 30 June 2022: 16.5% and 25%), respectively, for the period under review.

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

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

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – RMB0.06 (HK6.8 cents) per share for 2022 (six months ended 30 June 2022: declared – RMB0.08 (HK9.8 cents) per share for 2021)	**65,493**	91,480

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share, being profit (loss) for the period attributable to owners of the Company	**133,095**	(106,513)

	Number of shares	
Number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	**1,091,538,820**	1,091,538,820

During the six months ended 30 June 2023, all outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Group's earnings per share because the exercise prices of these options ware higher than the average market prices of the Company's share during the current interim period.

During the six months ended 30 June 2022, the computation of diluted loss per share does not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

10. FINANCIAL ASSETS AT FVTPL

	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted equity investments and fund investments *(Note)*	**171,915**	125,444

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

The management of the Group, by reference to the valuation model formulated by the external independent qualified valuer engaged by the Group for the year ended 31 December 2022, revisited and determined the appropriate assumptions and inputs for fair value measurement for these unlisted equity investments and fund investments.

11. TRADE AND OTHER RECEIVABLES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Trade receivables		
– third parties	**25,066**	19,145
Less: allowance for credit losses	**(1,260)**	(680)
	23,806	18,465
Other receivables		
Rental and utility deposits	**35,097**	41,709
Prepaid management fee	**6,363**	4,416
Advance to suppliers	**30,888**	34,000
Value added tax recoverable	**36,852**	36,029
Lease receivables	**13,824**	13,408
Prepayments	**2,494**	2,718
Staff advance	**7,834**	5,921
Others	**6,625**	7,448
	139,977	145,649
Less: allowance for doubtful debts on other receivables	**(9,411)**	(9,515)
	130,566	136,134
	154,372	154,599

Customers relating to manufacture and sales of noodles and related products are either having no credit period or granted up to 90 days (year ended 31 December 2022: 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days (year ended 31 December 2022: 180 days), while there is no credit period for customers relating to sales from restaurant operations.

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
0 to 30 days	**18,229**	13,487
31 to 60 days	**482**	1,280
61 to 90 days	**3,259**	2,764
91 to 180 days	**843**	256
180 to 365 days	**993**	678
	23,806	18,465

12. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
– related parties *(Note)*	**20,137**	36,190
– third parties	**75,382**	56,891
	95,519	93,081
Payroll and welfare payables	**46,799**	42,458
Customers' deposits received	**12,761**	11,371
Payable for acquisition of property, plant and equipment	**21,731**	25,422
Payable for variable lease payments	**11,364**	13,579
Other taxes payable	**6,663**	10,337
Others	**60,024**	58,854
	254,861	255,102

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

The average credit period for the purchase of goods is 60 days (year ended 31 December 2022: 60 days). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**67,213**	72,371
31 to 60 days	**21,110**	13,522
61 to 90 days	**140**	468
91 to 180 days	**239**	391
Over 180 days	**6,817**	6,329
	95,519	93,081

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the six months ended 30 June 2023 (the "**Period**"), with the full resumption of normal economic and social operation and the effective implementation of macro policies, the national economy has rebounded and made steady progress in high-quality development. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB59,303.4 billion, representing a year-on-year increase of 5.5% (same period in 2022: 2.5%); the total retail sales of consumer goods amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%; the national per capita disposable income amounted to RMB19,672, representing a real growth of 5.8% over the same period of the previous year; and the national consumer price index (CPI) increased by 0.7% year on year.

In the first half of 2023, with the recovery of customer traffic and the continuous implementation of consumption promotion policies, consumption in the catering market was significantly released. According to the National Bureau of Statistics of China, during the Period, the national revenue of the catering industry was RMB2,432.9 billion, representing a year-on-year increase of 21.4%. According to iiMedia Research, the scale of China's online takeaway market increased by 19.80% in 2022. With the development of the mobile internet, online and offline dual model has become a mainstream trend for catering enterprises to operate business, and only by attaching sufficient importance to both online and offline channels can the brand power and competitiveness of enterprises become more and more robust.

