



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

2023 INTERIM REPORT 中期報告

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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.

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 2023, the Group’s nationwide retail network comprises 569 restaurants, Ajisen restaurants have entered over 134 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 100, followed by 70 in Jiangsu and 60 in Guangdong (excluding Shenzhen), together with the remaining 339 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 22 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 of Hong Kong Limited (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 Directors

Mr. Katsuaki Shigemitsu

Mr. Yew Yat On (appointed on 7 June 2023)

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. Leung Wai Han (resigned on 31 July 2023)

Ms. Cheung Lai Ha (appointed on 31 July 2023)

Company Secretary

Ms. Leung Wai Han (resigned on 31 July 2023)

Ms. Cheung Lai Ha (appointed on 31 July 2023)

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

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY-1108

Cayman Islands

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

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
Registered Public Interest Entity Auditors

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

www.ajisen.com.hk
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Stock Code

538



FINANCIAL HIGHLIGHTS

For the six months ended 30 June (unaudited)	2023	2022	+/- %
Turnover (RMB million)	884.8	677.5	+30.6%
Gross profit (RMB million)	665.0	496.3	+34.0%
Profit (loss) before taxation (RMB million)	181.3	(136.1)	N/A
Profit (loss) attributable to owners of the Company (RMB million)	133.1	(106.5)	N/A
Earnings (loss) per share – basic (RMB)	0.12	(0.1)	N/A

Industry Review

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

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

The effective operation of the existing 569 restaurants of the Group would not be achieved without our efficient management and intensive staff training. The Group also strengthened the guidance and training for restaurant managers and regional supervisors, and enhanced the operational efficiency of each restaurant through constant improvement of the management ability of frontline employees.

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

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 RMB842,594,000 (corresponding period in 2022: approximately RMB628,250,000), accounted for approximately 95.2% (corresponding period in 2022: approximately 92.7%) of the Group's total revenue, a increase of approximately 34.1% from the corresponding period last year.

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

By provinces	30-June 2023	30-June 2022	+/-
Shanghai	100	119	-19
Beijing	32	39	-7
Tianjin	2	3	-1
Guangdong (excluding Shenzhen)	60	64	-4
Shenzhen	18	20	-2
Jiangsu	70	78	-8
Zhejiang	59	72	-13
Sichuan	11	14	-3
Chongqing	11	11	-
Fujian	9	12	-3
Hunan	13	13	-
Hubei	11	14	-3
Liaoning	6	13	-7
Shandong	33	43	-10
Guangxi	16	16	-
Guizhou	2	3	-1
Jiangxi	13	15	-2
Shaanxi	9	10	-1
Yunnan	10	11	-1
Henan	5	9	-4
Hebei	10	12	-2
Anhui	13	17	-4
Xinjiang	2	2	-
Hainan	3	4	-1
Shanxi	4	4	-
Neimenggu	4	4	-
Heilongjiang	11	12	-1
Ningxia	1	2	-1
Jilin	7	10	-3
Gansu	0	1	-1
Hong Kong	22	20	+2
Rome	1	1	-
Finland	1	1	-
Total	569	669	-100

MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Review

Turnover

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

Cost of inventories consumed

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

Gross profit and gross profit margin

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

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

Depreciation

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

Other operating expenses

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

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

Other gains and losses

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

Finance costs

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

Set out below is the breakdown of the finance costs:

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

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

Profit and loss before tax

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

Profit and loss attributable to owners of the Company

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

RISK MANAGEMENT

Liquidity and financial resources

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

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

Exposure to exchange rates

At present, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 30 June 2023 and 31 December 2022 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Interest rate risk

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



MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, cash and cash equivalents and restricted bank deposits included in the condensed consolidated statement of financial position represent, the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 30 June 2023 and 31 December 2022 all of the bank balances and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in Mainland China and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

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

Assets and liabilities

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

Cash flows

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

Capital expenditure

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

Amendments and Adoption of New Memorandum and Articles

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

Subsequent events

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

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

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

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 14 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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

