AJISEN RAMEN
味千拉麵

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

2019 年報
ANNUAL REPORT

大骨熬湯五十年
全球門店800家

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 became a fastgrowing FCR chain operator.

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As a renowned brand in the Food and Beverage ("F&B") industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. As at 31 December 2019, the Group's nationwide retail network comprises 799 restaurants, Ajisen restaurants have entered over 176 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 129, followed by 90 in Jiangsu and 86 in Zhejiang, together with the remaining 465 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 27 chain restaurants with its chain network covering all major business areas of the city. The Group also opened 2 restaurants in Europe. Moreover, the restaurant network is supported by the Group's Shanghai, Chengdu, Tianjin, Qingdao, Wuhan and Dongguan production bases. The outbreak of the 2019 Novel Coronavirus in China and the subsequent quarantine measures imposed by the Chinese government in early 2020 have had a significant impact on the operations of the Group since January 2020, as most of the Group's operations are located in China. The Group has suspended the operation of its restaurants in mainland China since January 2020 in an effort to contain the spread of the epidemic. Even though the Group had reopened parts of its restaurants since 1 March 2020, they are still not operating at normal capacity due to the market sentiment.

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

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

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

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

Contents

Corporate Information

Board of Directors

Executive Directors

Ms. Poon Wai
(Chairman and Chief Executive Officer)
Mr. Poon Ka Man, Jason
Ms. Minna Ng (appointed on 20 August 2019)

Non-executive Director

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors

Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Wang Jincheng

Audit Committee

Mr. Jen Shek Voon *(Chairman)*
Mr. Lo Peter
Mr. Wang Jincheng

Remuneration Committee

Mr. Lo Peter *(Chairman)*
Mr. Jen Shek Voon
Mr. Wang Jincheng

Nomination Committee

Mr. Wang Jincheng *(Chairman)*
Mr. Lo Peter
Mr. Jen Shek Voon

Authorised Representatives

Ms. Poon Wai
Ms. Ng Sau Mei

Company Secretary

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

Head Office and Principal Place of Business in Hong Kong

6th Floor, Ajisen Group Tower
Block B
24-26 Sze Shan Street
Yau Tong, Kowloon
Hong Kong

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Principal Share Registrar and Transfer Office

Appleby Corporate Services (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu

Hong Kong Legal Adviser

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

Wonderful Sky Financial Group
www.wsfg.hk

Investor Relations Contact

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Company Websites

www.ajisen.com.hk
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Stock Code

538

Financial Highlights

	2019	2018	Change
Turnover (RMB'000)	**2,565,102**	2,377,745	+7.9%
Sales from restaurant operation (RMB'000)	**2,398,899**	2,218,124	+8.1%
Gross profit (RMB'000)	**1,854,319**	1,793,025	+3.4%
Profit before taxation (RMB'000)	**231,257**	673,865	-65.7%
Profit attributable to owners of the Company (RMB'000)	**156,441**	551,020	-71.6%
Basic earnings per share (RMB)	**0.14**	0.50	-72.0%
Recommended final dividend per share (RMB)	**0.049**	0.1	-51.0%
Total number of restaurants (at 31 December)	**799**	766	+4.3%
Total assets (RMB million)	**4,927.3**	4,137.9	+19.1%
Net assets (RMB million)	**3,408.4**	3,305.7	+3.1%
Bank balances and cash (RMB million)	**1,705.4**	1,356.4	+25.7%
Inventory turnover (days)	**65.1**	49.5	+15.6 days
Trade payable turnover (days)	**67.8**	59.1	+8.7 days
Net gross profit margin	**72.3**	75.4	-3.1 percentage points
Net profit margin	**6.1**	23.2	-17.1 percentage points
Current ratio	**2.6**	3.4	-0.8 percentage point
Return on equity	**4.9%**	17.1%	-12.2 percentage points
Gearing ratio	**4.2%**	5.3%	-1.1 percentage points

As at 31 December 2019, the Group's turnover increased by 7.9% from the corresponding period last year, and the operating profit margin decreased from 9.7% to 4.7%, mainly due to (i) the impact on expenses for application of HKFRS 16 "Leases", which was effective for the financial years beginning on or after 1 January 2019; and (ii) the increase in the prices of pork and other food ingredients in 2019 as compared to 2018. Calculated as a percentage of turnover, the cost of food ingredients increased from 24.6% to 27.7%; labor costs increased from 25.6% to 26.5%; rental costs under HKFRS 16 were 4%, and the adjusted rental costs decreased from 14.7% to 14.4%; and other operating costs increased from 18.8% to 20.9%.

In order to enhance the store member experience, during the reporting period, the Group formally set up the Ajisen Membership Task Force to design membership marketing schemes and improve customer loyalty and satisfaction, thereby driving sales growth. In 2019, the brand new Ajisen Membership Tier Privileges were officially launched, and the number of Ajisen members reached 7.31 million as at 31 December 2019.

In 2019, due to a continuous increase in the demand for and the proportion of takeaway service in the catering industry, the Group will grasp such market opportunities and continue to enhance the promotion of its takeaway service. The Group's turnover from takeaway service increased by approximately 52% from RMB211,000,000 at the end of 2018 to RMB321,000,000 at the end of 2019, representing an increase in the proportion of turnover to restaurants offering takeaway service from 9.5% in 2018 to 13.4% in 2019.