Digitalization is becoming the preferred strategy for catering enterprises. Digitalization will not only drive catering innovation and bring business growth, but also forge corporate resilience. Digital technology has increasingly highlighted its universal value of extensive empowerment, and digital transformation has played an important role in expanding the scope of supply, promoting innovative applications, improving operating efficiency, and enhancing industry standardization, which has effectively promoted the development of the catering industry.

In 2023, although the national economy has rebounded, it should also be noted that the world political and economic situation is complicated, and the foundation for the sustained recovery and development of the domestic economy is still not stable. In the second half of the year, the Group will continue to conduct lean management, and strictly control food quality and safety. Meanwhile, the Group will accelerate the digital transformation and upgrading of stores to enhance customer experience and optimize store operating efficiency, expand turnover, pursue growth, and bring greater return on investment to shareholders.

Business Review

For the Period, despite the gradual recovery of the Group's business from the pandemic, the catering industry remained challenging in the face of rising global inflation and a slowdown in the world economy, and the Group continued to adjust its operation strategy, aim at steady and sustainable operation, and seek new directions while maintaining stability.

During the pandemic, the Group actively streamlined stores by closing those that did not perform satisfactorily; and after the pandemic, the Group will continue to adopt a stable operation and store opening strategy to enhance its overall profitability.

Amidst the high global inflation, both ingredients and manpower were under the pressure of rising costs, and striving to control costs was one of the Group's goals. In terms of food ingredients, the Group continuously optimized its supply chain and sought high-quality suppliers around the world to supply raw materials at stable prices. The Group has also maintained a production base in Hong Kong and five major production bases in Mainland China, including those in Shanghai, Chengdu, Tianjin, Wuhan and Dongguan, which guaranteed the food quality, food safety and stable supply of the Group's restaurants. In terms of manpower, the Group continuously optimized the operational processes of the frontline and back offices to reduce manpower without compromising service quality.

The effective operation of the existing 569 restaurants of the Group would not be achieved without our 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.

The Group will closely monitor market conditions, respond quickly to market changes, actively control operating costs, and adjust operating strategy to improve the Group's competitiveness.

Retail Chain Restaurants

During the Period, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the Period, the Group's restaurant business income recorded approximately RMB842,594,000 (corresponding period in 2022: approximately RMB628,250,000), accounted for approximately 95.2% (corresponding period in 2022: approximately 92.7%) of the Group's total revenue, a increase of approximately 34.1% from the corresponding period last year.

As at 30 June 2023, the Group's restaurant portfolio consisted of 569 chain restaurants, comprising the following:

By provinces	**30-June 2023**	30-June 2022	+/–
Shanghai	**100**	119	-19
Beijing	**32**	39	-7
Tianjin	**2**	3	-1
Guangdong (excluding Shenzhen)	**60**	64	-4
Shenzhen	**18**	20	-2
Jiangsu	**70**	78	-8
Zhejiang	**59**	72	-13
Sichuan	**11**	14	-3
Chongqing	**11**	11	–
Fujian	**9**	12	-3
Hunan	**13**	13	–
Hubei	**11**	14	-3
Liaoning	**6**	13	-7
Shandong	**33**	43	-10
Guangxi	**16**	16	–
Guizhou	**2**	3	-1
Jiangxi	**13**	15	-2
Shaanxi	**9**	10	-1
Yunnan	**10**	11	-1
Henan	**5**	9	-4
Hebei	**10**	12	-2
Anhui	**13**	17	-4
Xinjiang	**2**	2	–
Hainan	**3**	4	-1
Shanxi	**4**	4	–
Neimenggu	**4**	4	–
Heilongjiang	**11**	12	-1
Ningxia	**1**	2	-1
Jilin	**7**	10	-3
Gansu	**0**	1	-1

By provinces	**30-June 2023**	30-June 2022	+/–
Hong Kong	**22**	20	+2
Rome	**1**	1	–
Finland	**1**	1	–
Total	**569**	669	-100

