



味千(中國)控股有限公司 AJISEN (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with Limited Liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 538

大骨熬湯

五十年

一九六八
創立于

中期報告 2020
INTERIM REPORT

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Corporate Profile

Ajisen (China) Holdings Limited (stock code: 538) (“Ajisen (China)” or the “Company”; together with its subsidiaries, the “Group”) is one of the leading fast casual restaurant (“FCR”) chain operators in the People’s Republic of China (“PRC”) and the Hong Kong Special Administrative Region (“Hong Kong”). Since its establishment in 1996, the Group has been selling Japanese ramen and Japanese-style dishes under the Ajisen brand in the PRC and Hong Kong by incorporating Chinese people’s culinary preferences and the essence of the Chinese cuisine, and have developed over one hundred types of Japanese-style ramen and dishes that cater for the Chinese people’s palate. Combining the elements of fast food shops and traditional restaurant elements, the Group has become a fast-growing FCR chain operator.

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 March 2007, the strong capital support has injected new vitality into the Group’s rapid expansion. As a renowned brand in the Food and Beverage (“F&B”) industry, Ajisen’s fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. As at 30 June 2020, the Group’s nationwide retail network comprises 734 restaurants, Ajisen restaurants have entered over 169 cities and 31 provinces and municipalities of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 123, followed by 84 in Jiangsu and 83 in Zhejiang, together with the remaining 421 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 21 chain restaurants with its chain network covering all major business areas of the city. The Group also operates 2 restaurants in Europe. Moreover, the restaurant network is supported by the Group’s Shanghai, Chengdu, Tianjin, Wuhan and Dongguan production bases.

On 30 March 2007, Ajisen (China) was successfully listed on the Main Board of the Stock Exchange, which made it the first domestic catering chain company listed overseas. In 2007, the Group was ranked first among the top 50 fastest-growing Asian enterprises of the year awarded by the influential international financial magazine Business Week.

Ajisen (China)’s initial public offering was also named “2007 Best Mid-Cap Equity Deal” by Finance Asia, a renowned Asian business publication.

In September 2008, the Group acquired a place in “Asia’s 200 Best Under A Billion” list made by Forbes, and was selected again as one of the “Chinese Enterprises With Best Potential 2008”. Besides, Ms. Poon Wai, Chairman and Chief Executive Officer of the Group, was also enlisted into “Chinese Celebrities” by Forbes.

Ajisen (China) strives to become the No. 1 FCR chain operator in the PRC.

CORPORATE INFORMATION



Board of Directors

Executive Directors

Ms. Poon Wai

(Chairman and Chief Executive Officer)

Mr. Poon Ka Man, Jason

Ms. Minna Ng

Non-executive Director

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors

Mr. Lo Peter

Mr. Jen Shek Voon

Mr. Wang Jincheng

Audit Committee

Mr. Jen Shek Voon *(Chairman)*

Mr. Lo Peter

Mr. Wang Jincheng

Remuneration Committee

Mr. Lo Peter *(Chairman)*

Mr. Jen Shek Voon

Mr. Wang Jincheng

Nomination Committee

Mr. Wang Jincheng *(Chairman)*

Mr. Lo Peter

Mr. Jen Shek Voon

Authorised Representatives

Ms. Poon Wai

Ms. Ng Sau Mei

Company Secretary

Ms. Ng Sau Mei *(FCIS, FCS)*

Head Office and Principal Place of Business in Hong Kong

6th Floor, Ajisen Group Tower

Block B

24-26 Sze Shan Street

Yau Tong, Kowloon

Hong Kong

Registered Office

Clifton House

75 Fort Street

P.O. Box 1350 GT

George Town

Grand Cayman

Cayman Islands

Principal Share Registrar and Transfer Office

Appleby Corporate Services (Cayman) Limited

Clifton House

75 Fort Street

P.O. Box 1350 GT

George Town

Grand Cayman

Cayman Islands

CORPORATE INFORMATION

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Chong Hing Bank Limited
Bank of Shanghai Co., Ltd
OCBC Wing Hang Bank Limited

Auditor

Deloitte Touche Tohmatsu

Hong Kong Legal Adviser

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

Wonderful Sky Financial Group
www.wsfg.hk

Investor Relations Contact

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Company Websites

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Stock Code

538

FINANCIAL HIGHLIGHTS



For the six months ended 30 June (unaudited)	2020	2019	+/- %
Turnover (RMB million)	691.8	1,223.8	-43.5%
Gross profit (RMB million)	488.6	895.2	-45.4%
(Loss) profit before taxation (RMB million)	(149.8)	119.8	N/A
(Loss) profit attributable to owners of the Company (RMB million)	(109.4)	86.6	N/A
(Loss) earnings per share – basic (RMB)	(0.10)	0.08	N/A

Industry Review

During the six months ended 30 June 2020 (the "Period"), facing the severe challenges caused by the novel coronavirus pneumonia (COVID-19) pandemic, all regions and departments in China actively cooperated with each other and seriously implemented various measures, decisions and arrangements of governments, and coordinated the promotion of pandemic prevention and control as well as economic and social development, resulting in a continuously improved situation of pandemic prevention and control. Along with the orderly promotion of resumption of work, production, business and markets, benefiting from the lingering effects of macro policies, economic growth has reversed from negative to positive, and the overall economy is showing an obvious trend toward steady recovery. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB45.6614 trillion, representing a decrease of 1.6% year-on-year (corresponding period of 2019: an increase of 6.3%); and the total retail sales of social consumer goods in the first half of the year amounted to RMB17.2266 trillion, representing a decrease of 11.4% year-on-year, indicating that the market and sales have gradually improved. In the first half of the year, the national per capita disposable income was RMB15,666, an actual decrease of 1.3% over the corresponding period last year.

The outbreak of the COVID-19 pandemic caused a slump in the catering industry of China. According to the National Bureau of Statistics of China, during the Period, the revenue of the catering industry was RMB1,460.9 billion, representing a decrease of 32.8% year-on-year (corresponding period of 2019: an increase of 9.4%). Through actively responding to and implementing various government policies, and steadily promoting the resumption of work and production in the catering industry, the catering market economy is gradually overcoming the adverse impact of the pandemic, and the operation is trending towards recovery growth and steady recovery. According to iResearch Consulting, as at the end of 2019, China's takeaway consumption sector had a market of approximately 460 million population, representing an increase of 12.7% as compared to the end of 2018. Due to the impact of the COVID-19 pandemic, the "stay-at-home economy" rapidly heated up, and the "door-to-door economy" such as takeaway sector grew against the trend while the sales and customer flow of traditional catering dropped significantly. According to iiMedia Research, China's online takeaway market size is expected to grow by 15.0% to RMB664.62 billion in 2020.

As the pandemic has stabilized, the catering industry is expected to further recover in the second half of the year. According to the National Bureau of Statistics of China, the revenue of China's catering industry in 2018 reached RMB4,271.6 billion, representing an increase of 9.5% year-on-year, and the revenue of the catering industry in 2019 was RMB4,672.1 billion, representing an increase of 9.4% year-on-year, which is expected to reach RMB6 trillion in 2022. The catering industry will undoubtedly become an important industry for China to establish a strong market and release the potential of domestic demand. According to the China Catering Report 2019 (《中國餐飲報告2019》), the future development trend of the catering industry will be the industrial structure transformation, supply-side digitalization, business model upgrading in dimension, intelligent commerce, catering retail, and refined operations. At the time of reform, intelligence technology will penetrate into the catering industry to a large extent, thus affecting the entire industry. Through online and offline integration, digitization and technicalization, a restaurant can turn every customer into a user and every user into a member, and the store manager can understand each customer through big data and provide personalized services in the future.

