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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 538)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

2024 INTERIM RESULTS HIGHLIGHTS

| | For the six months ended 30 June | | |
|---|----------------------------------|-----------|-------------------------|
| | 2024 | 2023 | Increase/ (Decrease) |
| | (RMB'000) | (RMB'000) | % |
| Turnover | 826,790 | 884,847 | (6.6) |
| Sales from restaurant operation | 792,194 | 842,594 | (6.0) |
| Gross profit | 636,261 | 664,952 | (4.3) |
| Profit from operation | 11,121 | 65,251 | N/A |
| (Loss) profit before tax | (15,566) | 181,256 | N/A |
| (Loss) profit attributable to owners of the Company | (7,157) | 133,095 | N/A |
| (Loss) earnings per share (RMB) | (0.01) | 0.12 | N/A |
| Total number of restaurants (as at 30 June) | 575 | 569 | |

The board (the “**Board**”) of directors (the “**Directors**”) of Ajisen (China) Holdings Limited (the “**Company**” or “**Ajisen**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | <i>Notes</i> | Six months ended 30 June | |
|--|--------------|--------------------------------------|--------------------------------------|
| | | 2024 | 2023 |
| | | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| Revenue | 3 | 826,790 | 884,847 |
| Cost of inventories consumed | | (190,529) | (219,895) |
| Staff costs | | (224,511) | (227,664) |
| Depreciation | | (156,919) | (160,333) |
| Other operating expenses | | (243,710) | (211,704) |
| | | <hr/> | <hr/> |
| Profit from operation | | 11,121 | 65,251 |
| Other income | 4 | 46,681 | 54,915 |
| Impairment losses under expected credit loss model, net of reversal | | 107 | (476) |
| Other gains and losses | 5 | (61,755) | 70,077 |
| Share of (loss) profit of associates | | (1,232) | 415 |
| Share of profit of a joint venture | | 194 | 644 |
| Finance costs | | (10,682) | (9,570) |
| | | <hr/> | <hr/> |
| (Loss) profit before tax | 6 | (15,566) | 181,256 |
| Income tax credit (expense) | 7 | 11,305 | (41,660) |
| | | <hr/> | <hr/> |
| (Loss) profit for the period | | (4,261) | 139,596 |
| | | <hr/> | <hr/> |
| Other comprehensive income: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of financial statements of foreign operations | | 1,319 | 25,965 |
| Other comprehensive income for the period, net of income tax | | 1,319 | 25,965 |
| | | <hr/> | <hr/> |
| Total comprehensive (expense) income for the period | | (2,942) | 165,561 |
| | | <hr/> <hr/> | <hr/> <hr/> |

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|-----------------------|
| | | 2024 | 2023 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (7,157) | 133,095 |
| Non-controlling interests | | <u>2,896</u> | <u>6,501</u> |
| | | <u>(4,261)</u> | <u>139,596</u> |
| | | | |
| Total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | (3,961) | 156,155 |
| Non-controlling interests | | <u>1,019</u> | <u>9,406</u> |
| | | <u>(2,942)</u> | <u>165,561</u> |
| | | <i>RMB</i> | <i>RMB</i> |
| | | | |
| (Loss) earnings per share | | | |
| – Basic and diluted | 9 | <u>(0.01)</u> | <u>0.12</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