25 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	884,847	677,469
Cost of inventories consumed		(219,895)	(181,140)
Staff costs		(227,664)	(211,016)
Depreciation		(160,333)	(187,855)
Other operating expenses		(211,704)	(197,045)
Profit (loss) from operation		65,251	(99,587)
Other income	5	54,915	35,522
Impairment losses under expected credit loss model, net of reversal	16	(476)	(428)
Other gains and losses	6	70,077	(56,301)
Share of results of associates		415	(1,430)
Share of results of a joint venture		644	(1,127)
Finance costs	7	(9,570)	(12,715)
Profit (loss) before tax	8	181,256	(136,066)
Income tax (expense) credit	9	(41,660)	15,705
Profit (loss) for the period		139,596	(120,361)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		25,965	23,219
Other comprehensive income for the period, net of income tax		25,965	23,219
Total comprehensive income (expense) for the period		165,561	(97,142)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		133,095	(106,513)
Non-controlling interests		6,501	(13,848)
		139,596	(120,361)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		156,155	(84,340)
Non-controlling interests		9,406	(12,802)
		165,561	(97,142)
		RMB	RMB
Earnings (Loss) per share	11		
– Basic and diluted		0.12	(0.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current Assets			
Investment properties	12	1,049,413	999,262
Property, plant and equipment	12	370,760	405,554
Right-of-use assets	12	402,817	445,273
Intangible assets		1,761	1,313
Interests in associates	13	45,449	45,980
Interest in a joint venture		7,405	6,761
Rental deposits		68,904	67,709
Goodwill		1,371	1,342
Deferred tax assets		28,861	47,604
Financial assets at fair value through profit or loss ("FVTPL")	14	171,915	125,444
		2,148,656	2,146,242
Current Assets			
Inventories		82,588	99,306
Trade and other receivables	15	154,372	154,599
Taxation recoverable		797	1,026
Restricted bank deposits		6,215	2,300
Cash and cash equivalents	17	1,578,250	1,465,111
		1,822,222	1,722,342
Current Liabilities			
Trade and other payables	18	254,861	255,102
Lease liabilities		177,568	237,031
Contract liabilities		1,550	2,559
Amounts due to related companies	19	6,546	5,644
Amounts due to directors	19	222	549
Amounts due to non-controlling interests	19	13,549	13,538
Amounts due to associates	19	2,286	2,215
Amount due to a joint venture	19	–	289
Dividend payable		65,493	–
Taxation payable		20,554	14,051
Bank borrowings	20	5,375	5,243
		548,004	536,221
Net Current Assets		1,274,218	1,186,121
Total Assets less Current Liabilities		3,422,874	3,332,363

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current Liabilities			
Bank borrowings	20	34,555	35,174
Lease liabilities		208,398	225,685
Deferred tax liabilities		157,084	143,118
Financial liabilities at FVTPL		507	7,074
		400,544	411,051
Net Assets			
		3,022,330	2,921,312
Capital and Reserves			
Share capital	21	108,404	108,404
Reserves		2,857,923	2,766,311
Equity attributable to owners of the Company		2,966,327	2,874,715
Non-controlling interests		56,003	46,597
Total Equity			
		3,022,330	2,921,312