In 2020, facing the impact of the COVID-19 pandemic and the significantly mounting risks and challenges around the globe, the Group will adopt a prudent strategy, conduct lean management, strictly control the quality and safety of food, and take effective measures to ensure the safety of employees and customers. Meanwhile, the Group will continue to strengthen customer relationship management and upgrade the membership system to enhance customer experience, and continue to optimize brand strategy upgrading and strive to promote internal organizational reform, with a view to grasping development opportunities arising from industry reform and bringing better return on investment for the shareholders by fully leveraging the advantages of adequate cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS



Business Review

For the six months ended 30 June 2020, due to the impact of the COVID-19 pandemic, the Group's turnover was approximately RMB691,785,000, representing a decrease of approximately 43.5% from approximately RMB1,223,869,000 for the corresponding period in 2019; and the gross profit was approximately RMB488,624,000, representing a decrease of approximately 45.4% from approximately RMB895,240,000 for the corresponding period in 2019.

Due to the impact of the decrease in sales of the Group and the provision for asset impairment, the loss attributable to the owners of the Company reached approximately RMB109,393,000, and the basic loss per share was approximately RMB0.10 per ordinary share, while the profit attributable to the owners of the Company reached approximately RMB86,582,000, and the basic earnings per share was approximately RMB0.08 per ordinary share for the corresponding period last year.

Due to the worldwide outbreak of the COVID-19 pandemic, mainland China and Hong Kong have implemented different levels of crowd control measures to prevent the spread of the pandemic, which reduced the number of people dining out and impacted the catering industry. The Group expects that the catering business will gradually recover in the second half of the year. However, as the global economic outlook is still uncertain, the Group will adopt a prudent strategy in opening new stores and focus on streamlining the existing stores. As at 30 June 2020, the Group had a total of 734 fast casual chain restaurants, a decrease of 36 from 770 for the corresponding period in 2019; the Group's restaurant network extended its reach to 169 cities in 31 provinces and municipalities nationwide.

The Group's six major production bases, including six major factories in Shanghai, Chengdu, Tianjin, Qingdao, Wuhan and Dongguan, have been put into operation, which guaranteed the steady growth and food quality of the Group's chain restaurant network.

During the period, due to rising raw material cost, the Group's cost of inventories as a proportion to turnover was approximately 29.4%, representing an increase of approximately 2.5 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin decreased to approximately 70.6%. Due to the decrease of turnover during the period, the Group's labour costs accounted for approximately 30.8% of the turnover, which was approximately 3.8 percentage points higher than that of the corresponding period last year. During the period, rent and related costs as a proportion to turnover of the Group was approximately 7.5%, which was approximate to 6.8% for the corresponding period last year. The Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment and enhance the output per unit area. With our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis.

The operation of 734 restaurants under the Group is dependent upon the efficacy of our management and staff training. During the Period, in addition to enhancing the guidance and training of restaurant managers, the Group also strengthened cost-benefit analysis to improve operational efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB637,697,000 (2019: approximately RMB1,144,605,000), accounted for approximately 92.2% (2019: approximately 93.5%) of the Group's total revenue, a decrease of approximately 44.3% from the corresponding period last year.

As at 30 June 2020, the Group's restaurant portfolio consisted of 734 Ajisen chain restaurants, comprising the following:

By provinces/cities:	30 June 2020	30 June 2019	+/-
Shanghai	123	124	-1
Beijing	41	45	-4
Tianjin	7	8	-1
Guangdong (excluding Shenzhen)	55	53	+2
Shenzhen	17	21	-4
Jiangsu	84	91	-7
Zhejiang	83	79	+4
Sichuan	14	17	-3
Chongqing	12	13	-1
Fujian	17	25	-8
Hunan	13	18	-5
Hubei	13	13	-
Liaoning	23	26	-3
Shandong	48	50	-2
Guangxi	16	13	+3
Guizhou	4	3	+1
Jiangxi	18	18	-
Shaanxi	13	16	-3
Yunnan	9	10	-1
Henan	15	15	-
Hebei	16	11	+5
Anhui	15	19	-4
Xinjiang	2	3	-1
Hainan	8	7	+1
Shanxi	4	4	-
Neimenggu	5	4	+1
Heilongjiang	16	14	+2
Ningxia, Qinghai	3	5	-2
Jilin	15	15	-
Tibet	1	1	-
Gansu	1	1	-
Hong Kong	21	26	-5
Others:			
Rome	1	1	-
Finland	1	1	-
Total	734	770	-36

MANAGEMENT DISCUSSION AND ANALYSIS



By geographical region:	30 June 2020	30 June 2019	+/-
Northern China	170	173	-3
Eastern China	305	313	-8
Southern China	152	164	-12
Central China	105	118	-13
Europe	2	2	-
Total	734	770	-36

Financial Review

Turnover

For the six months ended 30 June 2020, the Group's turnover decreased by approximately 43.5%, or approximately RMB532,084,000 to approximately RMB691,785,000 from approximately RMB1,223,869,000 for the corresponding period in 2019. Such decrease was mainly due to the outbreak of Covid-19, the catering industry was affected by the travel bans and community lockdowns and some stores were temporarily shut down during the period.

Cost of inventories consumed

For the six months ended 30 June 2020, the Group's cost of inventories decreased by approximately 38.2%, or approximately RMB125,468,000 to approximately RMB203,161,000 from approximately RMB328,629,000 for the corresponding period in 2019. During the period, the ratio of inventories cost to turnover was approximately 29.4%, which increased by 2.5 percentage points from approximately 26.9% for the corresponding period in 2019 due to the increase in material cost for the period.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2020 decreased by approximately 45.4%, or approximately RMB406,616,000 to approximately RMB488,624,000 from approximately RMB895,240,000 for the corresponding period in 2019.

Gross profit margin of the Group for the period also decreased to approximately 70.6% from approximately 73.1% for the corresponding period in 2019.

Staff costs

For the six months ended 30 June 2020, staff costs of the Group decreased by approximately 35.4% to approximately RMB213,202,000 from approximately RMB330,252,000 for the corresponding period in 2019. Staff costs as a proportion to turnover increased to approximately 30.8% from approximately 27.0% in the corresponding period in 2019, the increase in staff cost proportion was caused by the decrease of turnover.

Depreciation

For the six months ended 30 June 2020, depreciation of the Group increased by approximately 15.1% or approximately RMB29,868,000 to approximately RMB228,272,000 from approximately RMB198,404,000 for the corresponding period in 2019. Some short term leases were swapped into long term lease during the six months ended 30 June 2020, thus the lease depreciation increased.

Other operating expenses

Other operating expenses mainly included expenses for property rentals, fuel and utility, consumables, advertising and promotion and franchise fee. For the six months ended 30 June 2020, other operating expenses decreased by approximately 43.8%, or approximately RMB133,135,000, to approximately RMB170,571,000 from approximately RMB303,706,000 for the corresponding period in 2019. Its proportion to turnover remained relatively stable at approximately 24.7% (2019: approximately 24.8%).

Other income

For the six months ended 30 June 2020, other income of the Group decreased by approximately 4.8%, or approximately RMB2,054,000, to approximately RMB40,846,000 from approximately RMB42,900,000 for the corresponding period in 2019. The decrease was mainly originated from the significant decrease in royalty and sub-franchise income, the effect of which was partly offset by the increase in government grant.

Other gains and losses

For the six months ended 30 June 2020, other gains and losses of the Group decreased to a loss of approximately RMB35,088,000 from a gain of approximately RMB32,205,000 for the corresponding period in 2019. The loss was mainly attributable to the fair value losses on financial assets at FVTPL and impairment losses recognised in respect of right of use assets and interest in an associate.