| | | 30 June 2024 | 31 December 2023 |
|--|--------------|-------------------------|---------------------|
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Investment properties | | 973,273 | 1,007,255 |
| Property, plant and equipment | | 334,798 | 349,071 |
| Right-of-use assets | | 468,069 | 423,864 |
| Intangible assets | | 1,603 | 1,506 |
| Interests in associates | | 41,889 | 43,110 |
| Interest in a joint venture | | 8,014 | 7,820 |
| Rental deposits | | 65,118 | 60,752 |
| Goodwill | | 1,362 | 1,355 |
| Deferred tax assets | | 42,553 | 38,982 |
| Term deposits with banks | | 16,180 | – |
| Financial assets at fair value through profit or loss ("FVTPL") | <i>10</i> | <u>113,463</u> | <u>125,867</u> |
| | | <u>2,066,322</u> | <u>2,059,582</u> |
| Current assets | | | |
| Inventories | | 73,928 | 76,247 |
| Trade and other receivables | <i>11</i> | 173,348 | 177,852 |
| Taxation recoverable | | 323 | 28 |
| Restricted bank deposits | | 6,763 | 15,136 |
| Financial assets at FVTPL | | – | 25,031 |
| Bank balances and cash | | <u>1,665,650</u> | <u>1,607,635</u> |
| | | <u>1,920,012</u> | <u>1,901,929</u> |
| Current liabilities | | | |
| Trade and other payables | <i>12</i> | 214,276 | 249,488 |
| Lease liabilities | | 193,180 | 168,231 |
| Contract liabilities | | 1,456 | 1,439 |
| Amounts due to related companies | | 1,893 | 1,819 |
| Amounts due to directors | | 145 | 604 |
| Amounts due to non-controlling interests | | 13,546 | 13,543 |
| Amounts due to associates | | 2,263 | 2,247 |
| Amount due to a joint venture | | 333 | 350 |
| Dividend payable | | 87,323 | – |
| Taxation payable | | 17,763 | 24,234 |
| Bank borrowings | | <u>5,248</u> | <u>5,247</u> |
| | | <u>537,426</u> | <u>467,202</u> |

| | 30 June 2024 | 31 December 2023 |
|--|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Net current assets | <u>1,382,586</u> | <u>1,434,727</u> |
| Total assets less current liabilities | <u>3,448,908</u> | <u>3,494,309</u> |
| Non-current liabilities | | |
| Bank borrowings | 30,704 | 32,237 |
| Lease liabilities | 295,938 | 234,074 |
| Deferred tax liabilities | 154,057 | 167,945 |
| Financial liabilities at FVTPL | <u>–</u> | <u>2,127</u> |
| | <u>480,699</u> | <u>436,383</u> |
| Net assets | <u>2,968,209</u> | <u>3,057,926</u> |
| Capital and reserves | | |
| Share capital | 108,404 | 108,404 |
| Reserves | <u>2,801,251</u> | <u>2,891,987</u> |
| Equity attributable to owners of the Company | 2,909,655 | 3,000,391 |
| Non-controlling interests | <u>58,554</u> | <u>57,535</u> |
| Total equity | <u>2,968,209</u> | <u>3,057,926</u> |

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 D2 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|----------------------------------|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The application of the 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.

3. OPERATING SEGMENTS

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

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

Six months ended 30 June 2024 (unaudited)

| | <u>Operation of restaurants</u> | | | Manufacture and sales of noodles and related products | Investment holding | Segment | | Total |
|---------------------------------|---------------------------------|----------------------|------------------|---|-----------------------|------------------|------------------------|-----------------------|
| | Mainland China RMB’000 | Hong Kong RMB’000 | Total RMB’000 | | | total RMB’000 | Elimination RMB’000 | |
| Revenue | | | | | | | | |
| – external sales | 698,616 | 93,578 | 792,194 | 34,596 | – | 826,790 | – | 826,790 |
| – inter-segment sales | – | – | – | 287,505 | – | 287,505 | (287,505) | – |
| | <u>698,616</u> | <u>93,578</u> | <u>792,194</u> | <u>322,101</u> | <u>–</u> | <u>1,114,295</u> | <u>(287,505)</u> | <u>826,790</u> |
| Segment profit (loss) | <u>5,238</u> | <u>(254)</u> | <u>4,984</u> | <u>292</u> | <u>(17,905)</u> | <u>(12,629)</u> | <u>–</u> | <u>(12,629)</u> |
| Interest income | | | | | | | | 15,462 |
| Central administrative expenses | | | | | | | | (17,867) |
| Unallocated finance costs | | | | | | | | <u>(532)</u> |
| Loss before taxation | | | | | | | | (15,566) |
| Income tax credit | | | | | | | | <u>11,305</u> |
| Loss for the period | | | | | | | | <u><u>(4,261)</u></u> |