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share	Capital	Properties	Translation reserve RMB'000	Statutory	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-	Total RMB'000
				options reserve RMB'000	reserve RMB'000	revaluation reserve RMB'000		Surplus Reserve fund RMB'000				controlling interests RMB'000	
At 1 January 2023 (audited)	108,404	1,611,247	(234,729)	8,944	1,159	173,305	(169,959)	160,285	(10,005)	1,226,064	2,874,715	46,597	2,921,312
Profit for the period	-	-	-	-	-	-	-	-	-	133,095	133,095	6,501	139,596
Other comprehensive income for the period	-	-	-	-	-	-	23,060	-	-	-	23,060	2,905	25,965
Total comprehensive income for the period	-	-	-	-	-	-	23,060	-	-	133,095	156,155	9,406	165,561
Dividends recognised as distribution (Note 10)	-	(65,493)	-	-	-	-	-	-	-	-	(65,493)	-	(65,493)
Recognition of share-based payment	-	-	-	950	-	-	-	-	-	-	950	-	950
Transfer on forfeiture of share options	-	-	-	(931)	-	-	-	-	-	931	-	-	-
At 30 June 2023 (unaudited)	108,404	1,545,754	(234,729)	8,963	1,159	173,305	(146,899)	160,285	(10,005)	1,360,090	2,966,327	56,003	3,022,330
At 1 January 2022 (audited)	108,404	1,702,727	(234,729)	8,341	1,159	173,305	(217,543)	161,248	(10,005)	1,367,198	3,060,105	54,044	3,114,149
Loss for the period	-	-	-	-	-	-	-	-	-	(106,513)	(106,513)	(13,848)	(120,361)
Other comprehensive income for the period	-	-	-	-	-	-	22,173	-	-	-	22,173	1,046	23,219
Total comprehensive income (expense) for the period	-	-	-	-	-	-	22,173	-	-	(106,513)	(84,340)	(12,802)	(97,142)
Dividends recognised as distribution (Note 10)	-	(91,480)	-	-	-	-	-	-	-	-	(91,480)	-	(91,480)
Recognition of equity-settled share based payments	-	-	-	1,563	-	-	-	-	-	-	1,563	-	1,563
At 30 June 2022 (unaudited)	108,404	1,611,247	(234,729)	9,904	1,159	173,305	(195,370)	161,248	(10,005)	1,260,685	2,885,848	41,242	2,927,090

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from operating activities	276,892	99,978
Investing activities		
Interest received	14,700	6,724
Purchase of financial assets at FVTPL	(20,000)	(10,000)
Refund of rental deposits	3,969	3,714
Purchase of property, plant and equipment	(28,034)	(24,435)
Proceeds on disposal of property, plant and equipment	251	801
Placement of restricted bank deposits	(3,915)	–
Net cash used in investing activities	(33,029)	(23,196)
Financing activities		
Repayment of bank borrowings	(1,722)	(1,644)
Repayment of lease liabilities	(142,239)	(85,825)
Interest paid	(523)	(637)
Repayment to a joint venture	(289)	(248)
Repayment to directors	(327)	(265)
Net cash used in financing activities	(145,100)	(88,619)
Net increase (decrease) in cash and cash equivalents	98,763	(11,837)
Cash and cash equivalents at beginning of the period	1,465,111	1,527,538
Effect of foreign exchange rate changes	14,376	12,493
Total cash and cash equivalents at end of the period, represented by cash and cash equivalents	1,578,250	1,528,194

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. Basis of Preparation

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

2. Principal Accounting Policies

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

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

Application of amendments to HKFRSs

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules ²

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

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

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

2. Principal Accounting Policies (Continued)

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

2.1.1 Accounting policies

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2. Principal Accounting Policies (Continued)

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

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

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

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

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

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

3. Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Operation of restaurants	842,594	628,250
Manufacture and sales of noodles and related products	42,253	49,219
	884,847	677,469
Timing of revenue recognition		
A point in time	884,847	677,469

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 (unaudited)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. Operating Segments (Continued)

Six months ended 30 June 2022 (unaudited)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. Operating Segments (Continued)

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

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

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

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

5. Other Income

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023



6. Other Gains and Losses

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss on disposal of property, plant and equipment	(3,149)	(6,101)
Fair value gain on investment properties	37,070	5,630
Fair value gain (loss) on financial assets at FVTPL	26,471	(33,587)
Fair value gain on financial liabilities at FVTPL	6,567	11,874
Net foreign exchange gain	1,220	1,752
Gain on termination of leases, net	3,072	1,004
Impairment loss recognised in respect of		
– property, plant and equipment (Note 12)	–	(3,089)
– right-of-use assets (Note 12)	(187)	(23,654)
– interests in an associate (Note 13)	(987)	(10,130)
	70,077	(56,301)