Finance costs

For the six months ended 30 June 2020, finance costs increased by approximately 5.1%, or approximately RMB927,000 to approximately RMB18,986,000 from approximately RMB18,059,000 for the corresponding period in 2019. The increase in finance cost was mainly due to the increase in average loan balance during the period.

Loss before taxation

Being affected by the factors referred to above, the Group recorded a loss before taxation of approximately RMB149,754,000 for the six months ended 30 June 2020 (30 June 2019: gain of approximately RMB119,809,000).

Loss attributable to owners of the Company

Being affected by the factors referred to above, loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to RMB109,393,000. (30 June 2019: gain of approximately RMB86,582,000).

MANAGEMENT DISCUSSION AND ANALYSIS



Liquidity and financial resources

The liquidity and financial position of the Group as at 30 June 2020 remained healthy and strong, with bank balances amounting to RMB1,700,896,000 (31 December 2019: RMB1,705,399,000) and a current ratio of 2.5 (31 December 2019: 2.5).

As at 30 June 2020, the Group had bank borrowings of RMB203,656,000 (31 December 2019: RMB207,676,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.3 (31 December 2019: 4.2).

Contingent liabilities

As of 30 June 2020, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,199,374,000 and the current ratio was 2.5 as at 30 June 2020 (31 December 2019: 2.5). 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 2020 was approximately RMB54,435,000 while the Group recorded loss before taxation of approximately RMB149,754,000 for the current period. 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 2020, the Group's capital expenditure was approximately RMB49,300,000 (corresponding period in 2019: approximately RMB81,265,000), which was due to the decrease in purchase of property, plant and equipment during the six months ended 30 June 2020.

Subsequent events

Subsequent to 30 June 2020, 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 report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period. Apart from those disclosed in this report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Key operating ratios for restaurant operations

	Hong Kong			Mainland		
	1-6/2020	1-12/2019	1-6/2019	1-6/2020	1-12/2019	1-6/2019
Comparable restaurant sales growth	-24.0%	-27.9%	-18.3%	-49.9%	7%	5.4%
Per capita spending	HK\$71.9	HK\$66.1	HK\$65.3	RMB48.5	RMB48.0	RMB53.8
Table turnover per day (times per day)	3.85	5.0	4.0	3.4	3.4	3.4

RISK Management

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 30 June 2020 and 31 December 2019 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Interest rate risk

As the Group has no significant interest-bearing assets (other than pledged bank deposits and bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash and pledged bank deposits included in the condensed consolidated statement of financial position represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 30 June 2020 and 31 December 2019, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF AJISEN (CHINA) HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Ajisen (China) Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	691,785	1,223,869
Cost of inventories consumed		(203,161)	(328,629)
Staff costs		(213,202)	(330,252)
Depreciation		(228,272)	(198,404)
Other operating expenses		(170,571)	(303,706)
(Loss) profit from operation		(123,421)	62,878
Other income	5	40,846	42,900
Impairment losses under expected credit loss model, net of reversal	16	(9,140)	(774)
Other gains and losses	6	(35,088)	32,205
Share of (loss) profit of associates		(1,268)	896
Share of loss of a joint venture		(2,697)	(237)
Finance costs	7	(18,986)	(18,059)
(Loss) profit before taxation	8	(149,754)	119,809
Income tax credit (expense)	9	30,833	(27,061)
(Loss) profit for the period		(118,921)	92,748
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		9,268	1,817
Other comprehensive income for the period, net of income tax		9,268	1,817
Total comprehensive (expense) income for the period		(109,653)	94,565

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(109,393)	86,582
Non-controlling interests		(9,528)	6,166
		(118,921)	92,748
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(100,778)	88,353
Non-controlling interests		(8,875)	6,212
		(109,653)	94,565
(Loss) earnings per share		RMB	RMB
– Basic	11	(0.10)	0.08
– Diluted		(0.10)	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current Assets			
Investment properties	12	1,031,557	1,032,120
Property, plant and equipment	12	548,232	606,933
Right-of-use assets	12	637,475	681,683
Intangible assets		1,659	6,002
Interests in associates	13	117,960	134,570
Interest in a joint venture		9,016	11,713
Rental deposits		106,251	98,885
Goodwill		1,362	1,344
Deferred tax assets		22,281	9,069
Financial assets at fair value through profit and loss ("FVTPL")	14	248,503	262,708
		2,724,296	2,845,027
Current Assets			
Inventories		173,724	126,691
Trade and other receivables	15	133,579	249,443
Taxation recoverable		480	716
Bank balances and cash	17	1,700,896	1,705,399
		2,008,679	2,082,249
Current Liabilities			
Trade and other payables	18	280,108	325,341
Lease liabilities		263,647	230,231
Contract liabilities		3,830	10,234
Amounts due to related companies	19	4,367	4,073
Amounts due to directors	19	223	504
Amount due to a shareholder	19	–	17,525
Amounts due to non-controlling interests	19	13,546	13,434
Amounts due to associates	19	2,290	2,245
Amounts due to a joint venture	19	576	2,076
Dividend payable		53,509	26
Taxation payable		30,255	51,349
Bank borrowings	20	156,954	160,155
		809,305	817,193
Net Current Assets		1,199,374	1,265,056
Total Assets less Current Liabilities		3,923,670	4,110,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current Liabilities			
Bank borrowings	20	46,702	47,521
Deferred tax liabilities		158,520	175,355
Financial liabilities at FVTPL		66,191	62,776
Lease liabilities		406,458	415,992
		677,871	701,644
Net Assets			
		3,245,799	3,408,439
Capital and Reserves			
Share capital	21	108,404	108,404
Reserves		3,066,905	3,220,670
Equity attributable to owners of the Company			
		3,175,309	3,329,074
Non-controlling interests			
		70,490	79,365
Total Equity			
		3,245,799	3,408,439

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Share capital	Share premium	Special reserve	Share options reserve	Capital reserve	Properties revaluation reserve	Translation reserve	Statutory surplus reserve fund	Other reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	108,404	1,887,197	(234,729)	40,519	1,159	173,305	(188,293)	160,942	(10,005)	1,390,575	3,329,074	79,365	3,408,439
Loss for the period	-	-	-	-	-	-	-	-	-	(109,393)	(109,393)	(9,528)	(118,921)
Other comprehensive income for the period	-	-	-	-	-	-	8,615	-	-	-	8,615	653	9,268
Total comprehensive income (expense) for the period	-	-	-	-	-	-	8,615	-	-	(109,393)	(100,778)	(8,875)	(109,653)
Dividends recognised as distribution (note 10)	-	-	-	-	-	-	-	-	-	(53,485)	(53,485)	-	(53,485)
Recognition of equity-settled share based payments	-	-	-	498	-	-	-	-	-	-	498	-	498
Transfer on forfeiture of share options	-	-	-	(422)	-	-	-	-	-	422	-	-	-
At 30 June 2020 (unaudited)	108,404	1,887,197	(234,729)	40,595	1,159	173,305	(179,678)	160,942	(10,005)	1,228,119	3,175,309	70,490	3,245,799

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (audited)	108,404	1,887,197	(234,729)	63,843	1,159	93,131	(192,506)	155,173	(10,005)	1,358,823	3,230,490	75,254	3,305,744
Profit for the period	-	-	-	-	-	-	-	-	-	86,582	86,582	6,166	92,748
Other comprehensive income for the period	-	-	-	-	-	-	1,771	-	-	-	1,771	46	1,817
Total comprehensive income for the period	-	-	-	-	-	-	1,771	-	-	86,582	88,353	6,212	94,565
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,000)	(9,000)
Dividends recognised as distribution (note 10)	-	-	-	-	-	-	-	-	-	(109,154)	(109,154)	-	(109,154)
Recognition of equity-settled share based payments	-	-	-	925	-	-	-	-	-	-	925	-	925
Transfer on forfeiture/lapse of share options	-	-	-	(436)	-	-	-	-	-	436	-	-	-
At 30 June 2019 (unaudited)	108,404	1,887,197	(234,729)	64,332	1,159	93,131	(190,735)	155,173	(10,005)	1,336,687	3,210,614	72,466	3,283,080