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) | – |
| | <u>741,853</u> | <u>100,741</u> | <u>842,594</u> | <u>342,629</u> | <u>–</u> | <u>1,185,223</u> | <u>(300,376)</u> | <u>884,847</u> |
| Segment profit | <u>96,501</u> | <u>531</u> | <u>97,032</u> | <u>419</u> | <u>86,950</u> | <u>184,401</u> | <u>–</u> | <u>184,401</u> |
| Interest income | | | | | | | | 15,019 |
| Central administrative expenses | | | | | | | | (17,641) |
| Unallocated finance costs | | | | | | | | <u>(523)</u> |
| Profit before taxation | | | | | | | | 181,256 |
| Income tax expense | | | | | | | | <u>(41,660)</u> |
| Profit for the period | | | | | | | | <u><u>139,596</u></u> |

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

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

Other than financial assets at FVTPL, loan to an associate, rental deposits, term deposits with banks and deferred tax assets, the Group's non-current assets are located in the Group entities' regions of domicile, Mainland China and Hong Kong.

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

The following table sets 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 | | 30 June 2024 | 31 December 2023 |
| | 2024 | 2023 | | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| Mainland China | 728,813 | 781,701 | 1,350,789 | 1,343,385 |
| Hong Kong | 97,977 | 103,146 | 476,855 | 489,243 |
| | <u>826,790</u> | <u>884,847</u> | <u>1,827,644</u> | <u>1,832,628</u> |

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

4. OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Royalty income from sub-franchisees | 2,736 | 3,191 |
| Property rental income, net of direct outgoings (<i>note i</i>) | 19,924 | 15,743 |
| Bank interest income | 15,462 | 15,019 |
| Government grants (<i>note ii</i>) | 656 | 4,466 |
| Waiver of franchise commission payable to a related party (<i>note iii</i>) | 5,942 | 12,049 |
| Others | 1,961 | 4,447 |
| | <u>46,681</u> | <u>54,915</u> |

Note i: Direct outgoings during the current interim period amounted to RMB930,000 (six months ended 30 June 2023: RMB718,000).

Note ii: The grants were received from Mainland China local district authorities with no specific conditions attached.

Note iii: Franchise commission payable to a related party, namely Shigemitsu Industry Co., Ltd, has been waived under mutually agreed terms.

5. OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---------------------------------|----------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Loss on disposal of property, plant and equipment | (605) | (3,149) |
| Fair value (loss) gain on investment properties | (36,792) | 37,070 |
| Fair value (loss) gain on financial assets at FVTPL | (12,404) | 26,471 |
| Fair value gain on financial liabilities at FVTPL | 2,127 | 6,567 |
| Net foreign exchange (loss) gain | (205) | 1,220 |
| Gain on termination of leases, net | 157 | 3,072 |
| Impairment loss recognised in respect of | | |
| – property, plant and equipment | (3,391) | – |
| – right-of-use assets | (10,642) | (187) |
| – interests in an associate | – | (987) |
| | <u>–</u> | <u>(987)</u> |
| | <u>(61,755)</u> | <u>70,077</u> |

6. (LOSS) PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 51,152 | 57,613 |
| Depreciation of right-of-use assets | <u>105,767</u> | <u>102,720</u> |
| Total depreciation | <u>156,919</u> | <u>160,333</u> |
| Fuel and utility expenses | 42,987 | 36,652 |
| Property rentals in respect of | | |
| – Variable lease payment | 9,873 | 13,131 |
| – Short-term lease payment | <u>8,332</u> | <u>1,300</u> |

7. INCOME TAX (CREDIT) EXPENSE

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2024 <i>RMB'000</i> (Unaudited) | 2023 <i>RMB'000</i> (Unaudited) |
| Hong Kong Profits Tax | | |
| – current period | <u>1,378</u> | <u>2,283</u> |
| Mainland China Enterprise Income Tax (“EIT”) | | |
| – current period | 4,654 | 6,684 |
| – under (over) provision in prior periods | <u>123</u> | <u>(17)</u> |
| | 4,777 | 6,667 |
| Deferred taxation | <u>(17,460)</u> | <u>32,710</u> |
| | <u>(11,305)</u> | <u>41,660</u> |

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 2023: 16.5% and 25%), respectively, for the period under review.