By geographical region:	**30-June 2023**	30-June 2022	+/–
Northern China	**105**	136	-31
Eastern China	**242**	286	-44
Southern China	**141**	151	-10
Central China	**79**	94	-15
Europe	**2**	2	–
Total	**569**	669	-100

Financial Review

Turnover

For the six months ended 30 June 2023, the Group's turnover increased by approximately 30.6%, to approximately RMB884,847,000 from approximately RMB677,469,000 for the corresponding period in 2022. The increase in revenue is mainly due to the global easing of the COVID-19 pandemic. Restaurants are able to operate at full capacity without any epidemic restrictions, allowing the Group to achieve higher revenue compared to the same period last year, despite a reduction in the number of stores.

Cost of inventories consumed

For the six months ended 30 June 2023, the Group's cost of inventories increased by approximately 21.4% to approximately RMB219,895,000 from approximately RMB181,140,000 for the corresponding period in 2022. During the Period, the ratio of inventories cost to turnover was approximately 24.9%, which decreased by 1.8 percentage points from 26.7% for the corresponding period in 2022. The cost of inventories consumed proportion to turnover decreased compared to the same period last year is mainly due to the decline in pork prices during the Period, which pork is one of the main material costs, besides, increased revenue reduces material waste.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2023 increased by approximately 34.0% to approximately RMB664,952,000 from approximately RMB496,329,000 for the corresponding period in 2022.

Gross profit margin of the Group increased to 75.1% from approximately 73.3% for the corresponding period in 2022.

Staff costs

For the six months ended 30 June 2023, staff costs of the Group increased by approximately 7.9% to approximately RMB227,664,000 from approximately RMB211,016,000 for the corresponding period in 2022. Staff costs as a proportion to turnover decreased to 25.7% from 31.1% in the corresponding period in 2022, this is because without the epidemic restrictions, restaurants are able to schedule the staff working hours more efficiently.

Depreciation

For the six months ended 30 June 2023, depreciation of the Group decreased by approximately 14.7% to approximately RMB160,333,000 from approximately RMB187,855,000 for the corresponding period in 2022. As a result of the decrease in the number of restaurants, the lease depreciation and fixed asset depreciation decreased.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the six months ended 30 June 2023, other operating expenses increased by approximately 7.4% to approximately RMB211,704,000 from approximately RMB197,045,000 for the corresponding period in 2022. Despite a decrease in the number of restaurants, there has been a general increase in other operating expenses due to the recovery in revenue.

Set out below is the breakdown of the main operating expenses for the period ended 30 June 2023 and 2022.

	30 June 2023 ***RMB million***	30 June 2022 *RMB million*	% +/–
Utilities	**36.7**	35.0	+4.9%
Store and factory management fee	**25.4**	29.9	-15.1%
Service charges for delivery platforms	**24.4**	20.3	+20.2%
Consumables & utensils	**21.8**	18.5	+17.8%
Logistics expenses	**14.0**	12.3	+13.8%
Franchise expenses	**10.9**	11.8	-7.6%
Rental expenses under variable lease payment	**13.1**	8.4	+56.0%
Advertising and promotions	**4.9**	6.7	-26.9%
Rental expenses under short-term lease	**1.3**	5.9	-78.0%
Cleaning expenses	**1.2**	2.1	-42.9%
Bank charges on credit card payment	**2.3**	1.5	+53.3%
Repairment and maintenance expenses	**2.3**	1.5	+53.3%
Travelling expenses	**3.0**	1.5	+100.0%
Consultancy fee	**0.5**	0.6	-16.7%

Other income

For the six months ended 30 June 2023, other income of the Group increased by approximately 54.6% to approximately RMB54,915,000 from approximately RMB35,522,000 for the corresponding period in 2022. The increase in other income is mainly due to the rise in deposit interest rates, resulting in an increase in interest income. Additionally, the Group has obtained franchise commission waiver, contributing to the increase in other income.