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net cash generated from operating activities	54,435	202,170
Investing activities		
Interest received	10,260	9,532
Dividend received from interest in an associate	–	979
Net cash inflow on disposal of a subsidiary (note 22)	–	152,343
Compensation received in relation to a prior year financial asset at FVTPL	36,135	310,782
Payments of rental deposits	(1,069)	(6,451)
Purchase of property, plant and equipment	(49,300)	(81,265)
Proceeds on disposal of property, plant and equipment	1,817	406
Remaining proceeds on prior year disposal of an investment property	47,064	–
Repayment from a related party	–	12
Net cash from investing activities	44,907	386,338
Financing activities		
Bank borrowings raised	–	39,585
Repayment of bank borrowings	(8,115)	(54,392)
Repayment of lease liabilities	(62,215)	(111,479)
Repayment of financial liability at FVTPL	–	(39,075)
Interest paid	(19,066)	(18,059)
Dividends paid to non-controlling interests	–	(9,000)
Advance from related companies	294	7,107
Repayment to related companies	–	(5,235)
Repayment to a joint venture	(1,500)	–
Advance from directors	–	980
Repayment to directors	(281)	(1,684)
Advance from a shareholder	–	15,157
Repayment to a shareholder	(17,525)	(28,248)
Advance from associates	45	18,969
Repayment to associates	–	(18,634)
Net cash used in financing activities	(108,363)	(204,008)
Net (decrease) increase in cash and cash equivalents	(9,021)	384,500
Cash and cash equivalents at 1 January	1,705,399	1,356,407
Effect of foreign exchange rate changes	4,518	283
Cash and cash equivalents at 30 June, representing bank balances and cash	1,700,896	1,741,190

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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”).

1A. Significant Events and Transactions in The Current Interim Period

The outbreak of the 2019 Novel Coronavirus (“Covid-19”) in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have had a severe negative impact on the operations of the Group since January 2020, as most of the Group’s restaurants are located in China.

The Group had to close its restaurants since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic. As the Chinese government began to ease its restrictions on the lockdown measures in mid-March 2020, the restaurants that were affected by the outbreak of COVID-19 gradually resumed operation accordingly. The overall operation of the Group’s restaurants is also continuously improving on a monthly basis since then.

On the other hand, the Chinese government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group.

As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue, impairment of property, plant and equipment, right-of-use assets and certain investments, government grants in respect of Covid-19-related subsidies and rent concessions from certain lessors as disclosed in the relevant notes.

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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. Principal Accounting Policies (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

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

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. Principal Accounting Policies (Continued)

2.1 Impacts and accounting policies on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

2.1.1 Accounting policies

Leases

Covid-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. Principal Accounting Policies (Continued)

2.1 Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" (Continued)

2.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of RMB23,628,000 in the profit or loss for the current interim period.

3. Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operation of restaurants	637,697	1,144,605
Manufacture and sales of noodles and related products	54,088	79,264
	691,785	1,223,869
Timing of revenue recognition		
A point in time	691,785	1,223,869

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. 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 2020 (unaudited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. Operating Segments (Continued)

Six months ended 30 June 2019 (unaudited)

	Operation of restaurants			Manufacture and sales of noodles and related products RMB'000	Investment holding RMB'000	Segment total RMB'000	Elimination RMB'000	Total RMB'000
	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000					
	Revenue							
– external sales	1,064,511	80,094	1,144,605	79,264	–	1,223,869	–	1,223,869
– inter-segment sales	–	–	–	411,028	–	411,028	(411,028)	–
	1,064,511	80,094	1,144,605	490,292	–	1,634,897	(411,028)	1,223,869
Segment profit	76,066	44	76,110	5,645	24,798	106,553	–	106,553
Interest income								9,532
Gain on disposal of a subsidiary								29,396
Central administrative expenses								(23,002)
Unallocated finance costs								(2,670)
Profit before taxation								119,809
Income tax expense								(27,061)
Profit for the period								92,748

Segment (loss) profit represents the loss incurred from/profit earned by each segment without allocation of interest income, gain on disposal of a subsidiary, central administrative expenses, unallocated finance costs and income tax credit (expense). 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. Operating Segments (Continued)

All of the Group's non-current assets (other than loan to an associate, rental deposits, deferred tax assets and financial assets at FVTPL), including investment properties, property, plant and equipment, right-of-use assets, intangible assets, interests in associates, interest in a joint venture and goodwill are located in the Group's entities' countries of domicile, Mainland China and Hong Kong at the end of each reporting period.

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

None of the customers accounted for 10% or more of the total revenue of the Group during the both periods.

5. Other Income

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Royalty and other income from sub-franchisees	3,646	12,642
Property rental income, net of direct outgoings	11,546	13,218
Bank interest income	9,240	9,532
Government grant (<i>note</i>)	9,508	3,273
Others	6,906	4,235
	40,846	42,900

Note: During the current interim period, the Group recognised government grants of RMB6,549,000 in respect of Covid-19-related subsidies, of which RMB2,121,000 relates to Employment Support Scheme and RMB4,428,000 relates to Subsidy Schemes under Anti-epidemic Fund, both of which were provided by the Hong Kong government. The remaining amount of government grant represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. Other Gains and Losses

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Gain on disposal of a subsidiary (note 22)	–	29,396
Loss on disposal of property, plant and equipment	(6,533)	(958)
Fair value (loss) gain on investment properties	(8,499)	2,509
Fair value (loss) gain on financial assets at FVTPL	(14,205)	2,657
Fair value loss on financial liabilities at FVTPL	(3,415)	–
Net foreign exchange loss	(1,300)	(1,399)
Gain on termination of leases, net	1,606	–
Compensation in relation to a prior year financial asset at FVTPL	32,545	–
Impairment loss recognised in respect of		
– intangible assets	(4,616)	–
– right-of-use assets (note 12)	(10,183)	–
– property, plant and equipment (note 12)	(5,119)	–
– interest in an associate (note 13)	(15,369)	–
	(35,088)	32,205

7. Finance Costs

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on bank borrowings	2,533	2,670
Interest on lease liabilities	16,453	15,389
	18,986	18,059

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. (Loss) Profit Before Taxation

(Loss) profit before taxation has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories consumed	203,161	328,629
Advertising and promotion expenses	4,432	17,102
Depreciation of property, plant and equipment	81,545	76,088
Depreciation of right-of-use assets	146,727	122,316
Total depreciation	228,272	198,404
Covid-19-related rent concessions (note 12)	(23,628)	–
Fuel and utility expenses	33,869	57,363
Gross rental income from investment properties	(12,205)	(14,030)
Less: Direct operating expenses incurred for investment properties that generated rental income during the period	659	812
Property rentals in respect of		
– Variable lease payment	13,039	28,343
– Short-term lease payment	5,257	27,364

9. Income Tax (Credit) Expense

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Hong Kong Profits Tax		
– current period	1,507	942
– under (over) provision in prior periods	297	(77)
	1,804	865
PRC Enterprise Income Tax (“EIT”)		
– current period	1,032	31,904
– over provision in prior periods	(4,707)	(6,174)
	(3,675)	25,730
Withholding tax	–	2,671
Deferred taxation credit	(28,962)	(2,205)
	(30,833)	27,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. Income Tax (Credit) Expense (Continued)

The income tax expense in Hong Kong and the PRC is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. During the current period, the tax rates for Hong Kong Profits Tax and the PRC EIT are 16.5% (six months ended 30 June 2019: 16.5%) and 25% (six months ended 30 June 2019: 25%), respectively, for the period under review.