7. Finance Costs

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

8. Profit (Loss) Before Tax

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	57,613	67,161
Depreciation of right-of-use assets	102,720	120,694
Total depreciation	160,333	187,855
Covid-19-related rent concessions (Note 12)	–	(5,908)
Fuel and utility expenses	36,652	34,960
Property rentals in respect of		
– Variable lease payment	13,131	8,408
– Short-term lease payment	1,300	5,933

9. Income Tax Expense (Credit)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. Income Tax Expense (Credit) (Continued)

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

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

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

10. Dividends

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. Earnings (Loss) Per Share

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share, being profit (loss) for the period attributable to owners of the Company	133,095	(106,513)
	Number of shares	
Number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	1,091,538,820	1,091,538,820

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

Right-Of-Use Assets

During the current interim period, the Group renewed/entered into certain new lease agreements for periods ranging from 2 to 15 years, which are mainly for chain restaurant operation. The Group is required to make minimum fixed payments and additional variable payments based on certain percentages of sales whenever the Group's sales achieved the prescribed amounts as specified in relevant lease agreements. On lease commencement, the Group recognised right-of-use asset of approximately RMB57,140,000 and lease liabilities of approximately RMB57,140,000.

During the six months ended 30 June 2022, lessors of the relevant chain stores provided rent concessions that occurred as a direct consequence of the Covid-19 pandemic to the Group through rent reductions ranging from 10% to 50% over one to six months and 100% over one to two months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B, the Group applied the practical expedient not to assess whether the change constitute lease modifications. During the six months ended 30 June 2022, the effects on change in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB5,908,000 were recognised as negative variable lease payments.

Investment Properties

The fair values of the Group's investment properties as at 30 June 2023 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 gain of approximately RMB37,070,000 of the investment properties for the current period (six months ended 30 June 2022: fair value gain of RMB5,630,000).

Property, Plant and Equipment

During the current interim period, the Group acquired property, plant and equipment of approximately RMB24,943,000 (six months ended 30 June 2022: RMB22,503,000) for business operation of the Group.

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB3,400,000 (six months ended 30 June 2022: RMB6,902,000) for cash proceeds of RMB251,000 (six months ended 30 June 2022: RMB801,000), resulting in a loss on disposal of RMB3,149,000 (six months ended 30 June 2022: a loss on disposal of RMB6,101,000).

Impairment assessment

As the impact of Covid-19 to the Group's restaurants operation was brought to an end in the last quarter of 2022, the Group's performance was significantly improved during the current interim period. Hence, the management of the Group considered no further impairment on property, plant and equipment and right-of-use assets is required, except for a restaurant in Hong Kong with continuous losses from operation which the management of the Group recognised an impairment loss of RMB187,000 for the current interim period.

As at 30 June 2022, due to the poor performance of certain restaurants operated in mainland China and Hong Kong that indicate the relevant property, plant and equipment and right-of-use may be impaired, the Group performed impairment assessment and recognised impairment losses of RMB3,089,000 and RMB23,654,000 related to property, plant and equipment and right-of-use assets, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. Interests in Associates

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cost of investment in associates	161,341	161,341
Share of post-acquisition results and other comprehensive expense	(6,595)	(7,010)
	154,746	154,331
Less: accumulated impairment loss recognised (<i>Note</i>)	(110,673)	(109,686)
Loan to an associate	1,376	1,335
	45,449	45,980

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 2022, 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 RMB987,000 has been recognised during the period ended 30 June 2023 (six months ended 30 June 2022: an impairment loss of RMB10,130,000 reversed).

14. Financial Assets at FVTPL

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. Trade and Other Receivables

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

As at 30 June 2023, the impairment allowance of trade and other receivables is RMB10,671,000 (31 December 2022: RMB10,195,000). 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 2023. The directors of the Company consider that the expected credit loss for other financial assets are insignificant to the condensed consolidated financial statements.