Other gains and losses

For the six months ended 30 June 2023, other gains and losses of the Group recorded a net gain of approximately RMB70,077,000, while the corresponding period in 2022 recorded a net loss of approximately RMB56,301,000. The gains for the Period is mainly due to the improved economic environment compared to the same period last year, resulting in an increase in the valuation of investments recorded at fair value through profit or loss by approximately RMB26,471,000, besides, the valuation of investment properties has also increased by approximately RMB37,070,000. Additionally, there has been a significant reduction in asset impairments compared to the same period last year.

Finance costs

For the six months ended 30 June 2023, finance costs decreased by approximately 24.7% to approximately RMB9,570,000 from approximately RMB12,715,000 for the corresponding period in 2022.

Set out below is the breakdown of the finance costs:

	30 June 2023	30 June 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**523**	634
Interest on lease liabilities	**9,047**	12,081
	9,570	12,715

The finance costs decreased as a result of the reduction on the bank borrowing, and the decrease in interest on lease liabilities is caused by the decline in number of shops.

Profit and loss before tax

Being affected by the factors referred to above, the Group recorded profit before tax of approximately RMB181,256,000 for the six months ended 30 June 2023 (30 June 2022: loss of approximately RMB136,066,000).

Profit and loss attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately RMB133,095,000 (30 June 2022: loss of approximately RMB106,513,000).

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 30 June 2023 remained healthy and strong, with cash and cash equivalents amounting to approximately RMB1,578,250,000 (31 December 2022: approximately RMB1,465,111,000) and a current ratio of 3.3 (31 December 2022: 3.2).

As at 30 June 2023, the Group had bank borrowings of approximately RMB39,930,000 (31 December 2022: approximately RMB40,417,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 1.0 (31 December 2022: 1.0).

Exposure to exchange rates

At present, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 30 June 2023 and 31 December 2022 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 restricted bank deposits and cash and cash equivalents), 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, cash and cash equivalents and restricted bank deposits included in the condensed consolidated statement of financial position represent, the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 30 June 2023 and 31 December 2022 all of the bank balances and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in Mainland China and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 30 June 2023, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,274,218,000 and the current ratio was 3.3 as at 30 June 2023 (31 December 2022: 3.2). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Net cash inflow from operations of the Group for the six months ended 30 June 2023 was approximately RMB276,892,000 while the Group recorded profit before tax for the same period of approximately RMB181,256,000. The difference was primarily due to depreciation of property, plant and equipment and right-of-use assets.

Capital expenditure

For the six months ended 30 June 2023, the Group's capital expenditure was approximately RMB28,034,000 (corresponding period in 2022: RMB24,435,000). The capital expenditure continues to remain at a lower level due to the unclear economic outlook.

Amendments and Adoption of New Memorandum and Articles

Resolution on the amendments to the memorandum and articles and the adoption of new memorandum and articles of the Company was approved by the shareholders at the annual general meeting on 7 June 2023 ("**Amendment and Adoption of M&A**"). For details of the Amendment and Adoption of M&A, please refer to the announcements dated 28 March 2023 and 7 June 2023 and the circular dated 26 April 2023 of the Company.

Subsequent events

Subsequent to 30 June 2023, no material events affecting the Company and its subsidiaries have occurred.

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

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to Listing Rules during the six months ended 30 June 2023, 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 performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

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

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the six months ended 30 June 2023, they were in compliance with the Required Standard.

Audit Committee Review

The audit committee of the Company (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Wang Jincheng, reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal controls, and financial reporting matters. The Company's unaudited interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

Employee's Remuneration and Policy

As at 30 June 2023, the Group employed 7,746 persons (30 June 2022: 7,982 persons), most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will vary from time to time as necessary and the remuneration will be determined by reference to the practice of the industry.

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

The total remuneration payment of the Group for the six months ended 30 June 2023 was approximately RMB227,664,000 (30 June 2022: approximately RMB211,016,000).

Dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: RMB nil).

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2023 will be dispatched to all shareholders of the Company and will also be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk in due course.

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

Hong Kong, 25 August 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 and Mr. Yew Yat On as non-executive Directors; and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.