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in 2016, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian"), which is located in Chongqing, the PRC, applied a preferential tax rate of 15% from 2016 to 2020. According to the Chongqing STB, the preferential tax rate needs to be applied by Chongqing Weiqian and approved year by year. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian and reduced the income tax liability only after obtaining the written approval.

During the current period, Chongqing Weiqian was granted a preferential tax rate of 15% for 2019 (six months ended 30 June 2019: 15% for 2018), the Group reversed the income tax liability of approximately RMB4.9 million (six months ended 30 June 2019: RMB5.8 million) which was previously recognised.

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

10. Dividends

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
Final, declared – RMB0.049 (HK5.3 cents) per share for 2019 (six months ended 30 June 2019: declared – RMB0.10 (HK12.00 cents) per share for 2018)	53,485	109,154

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.02 (HK2.20 cents) per share (subsequent to six months ended 30 June 2019: an interim dividend of RMB0.02 (HK2.20 cents) per share and a special dividend of RMB0.023 (HK2.50 cents) per share) will be paid to the owners of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. (Loss) Earnings Per Share

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(Loss) earnings for the purposes of basic and diluted earnings per share, being (loss) profit for the period attributable to owners of the Company	(109,393)	86,582
	Number of shares	
Number of ordinary shares for the purpose of calculating basic earnings per share	1,091,538,820	1,091,538,820
Effect of dilutive potential ordinary shares relating to: – outstanding share options	–	2,248
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,091,538,820	1,091,541,068

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

During the six months ended 30 June 2019, certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Group's earnings per share because the exercise prices of these share options were higher than the average market prices of the Company's shares during the period.

12. Right-Of-Use Assets, Investment Properties and Property, Plant and Equipment

Right-Of-Use Assets

During the current period, the Group renewed/entered into certain new lease agreements for 2 to 8 years, which is mainly for chain restaurants operation. The Group is required to make minimum fixed payments and additional variable payments depending on the certain percentage of sales whenever the Group's sales achieved prescribed amounts as specified in relevant lease agreements. On lease commencement, the Group recognised right-of-use asset of approximately RMB141,591,000 and lease liabilities of approximately RMB141,591,000.

As disclosed in Note 1A, the Group had to temporarily close part of its restaurants in order to contain the spread of Covid-19. Lessors of the relevant restaurants provided rent concessions to the Group through rent reductions ranging from 25% to 100% over one to six months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB23,628,000 were recognised as negative variable lease payments.

Investment Properties

The fair values of the Group's investment properties as at 30 June 2020 were determined by the directors of the Company with reference to recent transaction prices of similar properties. Based on such assessment, the directors of the Company recognised a fair value loss of approximately RMB8,499,000 of the investment properties for the current period (six months ended 30 June 2019: fair value gain of RMB2,509,000).

Property, Plant and Equipment

During the current period, the Group acquired property, plant and equipment of approximately RMB35,324,000 (six months ended 30 June 2019: RMB91,269,000).

During the current period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB8,350,000 (six months ended 30 June 2019: RMB1,364,000) for cash proceeds of RMB1,817,000 (six months ended 30 June 2019: RMB406,000), resulting in a loss on disposal of RMB6,533,000 (six months ended 30 June 2019: a loss on disposal of RMB958,000).

Impairment assessment

As a result of the changes in the current economic environment related to the Covid-19 pandemic, the Group is experiencing negative conditions including decreased revenues and restaurant closures that indicate that the relevant property, plant and equipment, right-of-use assets and intangible assets may be impaired. During the current interim period, the Group performed impairment testing and recognised impairment loss of RMB5,119,000, RMB10,183,000 and RMB4,616,000 related to property, plant and equipment, right-of-use assets and intangible assets, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. Interests in Associates

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cost of investment in associates	151,341	151,341
Share of post-acquisition results and other comprehensive expense	(3,239)	(1,971)
	148,102	149,370
Less: impairment loss recognised (note)	(31,508)	(16,139)
Loan to an associate	1,366	1,339
	117,960	134,570

Note: 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 2019, revisited and determined the appropriate assumptions and inputs in performing impairment review for an associate of the Group. Based on the valuation, an impairment loss of RMB15,369,000 (six months ended 30 June 2019: Nil) has been recognised during the period ended 30 June 2020.

14. Financial Assets at FVTPL

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Unlisted equity investments and fund investments (note)	248,503	262,708

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

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 2019, revisited and determined the appropriate assumptions and inputs for fair value measurement for these unlisted equity investments and fund investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. Trade and Other Receivables

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables		
– third parties	18,380	23,494
	18,380	23,494
Less: allowance for credit losses	(3,183)	(3,183)
	15,197	20,311
Other receivables		
Rental and utility deposits	11,213	19,127
Prepaid management fee	–	9,462
Advance to suppliers	35,468	70,088
Deductible value added tax	45,224	40,694
Compensation receivable in relation to a prior year financial asset at FVTPL	–	3,850
Receivable from disposal of an investment property	–	47,064
Others	35,905	39,135
	127,810	229,420
Less: allowance for doubtful debts on other receivables	(9,428)	(288)
	118,382	229,132
	133,579	249,443

Customers relating to manufacture and sales of noodles and related products are normally granted nil to 90 days (year ended 31 December 2019: 60 to 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days (year ended 31 December 2019: 180 days), while there is no credit period for customers relating to sales from operation of restaurants.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. Trade and Other Receivables (Continued)

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	10,352	17,057
31 to 60 days	1,548	873
61 to 90 days	1,815	1,348
91 to 180 days	1,482	1,033
	15,197	20,311

16. Impairment Assessment on Financial Assets Subject to Expected Credit Loss ("ECL") Model

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

As at 30 June 2020, the impairment allowance of trade and other receivables is RMB12,611,000 (31 December 2019: RMB3,471,000). Impairment allowance was provided on trade and other receivables by the Group based on the provision matrix and individual assessment during the six months ended 30 June 2020. The directors of the Company consider that the expected credit loss for other financial assets are insignificant to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.35% to 1.40% (31 December 2019: 0.30% to 2.80%) per annum.

18. Trade and Other Payables

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables		
– related parties (<i>note</i>)	19,602	26,809
– third parties	82,813	105,129
	102,415	131,938
Payroll and welfare payables	42,005	49,614
Customers' deposits received	17,798	19,467
Payable for acquisition of property, plant and equipment	38,097	52,073
Payable for variable lease payments	8,410	9,335
Other taxes payable	9,262	17,098
Deferred income	4,269	–
Others	57,852	45,816
	280,108	325,341

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. Trade and Other Payables (Continued)

The average credit period for the purchase of goods is 60 days (year ended 31 December 2019: 60 days). The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	63,227	95,038
31 to 60 days	21,812	27,514
61 to 90 days	3,071	1,113
91 to 180 days	6,307	568
Over 180 days	7,998	7,705
	102,415	131,938

19. Amount(s) Due to Related Companies/Directors/A Shareholder/Non-Controlling Interests/Associates/A Joint Venture

The amount(s) due to related companies/directors/a shareholder/non-controlling interests/associates/a joint venture are unsecured, non-trade related, interest-free and repayable on demand.