17. Cash and cash equivalents

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 0.001% to 5.440% (31 December 2022: 0.001% to 1.950%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18. Trade and Other Payables

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

The amount(s) due to related companies/directors/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.

20. Bank Borrowings

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Secured bank borrowings with carrying amounts repayable:		
Within one year or repayable on demand	5,375	5,243
In more than one year but not more than two years	5,485	5,350
In more than two years but not more than five years	17,134	16,713
In more than five years	11,936	13,111
	39,930	40,417
Less: amounts shown as current liabilities	(5,375)	(5,243)
Amounts shown as non-current liabilities	34,555	35,174

The amounts due are based on scheduled repayment dates set out in the loan agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. Bank Borrowings (Continued)

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
HK\$	Prime rate of the counterparty bank minus 3.25% (2022: prime rate of the counterparty bank minus 3.25%)	35,975	36,425
HK\$	Prime rate of the counterparty bank minus 2.8% (2022: prime rate of the counterparty bank minus 2.8%)	3,955	3,992
		39,930	40,417

All these bank borrowings are denominated in HK\$. As at 30 June 2023, the weighted average effective interest rate on the bank borrowings was 1.46% (31 December 2022: 1.43%).

Detail of the assets of the Group as at 30 June 2023 and 31 December 2022 that have been pledged as collateral to secure the general bank facilities of the Group are set out in note 25.

21. Share Capital

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1 January 2022, 31 December 2022 and 30 June 2023	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 30 June 2023	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 2023

22. Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") for its employees. The following table disclosed movements of the Company's share options under the Share Option Scheme during the six months ended 30 June 2023 and 30 June 2022.

Grant date	Exercise price HK\$	Outstanding at 1 January 2023	Granted during the period	Forfeited during the period	Outstanding at 30 June 2023
<i>Employees</i>					
27 August 2013	8.740	530,000	–	–	530,000
8 January 2015	5.900	150,000	–	–	150,000
17 April 2015	5.060	1,400,000	–	(500,000)	900,000
2 July 2015	4.104	1,520,000	–	(100,000)	1,420,000
19 July 2017	3.504	500,000	–	–	500,000
1 June 2018	3.256	1,900,000	–	(300,000)	1,600,000
14 January 2019	2.214	55,000	–	–	55,000
3 June 2019	3.322	200,000	–	–	200,000
27 August 2020	1.250	700,000	–	–	700,000
8 April 2021	1.300	500,000	–	–	500,000
1 November 2021	1.344	27,350,000	–	(1,734,000)	25,616,000
		34,805,000	–	(2,634,000)	32,171,000
Exercisable at the end of the period		11,448,000			10,907,200
Weighted average exercise price (HK\$)		1.89			1.85

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

22. Share Option Scheme (Continued)

Grant date	Exercise price HK\$	Outstanding at 1 January 2022	Granted during the period	Forfeited during the period	Outstanding at 30 June 2022
<i>Employees</i>					
15 October 2012	5.530	400,000	–	–	400,000
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	1,400,000	–	–	1,400,000
2 July 2015	4.104	1,700,000	–	–	1,700,000
19 July 2017	3.504	500,000	–	–	500,000
1 June 2018	3.256	1,900,000	–	–	1,900,000
14 January 2019	2.214	55,000	–	–	55,000
3 June 2019	3.322	200,000	–	–	200,000
27 August 2020	1.250	700,000	–	–	700,000
8 April 2021	1.300	500,000	–	–	500,000
1 November 2021	1.344	29,790,000	–	–	29,790,000
		37,925,000	–	–	37,925,000
<i>Directors</i>					
15 October 2012	5.530	400,000	–	–	400,000
		38,325,000	–	–	38,325,000
Exercisable at the end of the period		6,112,000			6,958,000
Weighted average exercise price (HK\$)		1.96	–	–	1.96

The Group recognised an expense of approximately RMB950,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB1,563,000) in relation to share options granted by the Company under the Share Option Scheme. For the six months ended 30 June 2023, the Group transferred the expense of RMB931,000, which was previously recognised to retained earnings because the share options were forfeited after the vesting date.