Pursuant to the relevant provincial policy, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 (“Chongqing Weiqian”), a subsidiary of the Group, successfully applied a preferential tax rate of 15% for a term of 9 years 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%. Withholding tax has been provided based on the anticipated dividend payout ratio of the entities in Mainland China.

8. DIVIDENDS

| | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|
| | 2024 <i>RMB'000</i> (Unaudited) | 2023 <i>RMB'000</i> (Unaudited) |
| Dividends recognised as distribution during the period: | | |
| Final, declared – RMB0.08 (HK8.6 cents) per share for 2023 (six months ended 30 June 2023: declared – RMB0.06 (HK6.8 cents) per share for 2022) | <u>87,323</u> | <u>65,493</u> |

9. (LOSS) EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---------------------------------|----------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| (Loss) earnings for the purposes of basic and diluted (loss) earnings per share, being (loss) profit for the period attributable to owners of the Company | <u>(7,157)</u> | <u>133,095</u> |
| | <u>Number of shares</u> | |
| Number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share | <u>1,091,538,820</u> | <u>1,091,538,820</u> |

During the six months ended 30 June 2024, 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.

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 interim period.

10. FINANCIAL ASSETS AT FVTPL

| | 30 June | 31 December |
|--|--------------------|--------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Unlisted equity investments and fund investments (<i>Note</i>) | <u>113,463</u> | <u>125,867</u> |

Note: The above unlisted equity investments and fund investments represent the Group's investments in certain private entities, wealth management products 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 2023, revisited and determined the appropriate assumptions and inputs for fair value measurement for these unlisted equity investments and fund investments.

11. TRADE AND OTHER RECEIVABLES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|---|---|
| Trade receivables – third parties | <u>28,932</u> | <u>32,989</u> |
| Less: allowance for credit losses | <u>(1,415)</u> | <u>(1,879)</u> |
| | <u>27,517</u> | <u>31,110</u> |
| Other receivables | | |
| Rental and utility deposits | 34,279 | 31,448 |
| Prepaid management fee and property rental (<i>Note</i>) | 17,529 | 15,639 |
| Advance to suppliers | 26,465 | 27,535 |
| Deductible value added tax | 44,000 | 41,521 |
| Lease receivables | 12,370 | 18,376 |
| Prepayments | 3,718 | 4,625 |
| Staff advance | 7,248 | 9,400 |
| Others | <u>10,347</u> | <u>7,966</u> |
| | <u>155,956</u> | <u>156,510</u> |
| Less: allowance for credit losses | <u>(10,125)</u> | <u>(9,768)</u> |
| | <u>145,831</u> | <u>146,742</u> |
| | <u><u>173,348</u></u> | <u><u>177,852</u></u> |

Note: The prepaid property rentals are related to short-term leases.

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 2023: 0 to 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days (year ended 31 December 2023: 180 days), while there is no credit period for customers relating to sales from restaurant operations.

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

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-----------------|---|---|
| 0 to 30 days | 22,371 | 23,165 |
| 31 to 60 days | 2,518 | 1,333 |
| 61 to 90 days | 784 | 5,158 |
| 91 to 180 days | 223 | 261 |
| 180 to 365 days | <u>1,621</u> | <u>1,193</u> |
| | <u>27,517</u> | <u>31,110</u> |

12. TRADE AND OTHER PAYABLES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|---|---|
| Trade payables | | |
| – related parties (<i>Note</i>) | 20,582 | 32,785 |
| – third parties | <u>57,019</u> | <u>62,863</u> |
| | <u>77,601</u> | <u>95,648</u> |
| Payroll and welfare payables | 34,518 | 30,495 |
| Rental deposits received | 16,122 | 14,039 |
| Payable for acquisition of property, plant and equipment | 23,873 | 24,010 |
| Payable for variable lease payments | 3,389 | 15,541 |
| Other taxes payable | 7,025 | 7,374 |
| Others | <u>51,748</u> | <u>62,381</u> |
| | <u>214,276</u> | <u>249,488</u> |

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 2023: 60 days). The following is an analysis of trade payables by age, presented based on the invoice date.