Either Ms. Poon or Mr. Katsuaki Shigemitsu has controlling interests in these related companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. Bank Borrowings

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Secured bank borrowings with carrying amounts repayable:		
Within one year or repayable on demand	156,954	160,155
In more than one year but not more than two years	3,567	3,466
In more than two years but not more than five years	11,143	10,825
In more than five years	31,992	33,230
	203,656	207,676
Less: amounts shown as non-current liabilities	(46,702)	(47,521)
Amounts shown as current liabilities	156,954	160,155

All these bank borrowings are denominated in HK\$. As at 30 June 2020, the weighted average effective interest rate on the bank borrowings was 2.19% (31 December 2019: 1.93%).

Detail of the assets of the Group as at 30 June 2020 and 31 December 2019 that have been pledged as collateral to secure the general bank facilities of the Group are set out in note 26.

21. Share Capital

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	1,091,538,820	108,404

All the shares issued by the Company ranked pari passu in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22. Disposal of A Subsidiary

During the six months ended 30 June 2019, Ajisen Properties limited (“Ajisen Properties”), an wholly-owned subsidiary of the Group, entered into a share transfer agreement with Ms. Poon pursuant to which, Ajisen Properties has agreed to sell and Ms. Poon has agreed to acquire the entire equity interest in the JILIN Property 1 S.A. 麒麟不動產有限公司 (“JILIN”), a wholly-owned subsidiary of the Group, for a consideration of approximately HK\$186,700,896 (equivalent to approximately RMB164,233,000). The related disclosures of this transaction are set out in the 2019 annual report.

23. Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”). The following table disclosed movements of the Company’s share options under the Share Option Scheme during the six months ended 30 June 2020 and 30 June 2019.

Grant date	Exercise price HK\$	Outstanding at 1 January 2020	Granted during the period	Forfeited during the period	Outstanding at 30 June 2020
<i>Employees</i>					
2 July 2010	8.884	318,000	–	–	318,000
26 August 2011	5.530	5,879,000	–	(74,000)	5,805,000
15 October 2012	5.530	400,000	–	–	400,000
2 July 2013	6.310	300,000	–	–	300,000
27 August 2013	8.740	530,000	–	–	530,000
25 September 2014	6.450	100,000	–	–	100,000
8 January 2015	5.900	150,000	–	–	150,000
17 April 2015	5.060	2,200,000	–	–	2,200,000
2 July 2015	4.104	1,800,000	–	–	1,800,000
19 July 2017	3.504	2,500,000	–	–	2,500,000
1 June 2018	3.256	2,100,000	–	–	2,100,000
14 January 2019	2.214	55,000	–	–	55,000
3 June 2019	3.322	200,000	–	–	200,000
		16,532,000	–	(74,000)	16,458,000
<i>Directors</i>					
15 October 2012	5.530	400,000	–	–	400,000
		16,932,000	–	(74,000)	16,858,000
Exercisable at the end of the period		11,887,000			13,534,000
Weighted average exercise price (HK\$)		4.89	–	5.53	4.88

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. Share Option Scheme (Continued)

Grant date	Exercise price HK\$	Outstanding at 1 January 2019	Granted during the period	Forfeited/lapsed during the period	Outstanding at 30 June 2019
<i>Employees</i>					
25 June 2008	3.726	40,000	–	–	40,000
31 December 2008	3.726	5,000	–	–	5,000
3 July 2009	4.938	27,500	–	–	27,500
2 July 2010	8.884	328,000	–	–	328,000
26 August 2011	5.530	7,242,000	–	(49,000)	7,193,000
15 October 2012	5.530	113,000	–	–	113,000
2 July 2013	6.310	600,000	–	–	600,000
27 August 2013	8.740	830,000	–	–	830,000
25 October 2013	8.350	1,000,000	–	–	1,000,000
30 June 2014	6.020	150,000	–	–	150,000
25 September 2014	6.450	100,000	–	–	100,000
8 January 2015	5.900	150,000	–	–	150,000
17 April 2015	5.060	2,200,000	–	–	2,200,000
2 July 2015	4.104	1,990,000	–	(40,000)	1,950,000
19 July 2017	3.504	2,500,000	–	–	2,500,000
1 June 2018	3.256	2,100,000	–	–	2,100,000
14 January 2019	2.214	–	55,000	–	55,000
3 June 2019	3.322	–	200,000	–	200,000
		19,375,500	255,000	(89,000)	19,541,500
<i>Directors</i>					
22 January 2009	3.308	137,500	–	(137,500)	–
15 October 2012	5.530	400,000	–	–	400,000
		537,500	–	(137,500)	400,000
		19,913,000	255,000	(226,500)	19,941,500
Exercisable at the end of the period		13,884,500			13,756,500
Weighted average exercise price (HK\$)		5.06	3.08	3.93	5.17

The Group recognised an expense of approximately RMB498,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB925,000) in relation to share options granted by the Company under the Share Option Scheme. The Group transferred the expense of RMB422,000 (six months ended 30 June 2019: RMB436,000) which was previously recognised to retained earnings because the share options were forfeited after the vesting date or lapsed after the expiry of exercisable period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24. Fair Value Measurements of Financial Instruments

Fair value measurements and valuation processes

The board of directors of the Company has set up a valuation team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the valuation team performs the valuation and establishes the appropriate valuation techniques and inputs to the model. The valuation team report the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24. Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30/06/2020 RMB'000	31/12/2019 RMB'000			
Financial assets at FVTPL – unlisted equity investments	206,561	220,766	Level 3	Market approach The key inputs include equity value of investees, risk free rate and volatility.	Equity value
Financial assets at FVTPL – fund investments	37,700	37,700	Level 2	Net asset value determined based on the fair value of underlying assets which are observable and adjustments of related expenses Key inputs is the comparable interest rates.	N/A
Financial assets at FVTPL – unlisted equity investments	4,242	4,242	Level 3	Income approach-in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee based on an appropriate discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries (note 1). Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model (note 2).
Financial liabilities at FVTPL	66,191	62,776	Level 3	Based on the net asset values/fair value of the underlying investments, which are determined by market approach and adjustments of related expenses.	The significant unobservable inputs are the same as the underlying investments, which are determined by market approach.

Note 1: Any increases (decreases) in long-term revenue growth rate would result in an increase (decrease) in fair value.

Note 2: Any increases (decreases) in discount rate would result in a decrease (increase) in fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24. Fair Value Measurements of Financial Instruments (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
At 1 January 2020 (audited)	225,008	(62,776)	162,232
Loss on fair value change	(14,205)	(3,415)	(17,620)
At 30 June 2020 (unaudited)	210,803	(66,191)	144,612
At 1 January 2019 (audited)	74,242	(132,747)	(58,505)
Exchange realignment	–	(281)	(281)
Transfer into level 3	66,420	–	66,420
Gain on fair value change	2,657	–	2,657
Repayment	–	39,075	39,075
At 30 June 2019 (unaudited)	143,319	(93,953)	49,366

Of the total gains or losses for the period included in profit or loss, RMB14,205,000 and RMB3,415,000 relates to financial assets and liabilities at FVTPL held at the end of the current reporting period (six months ended 30 June 2019: gains of RMB2,657,000 and nil), respectively. Such fair value gains or losses are included in 'other gains and losses'.