23. 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 management will also engage an external professional valuer when the management considers necessary and appropriate. The valuation team reports 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 2023

23. 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)
	30/06/2023	31/12/2022			
	(Unaudited) RMB'000	(Audited) RMB'000			
Financial assets at FVTPL – unlisted equity investments	89,996	88,059	Level 3	Market approach The key inputs include equity value of investees, risk free rate, volatility, expected option life and probability of conversion, redemption and liquidation	Equity value Expected option life. Probability of conversion, redemption and liquidation.
Financial assets at FVTPL – unlisted equity investments	1,171	3,413	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 i). Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model (note ii).
Financial assets at FVTPL – fund investments	80,748	33,972	Level 2	Discounted cash flow Future cash flows are estimated based on expected return.	N/A
Financial liabilities at FVTPL	507	7,074	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 i: Any increases (decreases) in long-term revenue growth rate would result in an increase (decrease) in fair value.

Note ii: 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 2023

23. 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 2023 (audited)	91,472	(7,074)	84,398
Transfer into Level 3	25,000	–	25,000
Transfer out of Level 3	(50,947)	–	(50,947)
Gain on fair value change	25,642	6,567	32,209
At 30 June 2023 (unaudited)	91,167	(507)	90,660
At 1 January 2022 (audited)	159,737	(36,020)	123,717
(Loss) gain on fair value change	(21,248)	11,874	(9,374)
At 30 June 2022 (unaudited)	138,489	(24,146)	114,343

Of the total gains or losses for the period included in profit or loss, gain of RMB25,642,000 and gain of RMB6,567,000 relates to financial assets and liabilities at FVTPL held at the end of the current reporting period (six months ended 30 June 2022: loss of RMB21,248,000 and gain of RMB11,874,000), 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 2023 and 31 December 2022 approximate their fair values.

24. Capital Commitments

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 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	9,034	13,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

25. Pledge of Assets

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investment properties	416,238	379,637
Right-of-use assets	6,261	6,180
Property, plant and equipment	5,187	5,216
	427,686	391,033

26. 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	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Shigemitsu Industry Co., Ltd., a company in which Mr. Katsuaki Shigemitsu has significant beneficial interests	Sales of noodles and related products	212	514
	Purchase of food products, materials and supplies	(14,418)	(7,089)
	Franchise commissions		
	– for restaurant operating in Hong Kong	(149)	(140)
	– for restaurant operating in the PRC	(9,676)	(10,539)
	Technical fee paid/payable	(213)	(292)

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For the six months ended 30 June 2023

26. Related Party Transactions (Continued)

- (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: (Continued)

Relationship with related parties	Nature of transactions	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Fees for decoration and renovation services	(1,059)	–
Mr. Poon	Interest expense on lease liabilities	(208)	(182)
Japan Foods Holdings Ltd., non-controlling shareholder of a subsidiary of the Company	Franchise commission paid/payable	(801)	(629)
Hubei Jupeng Kitchen Equipment Co., Ltd., an associate of the Company	Purchase of property, plant and equipment	(319)	(2,259)
Guangzhou Yunnex Information Technology Co., Ltd., an associate of the Company	Purchase of services	–	(5,530)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	2,935	2,632
Retirement benefits scheme contributions	201	195
Share-based payments	85	127
	3,221	2,954

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 trend.



OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the “Code”) as set out in Appendix 14 to Listing Rules during the six months ended 30 June 2023, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.2.1, the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e., the roles of the Chairman and CEO have not been separated. Although Ms. Poon performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

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

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

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

Audit Committee Review

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

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

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

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 2023, 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 ordinary 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	21,771,129 (L)	2.00%
	interest of controlled corporation (Note 3)	10,604,251 (L)	0.97%
Mr. Jen Shek Voon	beneficial owner	95,000 (L)	0.01%
Mr. Yew Yat On	beneficial owner	149,000 (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.
- The 10,604,251 shares were held by Shigemitsu Industry Co. Ltd., the company is owned as to approximately 69.89% by Mr. Katsuaki Shigemitsu, a non-executive Director.