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|----------------|---|---|
| 0 to 30 days | 55,940 | 69,928 |
| 31 to 60 days | 14,332 | 19,684 |
| 61 to 90 days | 381 | 344 |
| 91 to 180 days | – | 1,615 |
| Over 180 days | <u>6,948</u> | <u>4,077</u> |
| | <u>77,601</u> | <u>95,648</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

During the six months ended 30 June 2024 (the “**Period**”), despite the difficulties and challenges faced, China’s economic fundamentals remained sound and healthy while the quality of development continued to improve, which was not an easy feat to achieve. According to the National Bureau of Statistics of China, during the Period, China’s gross domestic product (GDP) amounted to RMB61,683.6 billion, representing a year-on-year increase of 5.0% (same period in 2023: 5.5%); the total retail sales of consumer goods amounted to RMB23,596.9 billion; the national per capita disposable income of households was RMB20,733, representing a real growth of 5.3% after deducting price factors; and the consumer price index (CPI) increased by 0.1% year on year.

In the first half of 2024, competition in the catering industry was intense. According to the National Bureau of Statistics of China, the national revenue of the catering industry was RMB2,624.3 billion, representing a year-on-year increase of 7.9%, which was higher than the year-on-year growth rate of total retail sales of consumer goods of 3.7%. According to data from CNNIC and Askci, as of December 2023, the number of online takeaway users in China reached 550 million, representing an increase of 23.38 million from December 2022, and accounting for 49.9% of the total number of internet users. The rapid advancement of “Internet+” technology and changes in consumer behaviour have made the catering industry the largest entrance to the online internet connecting to the offline, and the new trend of online-offline integration is gradually becoming a new mode of marketing in the catering industry. Against this backdrop, catering enterprises must make a balanced layout of and concerted efforts for both online and offline channels so as to ensure that their brand influence and market competitiveness can be enhanced simultaneously, thereby standing out in the fierce market competition and gaining more room for survival and development.

The catering industry is an important industry for stabilising growth, promoting consumption, expanding employment growth and improving people’s livelihood, and digitisation is an important direction for the restructuring and upgrading of the catering industry. With the continuous improvement of the digitisation in the catering industry, the catering industry will continue to strengthen its development resilience, risk and impact resistance, while catering digitisation can promote catering enterprises to expand their sales channels, reduce transaction costs and stimulate the vitality of innovation, thus helping catering enterprises to improve operational efficiency and enhance profitability. In addition, digitisation also enables full life-cycle monitoring of catering enterprises and enhances the level of food safety protection, adding an advanced “protective barrier” to the food safety field, which is conducive to promoting the healthy development of the catering industry and helping China’s catering industry to go global.

In 2024, although China's economic performance was generally stable, it should be noted that the current external environment is complex and sophisticated, effective domestic demand remains insufficient, and the foundation for economic recovery still needs to be consolidated. In the context of co-existence of both opportunities and risks, in the second half of the year, the Group will continue to implement its lean management strategy, improve product quality, ensure food safety and enhance brand reputation and influence. Meanwhile, the Group will actively optimise its marketing strategy and promote digital transformation and upgrading, so as to bring reasonably-priced, high-quality and tasty food to consumers and to create more lucrative returns for shareholders and investors.

Business Review

During the Period, the Group's turnover was approximately RMB826.8 million, representing a decrease of approximately 6.6% from approximately RMB884.8 million for the corresponding period in 2023.

Although the Group's catering business gradually recovered from the pandemic, the post-pandemic economic recovery has not been sustained and consumption has been downgraded, resulting in a drop in revenue, and the catering industry is still fraught with challenges. However, instead of standing still without advancing, the Group will actively develop new stores under the premise of carefully evaluating the selection of sites, so as to allow more customers to taste the quality and delicious Ajisen Ramen.

In addition to providing quality and delicious food, the Group also focuses on customers' store experience. Therefore, starting from the Period, the Group has upgraded many of its stores to bring customers a different experience. Furthermore, the Group also tried launching new packaged products for retail to balance and meet the different needs of the market.

The Group will continuously optimize its supply chain and seek quality suppliers around the world to supply raw materials at stable prices. The Group has also maintained 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.