Fair value of the financial assets and liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements as at 30 June 2020 and 31 December 2019 approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

25. Capital Commitments

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of – property, plant and equipment	16,733	19,870

26. Pledge of Assets

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Investment properties	404,727	408,288
Right-of-use assets	606,266	649,937
Property, plant and equipment	5,713	5,752
	1,016,706	1,063,977

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. Related Party Transactions

- (a) During the current period, except as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following significant transactions with related parties:

Relationship with related parties	Nature of transactions	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Shigemitsu Industry Co., Ltd., a company in which Mr. Katsuaki Shigemitsu has significant beneficial interests	Sales of noodles and related products	525	307
	Purchase of raw materials	(10,893)	(17,960)
	Franchise commissions payments – for restaurant operating in Hong Kong	(289)	(623)
	– for restaurant operating in the PRC	(6,122)	(14,483)
	Technical fee	(276)	(317)
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has significant beneficial interests	Decoration expenses	(1,502)	(2,585)
Ms. Poon	Lease liabilities (note)	(12,480)	(18,533)
	Disposal of a subsidiary (note 22)	–	164,233
	Interest expense on lease liabilities	(293)	(186)
Japan Foods Holdings Ltd., non-controlling shareholder of a subsidiary of the Company	Franchise commission payments	(518)	(419)

Note: During the year ended 31 December 2019, the Group entered a tenancy agreement with Ms. Poon, details of which are set out in the 2019 annual report. On lease commencement, the Group recognised right-of-use asset of approximately RMB18,529,000 and lease liabilities of approximately RMB18,529,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. Related Party Transactions (Continued)

- (b) The remuneration of directors and other members of key management personnel during the current period was as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	2,151	2,006
Retirement benefits scheme contributions	58	66
Share-based payments	170	257
	2,379	2,329

The remuneration of directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the six months ended 30 June 2020, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, i.e., the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

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 (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 six months ended 30 June 2020, 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, has 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 2020 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 2020.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

(i) Interests and short positions in the shares of the Company

Name of director	Capacity and nature of interest	Number of shares (Note 1)	Approximate % of shareholding
Ms. Poon Wai	founder of a discretionary trust (Note 2)	480,123,041 (L)	43.99%
	beneficial owner	38,848,347 (L)	3.56%
Mr. Poon Ka Man, Jason	beneficial owner	2,500,000 (L)	0.23%
Ms. Minna Ng	beneficial owner	2,788,000 (L)	0.26%
Mr. Katsuaki Shigemitsu	beneficial owner	950,000 (L)	0.09%
	interest of controlled corporation (Note 3)	31,425,380 (L)	2.88%
Mr. Jen Shek Voon	beneficial owner	95,000 (L)	0.01%
Mr. Lo Peter	beneficial owner	75,000 (L)	0.01%

Notes:

- The letter "L" denotes the Director's long position in such shares.
- The 480,123,041 shares were held by Favor Choice Group Limited ("Favor Choice"), which is an investment holding company wholly owned by Anmi Holding Company Limited ("Anmi Holding"). Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the CEO.
- Among the 31,425,380 shares, 10,604,251 shares were held by Shigemitsu Industry Co. Ltd., and 20,821,129 shares were held by Wealth Corner Limited. The aforesaid companies are respectively owned as to approximately 69.89% and 100% by Mr. Katsuaki Shigemitsu, a non-executive Director.

OTHER INFORMATION



(ii) Interests and short positions in underlying shares of equity derivatives of the Company

Name of director	Capacity and nature of interest	Description of equity derivatives	Number of underlying shares <i>(Note 1)</i>
Mr. Jen Shek Voon	beneficial owner	share options <i>(Note 2)</i>	100,000 (L)
Mr. Lo Peter	beneficial owner	share options <i>(Note 2)</i>	100,000 (L)
Mr. Wang Jincheng	beneficial owner	share options <i>(Note 2)</i>	100,000 (L)
Mr. Katsuaki Shigemitsu	beneficial owner	share options <i>(Note 2)</i>	100,000 (L)

Notes:

1. The letter "L" denotes the Director's long position in such shares.
2. The share options were granted under the share option scheme of the Company adopted on 8 March 2007.

(iii) Interests and short positions in the shares of the associated corporations

(1) Long position in the shares of Anmi Holding

Name of director	Capacity and nature of interest	Number of shares	Approximate % of shareholding
Ms. Poon Wai	founder of a discretionary trust	1	100% <i>(Note)</i>

Note: The entire issued share capital of Anmi Holding is owned by Anmi Trust, which is founded by Ms. Poon Wai.

(2) Long position in the shares of Favor Choice

Name of director	Capacity and nature of interest	Number of shares	Approximate % of shareholding
Ms. Poon Wai	founder of a discretionary trust	10,000	100% <i>(Note)</i>

Note: The entire issued share capital of Favor Choice is owned by Anmi Holding, which is wholly owned by Anmi Trust. Anmi Trust is founded by Ms. Poon Wai.

OTHER INFORMATION

Save as disclosed herein, as at 30 June 2020, none of the Directors and chief executive of the Company, or any of their spouse, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders Discloseable under the SFO

So far as is known to the Company, as at 30 June 2020, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares (Note 1)	Approximate % of shareholding
Favor Choice (Note 2)	beneficial owner	480,123,041 (L)	43.99%
Anmi Holding (Note 2)	interest of controlled corporation	480,123,041 (L)	43.99%
HSBC International Trustee Limited (Note 2)	trustee	480,123,041 (L)	43.99%
Invesco Hong Kong Limited	investment manager	102,340,000 (L)	9.38%
Invesco Management S.A.	investment manager	54,714,000 (L)	5.01%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in such shares.
2. The 480,123,041 shares were held by Favor Choice, which is an investment holding company wholly owned by Anmi Holding. Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the CEO, and HSBC International Trustee Limited (in its capacity as the trustee of Anmi Trust) is the legal owner of the entire issued share capital of Anmi Holding.

Save as disclosed herein, as at 30 June 2020, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION



Share Option Scheme

The previous share option scheme adopted pursuant to a resolution passed by the then shareholders on 8 March 2007 (the "2007 Share Option Scheme") had expired on 7 March 2017. In light of the expiry of the 2007 Share Option Scheme and in order to enable the Board to continue providing incentives and rewards to the eligible persons, a new share option scheme was adopted by the shareholders at the extraordinary general meeting of the Company held on 13 July 2017 (the "2017 Share Option Scheme").

The purpose of the 2017 Share Option Scheme is to enable the Company to grant options to the eligible participants in recognition of their contribution made or to be made to the Group. Under the 2017 Share Option Scheme, the Board may offer to grant options to any Director or employee, or any advisor, consultant, individual or entity who, in the opinion of the Board, has contributed or will contribute to the growth and development of the Group. An offer for an option must be accepted by relevant eligible participant for a period of 28 days from the date on which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date or after the 2017 Share Option Scheme has been terminated. The amount payable by a participant upon acceptance of a grant of options is HK\$1.00.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the 2017 Share Option Scheme to an eligible participant in any twelve-month period shall not exceed 1% of the number of shares in issue unless (i) a circular is despatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to therein in general meeting; and (iii) the relevant eligible participant and its close associates or his associates if the eligible participant is a connected person abstain from voting on the resolution. The maximum number of shares which may be issued upon exercise of all options which may be granted under the 2017 Share Option Scheme and any other scheme(s) shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the 2017 Share Option Scheme, i.e. a total of 109,153,882 shares.

The subscription price in respect of options granted under the 2017 Share Option Scheme may be determined by the Board at its absolute discretion provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

The 2017 Share Option Scheme will be valid and effective for a period of ten years, commencing from 13 July 2017. The remaining life of the 2017 Share Option Scheme is approximately six years and eleven months.

As at 30 June 2020, the number of shares in respect of which options under the 2007 Share Option Scheme and 2017 Share Option Scheme had been granted and remained outstanding was 12,003,000 shares and 4,855,000 shares respectively, representing approximately 1.10% and 0.44%, respectively, of the shares of the Company in issue as at 30 June 2020.

Total number of shares available for issue under the 2007 Share Option Scheme was 12,003,000 shares, representing approximately 1.10% of the shares of the Company in issue as at the date of this interim report.