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

(1) Long position in the shares of Anmi Holding

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

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

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

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.

Save as disclosed herein, as at 30 June 2023, 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 2023, 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 ordinary 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	86,338,000 (L)	7.90%
The Bank of New York Mellon Corporation	interest of controlled corporation	73,800,000 (L) (P)	6.76%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in such shares. The letter "P" denotes the substantial shareholder's "lending pool" status 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 2023, 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.

Share Option Scheme

The share option scheme adopted pursuant to a resolution passed by the shareholders on 8 March 2007 (the "2007 Share Option Scheme") had expired on 7 March 2017. Details of the 2007 Share Option Scheme are set out in the Prospectus. 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").



OTHER INFORMATION

Purpose of the Schemes

2007 Share Option Scheme

The purpose of 2007 Share Option Scheme is to enable the Company to grant option to the 2007 Eligible Participants in recognition of their contribution made or to be made to the Company or any of the Company's subsidiaries.

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.

Participants of the Schemes

Under both of the 2007 Share Option Scheme and 2017 Share Option Scheme, the Board may, at its absolute discretion, grant options to any eligible participants, including:

- (i) any non-executive Director or proposed non-executive Director (including an independent non-executive Director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest
- (ii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Board has contributed or will contribute to the growth and development of the Group; or
- (iii) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any subsidiaries or any entity in which any member of the Group holds any equity.

The 2007 Share Option Scheme was valid and effective for a period of ten years ending on 7 March 2017, after which no further options shall be issued. With effective from 1 January 2023, the eligible participants of the 2017 Share Option Scheme were subjected and restricted to the eligible participants under the Rule 17.03A of the Listing Rules.

Total number of shares available for issue under the Schemes and percentage of issued shares as at the date of this report

Total number of shares available for issue under the 2007 Share Option Scheme was 2,470,000 shares, representing approximately 0.23% of the shares of the Company in issue as at the date of this report.

Total number of shares available for issue under the 2017 Share Option Scheme was 8,047,200 shares, representing 0.74% of the shares of the Company in issue as at the date of this report.

The 2007 Share Option Scheme was valid and effective for a period of ten years ending on 7 March 2017, after which no further options shall be issued. The total number of securities which may be issued upon exercise of all share options to be granted will be NIL, representing 0% of the shares of the Company in issue as at the date of this report.

The total number of securities which may be issued upon exercise of all share options to be granted under the 2017 Share Option Scheme was 79,982,882 shares, representing 7.33% of the shares of the Company in issue as at the date of this report.

Maximum entitlement of each participant under the Schemes

The 2007 Share Option Scheme was valid and effective for a period of ten years ending on 7 March 2017, after which no further options shall be issued.

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 (including exercised and outstanding options) 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 share options scheme(s) or share award scheme(s), if any, 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 amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

Under both 2007 Share Option Scheme and 2017 Share Option Scheme, a non-refundable nominal consideration of HK\$1.00 is payable by the Grantee upon acceptance of an Offer. An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participants together with the said consideration of HK\$1.00 is received by the Company.

The basis of determining the exercise price of options granted

The subscription price in respect of options granted under both the 2007 Share Option Scheme and 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 Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (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.



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The period within which the option may be exercised by the grantee under the share option schemes

For any particular option that issued under the 2007 Share Option Scheme, the period commencing on the expiry of 6 calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular option but subject to the provisions for early termination thereof contained in the 2007 Share Option Scheme. The 2007 Share Option Scheme was valid and effective for a period of ten years ending on 7 March 2017, after which no further options shall be issued.

For any particular option that issued under the 2017 Share Option Scheme, the option period is determined by the Board at its absolute discretion and notified by the Board to the grantee as being the period during which the option may be exercised and in any event such period shall not exceed a period of ten years commencing on the commencement date but subject to the provisions for early termination thereof contained in the 2017 Share Option Scheme.