The effective operation of the existing 575 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, and identify new opportunities while maintaining stability, so as to achieve the Group's objective of sound and sustainable operation.

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 RMB792,194,000 (corresponding period in 2023: approximately RMB842,594,000), accounted for approximately 95.8% (corresponding period in 2023: approximately 95.2%) of the Group's total revenue, a decrease of approximately 6.0% from the corresponding period last year.

As at 30 June 2024, the Group's restaurant portfolio consisted of 575 chain restaurants, comprising the following:

| By provinces | 30-June 2024 | 30-June 2023 | +/- |
|--------------------------------|-------------------------|-----------------|-----|
| Shanghai | 103 | 100 | +3 |
| Beijing | 33 | 32 | +1 |
| Tianjin | 2 | 2 | - |
| Guangdong (excluding Shenzhen) | 63 | 60 | +3 |
| Shenzhen | 20 | 18 | +2 |
| Jiangsu | 70 | 70 | - |
| Zhejiang | 59 | 59 | - |
| Sichuan | 12 | 11 | +1 |
| Chongqing | 11 | 11 | - |
| Fujian | 13 | 9 | +4 |
| Hunan | 12 | 13 | -1 |
| Hubei | 13 | 11 | +2 |
| Liaoning | 5 | 6 | -1 |
| Shandong | 31 | 33 | -2 |
| Guangxi | 16 | 16 | - |
| Guizhou | 3 | 2 | +1 |
| Jiangxi | 15 | 13 | +2 |
| Shaanxi | 8 | 9 | -1 |
| Yunnan | 11 | 10 | +1 |
| Henan | 4 | 5 | -1 |
| Hebei | 9 | 10 | -1 |
| Anhui | 13 | 13 | - |
| Xinjiang | 2 | 2 | - |
| Hainan | 2 | 3 | -1 |
| Shanxi | 4 | 4 | - |
| Neimenggu | 3 | 4 | -1 |
| Heilongjiang | 7 | 11 | -4 |
| Ningxia | 1 | 1 | - |
| Jilin | 5 | 7 | -2 |

| | 30-June 2024 | 30-June 2023 | +/- |
|-------------------------|-------------------------|-------------------|------------------|
| By provinces | | | |
| Hong Kong | 23 | 22 | +1 |
| Rome | 1 | 1 | - |
| Finland | 1 | 1 | - |
| | <hr/> | <hr/> | <hr/> |
| Total | <u>575</u> | <u>569</u> | <u>+6</u> |
| | | | |
| | 30-June 2024 | 30-June 2023 | +/- |
| By geographical region: | | | |
| Northern China | 96 | 105 | -9 |
| Eastern China | 245 | 242 | +3 |
| Southern China | 152 | 141 | +11 |
| Central China | 80 | 79 | +1 |
| Europe | 2 | 2 | - |
| | <hr/> | <hr/> | <hr/> |
| Total | <u>575</u> | <u>569</u> | <u>+6</u> |

Financial Review

Turnover

For the six months ended 30 June 2024, the Group's turnover decreased by approximately 6.6% to approximately RMB826,790,000 from approximately RMB884,847,000 for the corresponding period in 2023. The decline in revenue was mainly due to the unsustained economic recovery post-pandemic, along with intense competition in the restaurant industry, leading to a decrease in store traffic.

Cost of inventories consumed

For the six months ended 30 June 2024, the Group's cost of inventories decreased by approximately 13.4% to approximately RMB190,529,000 from approximately RMB219,895,000 for the corresponding period in 2023. During the Period, the ratio of inventories cost to turnover was approximately 23.0%, which decreased by 1.9 percentage points from 24.9% for the corresponding period in 2023. The cost of inventories consumed proportion to turnover decreased compared to the same period last year was mainly due to the strengthened factory supply chain management which improved the production process and the production yield.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the six months ended 30 June 2024 decreased by approximately 4.3% to approximately RMB636,261,000 from approximately RMB664,952,000 for the corresponding period in 2023.

Gross profit margin of the Group increased to 77.0% from approximately 75.1% for the corresponding period in 2023.