Total number of shares available for issue under the 2017 Share Option Scheme was 109,153,882 shares, representing 10.00% of the shares of the Company in issue as at the date of this interim report.

Details of the share options movement during the six months ended 30 June 2020 under the 2007 Share Option Scheme and 2017 Share Option Scheme are set out in the table below and note 23 to the condensed consolidated financial statements.

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Grantee	Date of grant of share options	As at 1 January 2020	Number of share options				As at 30 June 2020	Exercise price of share options HK\$	Validity period of share options (both dates inclusive)	Vesting period
			Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Employees (in aggregate)	2 July 2010	318,000	-	-	-	-	318,000	8.884	2 July 2011 to 1 July 2020	Note 1
	26 August 2011	5,879,000	-	-	-	(74,000)	5,805,000	11.160	26 August 2012 to 25 August 2021	Note 2
	15 October 2012	400,000	-	-	-	-	400,000	5.530	15 October 2012 to 25 August 2021	Note 3
	2 July 2013	300,000	-	-	-	-	300,000	6.310	2 July 2014 to 1 July 2023	Note 4
	27 August 2013	530,000	-	-	-	-	530,000	8.740	27 August 2014 to 26 August 2023	Note 2
	25 September 2014	100,000	-	-	-	-	100,000	6.450	25 September 2014 to 24 September 2024	Note 2
	8 January 2015	150,000	-	-	-	-	150,000	5.900	8 January 2015 to 7 January 2025	Note 2
	17 April 2015	2,200,000	-	-	-	-	2,200,000	5.060	17 April 2015 to 16 April 2025	Note 5
	2 July 2015	1,800,000	-	-	-	-	1,800,000	4.104	2 July 2015 to 1 July 2025	Note 2
	19 July 2017	2,500,000	-	-	-	-	2,500,000	3.504	19 July 2017 to 18 July 2027	Note 2
	1 June 2018	2,100,000	-	-	-	-	2,100,000	3.256	1 June 2018 to 31 May 2028	Note 2
	14 January 2019	55,000	-	-	-	-	55,000	2.214	14 January 2019 to 13 January 2029	Note 2
3 June 2019	200,000	-	-	-	-	200,000	3.322	3 June 2019 to 2 June 2029	Note 2	
Directors										
Mr. Jen Shek Voon	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 6
Mr. Lo Peter	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 6
Mr. Katsuaki Shigemitsu	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 6
Mr. Wang Jincheng	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 6
		16,932,000	-	-	-	(74,000)	16,858,000			

OTHER INFORMATION



Notes:

Note 1

Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
25% of the total number of share options	From the expiry of the first anniversary of the date of grant to the date immediately before the second anniversary of the date of grant
25% of the total number of share options	From the second anniversary of the date of grant to the date immediately before the third anniversary of the date of grant
25% of the total number of share options	From the third anniversary of the date of grant to the date immediately before the fourth anniversary of the date of grant
25% of the total number of share options	From the fourth anniversary of the date of grant to the date immediately before the fifth anniversary of the date of grant

Note 2

Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
20% of the total number of share options	From the expiry of the first anniversary of the date of grant to the date immediately before the second anniversary of the date of grant
20% of the total number of share options	From the second anniversary of the date of grant to the date immediately before the third anniversary of the date of grant
20% of the total number of share options	From the third anniversary of the date of grant to the date immediately before the fourth anniversary of the date of grant
20% of the total number of share options	From the fourth anniversary of the date of grant to the date immediately before the fifth anniversary of the date of grant
20% of the total number of share options	From the fifth anniversary of the date of grant to the date immediately before the sixth anniversary of the date of grant

Note 3

Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
20% of the total number of share options	From 15 October 2012 to 25 August 2013
20% of the total number of share options	From 26 August 2013 to 25 August 2014
20% of the total number of share options	From 26 August 2014 to 25 August 2015
20% of the total number of share options	From 26 August 2015 to 25 August 2016
20% of the total number of share options	From 26 August 2016 to 25 August 2017

Note 4

Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
10% of the total number of share options	From the expiry of the first anniversary of the date of grant to the date immediately before the second anniversary of the date of grant
10% of the total number of share options	From the second anniversary of the date of grant to the date immediately before the third anniversary of the date of grant
10% of the total number of share options	From the third anniversary of the date of grant to the date immediately before the fourth anniversary of the date of grant
10% of the total number of share options	From the fourth anniversary of the date of grant to the date immediately before the fifth anniversary of the date of grant
10% of the total number of share options	From the fifth anniversary of the date of grant to the date immediately before the sixth anniversary of the date of grant
10% of the total number of share options	From the sixth anniversary of the date of grant to the date immediately before the seventh anniversary of the date of grant
10% of the total number of share options	From the seventh anniversary of the date of grant to the date immediately before the eighth anniversary of the date of grant
10% of the total number of share options	From the eighth anniversary of the date of grant to the date immediately before the ninth anniversary of the date of grant
20% of the total number of share options	From the ninth anniversary of the date of grant to the date immediately before the tenth anniversary of the date of grant

Note 5

Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the options
12.5% of the total number of share options	From the expiry of the first anniversary of the date of grant to the date immediately before the second anniversary of the date of grant
12.5% of the total number of share options	From the second anniversary of the date of grant to the date immediately before the third anniversary of the date of grant
12.5% of the total number of share options	From the third anniversary of the date of grant to the date immediately before the fourth anniversary of the date of grant
12.5% of the total number of share options	From the fourth anniversary of the date of grant to the date immediately before the fifth anniversary of the date of grant
12.5% of the total number of share options	From the fifth anniversary of the date of grant to the date immediately before the sixth anniversary of the date of grant
12.5% of the total number of share options	From the sixth anniversary of the date of grant to the date immediately before the seventh anniversary of the date of grant
12.5% of the total number of share options	From the seventh anniversary of the date of grant to the date immediately before the eighth anniversary of the date of grant
12.5% of the total number of share options	From the eighth anniversary of the date of grant to the date immediately before the ninth anniversary of the date of grant

Note 6

Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the options
20% of the total number of share options	From 15 October 2012 to 14 October 2013
20% of the total number of share options	From 15 October 2013 to 14 October 2014
20% of the total number of share options	From 15 October 2014 to 14 October 2015
20% of the total number of share options	From 15 October 2015 to 14 October 2016
20% of the total number of share options	From 15 October 2016 to 14 October 2017

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Scheme", during the six months ended 30 June 2020, no arrangements have been entered into by the Company or any of its subsidiaries or fellow subsidiaries to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of eighteen was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.



OTHER INFORMATION

Change in Information of Directors

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Employee's Remuneration and Policy

As at 30 June 2020, the Group employed 8,748 persons (30 June 2019: 11,797 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 2020 was approximately RMB213,202,000 (30 June 2019: RMB330,252,000).

Dividends

An interim dividend of RMB0.02 (HK2.20 cents) per ordinary share for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB0.02 (HK2.20 cents)) has been declared by the Board to shareholders and such interim dividend will be paid on 30 November 2020 to shareholders whose names appear on the register of members of the Company on 18 September 2020.

Closure of the Register of Members

The register of members of the Company will be closed from 16 September 2020 to 18 September 2020 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for the aforesaid interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 September 2020.

By order of the Board

Ajisen (China) Holdings Limited

Poon Wai

Chairman

Hong Kong, 26 August 2020



J A P A N C H I N A
U S A S O U T H K O R E A
A U S T R A L I A V I E T N A M
S I N G A P O R E I N D O N E S I A
T H A I L A N D M A L A Y S I A
P H I L I P P I N E C A N A D A

“味千拉面”不是用面来做人的生意，
而是追求用人来做面的生意。