The vesting period of options under the share option schemes

The vesting period of options under 2007 Share Option Scheme and 2017 Share Option Scheme are set out in the table on page 51 of this report.

The remaining life of the Scheme

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 three years and ten months.

The 2007 Share Option Scheme was valid and effective for a period of ten years ending on 7 March 2017, after which no further options shall be issued.

As at 30 June 2023, 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 3,000,000 shares and 29,171,000 shares, representing approximately 0.27% and 2.67% of the shares of the Company in issue as at 30 June 2023.

Details of the share options granted

Details of the share options granted under the 2007 Share Option Scheme and the 2017 Share Option Scheme are contained in note 22 to the consolidated financial statements, the movement during reporting period and the vesting period of the options granted are as follows:

Name or category of participants	Date of grant	Number of share options movement during Period						Price of share				
		As at 1 January 2023	Granted	Exercised	Cancellation	Lapsed	As at 30 June 2023	Vesting period/ exercise period	Validity period of shares options	Exercise Price/ Purchase Price HK\$	Prior to the grant date of the share options	Prior to the exercise date of the share options
Employee participants												
	27 August 2013	530,000	-	-	-	-	530,000	Note 1	27 August 2014 to 26 August 2023	8.740	8.970	-
	8 January 2015	150,000	-	-	-	-	150,000	Note 1	8 January 2015 to 7 January 2025	5.900	5.990	-
	17 April 2015	1,400,000	-	-	-	(500,000)	900,000	Note 2	17 April 2015 to 16 April 2025	5.060	4.950	-
	2 July 2015	1,520,000	-	-	-	(100,000)	1,420,000	Note 1	2 July 2015 to 1 July 2025	4.104	4.150	-
	19 July 2017	500,000	-	-	-	-	500,000	Note 1	19 July 2017 to 18 July 2027	3.504	3.470	-
	1 June 2018	1,900,000	-	-	-	(300,000)	1,600,000	Note 1	1 June 2018 to 31 May 2028	3.256	3.190	-
	14 January 2019	55,000	-	-	-	-	55,000	Note 1	14 January 2019 to 13 January 2029	2.214	2.250	-
	3 June 2019	200,000	-	-	-	-	200,000	Note 1	3 June 2019 to 2 June 2029	3.322	3.300	-
	27 August 2020	700,000	-	-	-	-	700,000	Note 1	27 August 2020 to 26 August 2030	1.250	1.250	-
	8 April 2021	500,000	-	-	-	-	500,000	Note 1	8 April 2021 to 7 April 2031	1.300	1.270	-
	1 November 2021	27,350,000	-	-	-	(1,734,000)	25,616,000	Note 1	1 November 2021 to 31 October 2031	1.344	1.350	-
		<u>34,805,000</u>	-	-	-	<u>2,634,000</u>	<u>32,171,000</u>					

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

20% of the total number of share options
 20% of the total number of share options
 20% of the total number of share options
 20% of the total number of 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
 From the second anniversary of the date of grant to the date immediately before the third anniversary of the date of grant
 From the third anniversary of the date of grant to the date immediately before the fourth anniversary of the date of grant
 From the fourth anniversary of the date of grant to the date immediately before the fifth anniversary of the date of grant
 From the fifth anniversary of the date of grant to the date immediately before the sixth anniversary of the date of grant



OTHER INFORMATION

Note 2

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

<u>Maximum percentage of share options exercisable</u>	<u>Period for vesting of the relevant percentage of the share options</u>
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 3

As at January 1, 2023 and June 30, 2023, share options to subscribe for a total of 77,948,882 and 79,982,882 Shares, respectively, were available for grant under the 2017 Share Option Scheme Limit.

Employee's Remuneration and Policy

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

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

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

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.

Dividend

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

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

Hong Kong, 25 August 2023



J A P A N C H I N A
U S A M A L A Y S I A
A U S T R A L I A C A N A D A
S I N G A P O R E F I N L A N D
T H A I L A N D I T A L Y
P H I L I P P I N E S N E W Z E A L A N D

“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。