Staff costs

For the six months ended 30 June 2024, staff costs of the Group decreased by approximately 1.4% to approximately RMB224,511,000 from approximately RMB227,664,000 for the corresponding period in 2023. Staff costs as a proportion to turnover increased to 27.2% from 25.7% in the corresponding period in 2023, during this period, the number of employees was similar to the corresponding period in 2023, and employee costs were relatively stable, however, due to a decrease in average revenue per store, the semi-fixed staff costs increased as a proportion to turnover.

Depreciation

For the six months ended 30 June 2024, depreciation of the Group decreased by approximately 2.1% to approximately RMB156,919,000 from approximately RMB160,333,000 for the corresponding period in 2023. The number of restaurants remained relative stable in recent years and the property, plant and equipment of old restaurants have been fully depreciated, leading to a decrease in depreciation expenses.

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 2024, other operating expenses increased by approximately 15.1% to approximately RMB243,710,000 from approximately RMB211,704,000 for the corresponding period in 2023. 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 2024 and 2023.

| | 30 June 2024 | 30 June 2023 | % |
|--|---------------------------|--------------------|------------|
| | <i>RMB million</i> | <i>RMB million</i> | <i>+/-</i> |
| Utilities | 43.0 | 36.7 | +17.2% |
| Service charges for delivery platforms | 28.4 | 24.4 | +16.4% |
| Store and factory management fee | 28.2 | 25.4 | +11.0% |
| Consumables & utensils | 22.8 | 21.8 | +4.6% |
| Logistics expenses | 13.7 | 14.0 | -2.1% |
| Franchise expenses | 10.9 | 10.9 | – |
| Rental expenses under variable lease payment | 9.9 | 13.1 | -24.4% |
| Consultancy fee | 9.3 | 0.5 | +1,760% |
| Rental expenses under short-term lease | 8.3 | 1.3 | +538.5% |
| Advertising and promotions | 7.6 | 4.9 | +55.1% |
| Travelling expenses | 3.6 | 3.0 | +20% |
| Repairment and maintenance expenses | 2.3 | 2.3 | – |
| Bank charges on credit card payment | 2.1 | 2.3 | -8.7% |
| Cleaning expenses | 1.3 | 1.2 | +8.3% |

Other income

For the six months ended 30 June 2024, other income of the Group decreased by approximately 15.0% to approximately RMB46,681,000 from approximately RMB54,915,000 for the corresponding period in 2023. The decrease in other income is mainly due to the decrease in franchise commission waiver.

Other gains and losses

For the six months ended 30 June 2024, other gains and losses of the Group recorded a net loss of approximately RMB61,755,000, while the corresponding period in 2023 recorded a net gain of approximately RMB70,077,000. The losses for the Period are mainly due to the unfavorable economic environment, which has led to a decrease in the valuation of assets. During the Period, the valuation of investments recorded at fair value through profit or loss decreased by approximately RMB12,404,000 and the valuation of investment properties decreased by approximately RMB36,792,000, additionally, the right-of-use assets were impaired by approximately RMB10,642,000.

Finance costs

For the six months ended 30 June 2024, finance costs increased by approximately 11.6% to approximately RMB10,682,000 from approximately RMB9,570,000 for the corresponding period in 2023.

Set out below is the breakdown of the finance costs:

| | 30 June 2024 <i>RMB'000</i> (Unaudited) | 30 June 2023 <i>RMB'000</i> (Unaudited) |
|-------------------------------|---|---|
| Interest on bank borrowings | 532 | 523 |
| Interest on lease liabilities | <u>10,150</u> | <u>9,047</u> |
| | <u>10,682</u> | <u>9,570</u> |

Interest on bank borrowings remained stable while interest on lease liabilities increased due to the rise in the number of restaurants.

Profit and loss before tax

Being affected by the factors referred to above, the Group recorded loss before tax of approximately RMB15,566,000 for the six months ended 30 June 2024 (30 June 2023: profit of approximately RMB181,256,000).

Profit and loss attributable to owners of the Company

Being affected by the factors referred to above, loss attributable to owners of the Company for the six months ended 30 June 2024 amounted to approximately RMB7,157,000 (30 June 2023: profit of approximately RMB133,095,000).

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 30 June 2024 remained healthy and strong, with bank balances and cash amounting to approximately RMB1,665,650,000 (31 December 2023: approximately RMB1,607,635,000 and a current ratio of 3.6 (31 December 2023: 4.1).

As at 30 June 2024, the Group had bank borrowings of approximately RMB35,952,000 (31 December 2023: approximately RMB37,484,000 and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 0.009 (31 December 2023: 0.009).

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 2024 and 31 December 2023 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Interest rate risk

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

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, cash and cash equivalents and restricted bank deposits included in the condensed consolidated statement of financial position represent, the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 30 June 2024 and 31 December 2023 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 2024, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,382,586,000 and the current ratio was 3.6 as at 30 June 2024 (31 December 2023: 4.1). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Net cash inflow from operations of the Group for the six months ended 30 June 2024 was approximately RMB191,809,000 while the Group recorded loss before tax for the same period of approximately RMB15,566,000. The difference was primarily due to the non-cash items, depreciation of property, plant and equipment and right-of-use assets, fair value loss on investment properties and financial assets at FVTPL and the impairment loss recognised on property, plant and equipment and right-of-use-assets.

Capital expenditure

For the six months ended 30 June 2024, the Group's capital expenditure was approximately RMB47,554,000 (corresponding period in 2023: RMB28,034,000). Although the economic outlook is uncertain, the Group will expand the restaurant network under controllable risks, leading to an increase in capital expenditure.

Subsequent events

On 12 July 2024, the Company granted a total of 1,000,000 share options at an exercise price of HK\$1.010 per share with exercisable period from 12 July 2024 to 11 July 2034. The options will be vested in 5 equal tranches of 20% each, i.e. on 12 July 2025, 12 July 2026, 12 July 2027, 12 July 2028 and 12 July 2029 respectively.

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

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions under the Corporate Governance Code (the “Code”) as set out in Appendix C1 to Listing Rules during the six months ended 30 June 2024, 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.

In accordance to (i) Rule 3.10(1) of the Listing Rules, the Company should appoint at least three independent non-executive Directors; (ii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members. With reference to the announcement published by the Company on 5 January 2024, during the period from 5 January 2024 to 5 April 2024, the Company has two independent non-executive Directors in the Board and the number of Audit Committee is less than three, since the resignation of Mr. Wang Jincheng as the independent non-executive Director.

Following the appointment of Mr. Ho Pak Chuen Brian as an independent non-executive Director with effective on 5 April 2024, the Company re-complied with (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors and (ii) Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members. Please refer to the announcement published by the Company on 5 April 2024.

Saved as the exceptions disclosed above, the Company has complied with all code provisions of the Code as set out in Appendix C1 of the Listing Rules throughout the Period.

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 C3 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 2024, they were in compliance with the Required Standard.

The Company has also established written guidelines on no less exacting than the Model Code (the “**Employees Written Guidelines**”) for governing the securities transactions by employees who are likely to possess inside information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company. In case when the Company is aware of any restricted period for the dealings in the Company’s securities, the Company will notify its directors and relevant employee in advance.

Audit Committee Review

The audit committee of the Company (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely Mr. Jen Shek Voon (Chairman of the Audit Committee), Mr. Lo Peter and Mr. Ho Pak Chuen Brian, 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 2024 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 (including sale of treasury shares) on the Stock Exchange during the six months ended 30 June 2024. As of June 30, 2024, the Company did not hold any treasury shares.

Employee’s Remuneration and Policy

As at 30 June 2024, the Group employed 7,790 persons (30 June 2023: 7,746 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 2024 was approximately RMB224,511,000 (30 June 2023: approximately RMB227,664,000).

Dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2024 will be dispatched to all shareholders (if applicable) of the Company and will also be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk in due course.

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

Hong Kong, 26 August 2024

As at the date of this announcement, the Board comprises Ms. Poon Wai, Mr. Poon Ka Man, Jason and Ms. Ng Minna as executive Directors; Mr. Katsuaki Shigemitsu and Mr. Yew Yat On as non-executive Directors; and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Ho Pak Chuen Brian as independent non-executive Directors.