During the reporting period, the Group focused on streamlining the existing stores and adopted a prudent strategy in opening new stores. The Group adopted more focused strategies in its development, continued to expand the restaurant network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai. As at 31 December 2019, the Group operated a total of 799 restaurants, an increase of 33 from 766 during the corresponding period last year. Among which, 96 restaurants in Mainland China, 2 in Hong Kong, and 1 in Helsinki Airport, Finland, totaling 99, were newly opened; while 62 restaurants in Mainland China and 4 in Hong Kong, totaling 66, were closed.

With respect to labour costs, as of the end of 2019, 46.4% of staff was employed on a part-time basis in China, while 49.4% of employees worked on a part-time basis in Shanghai, enabling the Group to manage labour costs in a more cost effective manner. The Group always values talent, and thus has implemented the five-star performance policy, with a view to reducing manpower while improving efficiency. In addition, since 1 July 2019, the Group has implemented an incentive mechanism of "the store manager is the boss" in Shanghai and Zhejiang markets to inspire the subjective initiative of employees and strengthen the sense of employees being masters, thereby enhancing the turnover growth of the Company. The Group will continue to improve this incentive mechanism in practice and will promote it nationwide in 2020. Meanwhile, the Group's personnel utilisation rate was further improved through standardised management. The Group's proportion of labour costs to turnover will be maintained at a stable level in a long run.

With respect to procurement, the Group continued its efforts to increase the proportion of direct procurement and the percentage of which amounted to 70%. In addition, the Group kept enhancing the quantity and quality of its suppliers at home and abroad, so as to bring consumers reasonably priced tasty and premium foods. On one hand, the Group maintained its close partnership with large suppliers of meat products in China, such as China Animal Husbandry Group, Shuanghui and Yurun; on the other hand, the Group developed various direct overseas procuring channels from Spain, Germany, the Netherlands and Brazil and cooperated with PMI, an international buyer group, for the purpose of procuring meat ingredients with higher quality at more favourable prices. In 2020, the Group will further optimise its global procurement and supply chain for meat products to introduce European and American pork, while pursuing cooperation with major suppliers of meat products so as to control procurement costs. As for fruits and vegetables, the Group will strive to secure direct supply from fruit and vegetable farms, so as to continuously optimise its supply chain for fruits and vegetables.

In terms of branding activities, in celebrating the 51th anniversary of the Ajisen brand, following the event themed "Free Birthday Noodle for the Whole City" organised in Shanghai in 2018, Ajisen Ramen once again organised the event themed "Ajisen birthday season, free noodles nationwide " nationwide in November 2019, which attracted widespread attention and praise from online and offline, further consolidated Ajisen's market position and enhanced its brand reputation and influence. Facing increasingly fierce competition in the industry, the Group will enhance its interactivity with consumers to better understand needs of the market, and will launch various promotional activities on a regular basis to reward our consumers.

Finally, I would like to express my sincere gratitude to all shareholders and customers for their continuous support to and persistent collaboration with the Group during the past year, as well as the members of the Board, the management and all staff for their efforts and dedication to our development. Due to the outbreak of COVID-19, the whole catering industry in China including the Group was severely impacted. The Group has suspended the operation of its restaurants in mainland China since January 2020 in an effort to contain the spread of the epidemic. From 1 March 2020, the Group is taking effort to resume operations gradually. In 2020, the Group will continue to expand its catering network, and will also control food safety more strictly and take all possible measures to protect the safety of employees and consumers. Ajisen (China) will seize market opportunities and steer the Company towards sustainable development and growth, with a view to creating greater value for our shareholders, customers and employees, and to building a better future together.

Management Discussion and Analysis

Industry Review

In 2019, in the face of mounting risks and challenges both at home and abroad, under the strong leadership of the Central Committee of the Communist Party of China with Comrade Xi Jinping as the core, China adhered to the general working guideline of making progress while maintaining stability and the new development philosophy, committed to the high-quality development, focused on the supply-side structural reform, deepened the reform and opened wider to the world, and unswervingly fought the "Three Critical Battles" and endeavored to maintain stability in areas of employment, financial sector, foreign trade, foreign investment, domestic investment and market expectation. As a result, the economy was generally stable and the development reached a new stage with steadily raised quality. According to the National Bureau of Statistics of China, in 2019, gross domestic product (GDP) reached RMB99.0865 trillion, representing an increase of 6.1% (corresponding period of 2018: 6.6%) calculated at comparable prices; and the total retail sales of social consumer goods for the year increased by 8.0% year-on-year to RMB41.1649 trillion, exceeding RMB40 trillion for the first time and showing a generally steady and upward trend. The national per capita disposable income for the year was RMB30,733, an actual growth of 5.8% over the corresponding period in the previous year.

According to Blue Book of Catering Industry-Annual Report on Catering Industry Development of China (2019) (《餐飲產業藍皮書：中國餐飲產業發展報告(2019)》), catering industry of China has maintained rapid and steady growth for a long time, and is expected to surpass the United States in 2023 to become the world's largest catering market. In the development process of China's resident consumption structure, the food and beverage consumption has shifted from self-service to socialized service, where consumers' demand for socialized catering services keeps growing, resulting in continuously increasing proportion of dining out, which has promoted the continuous and steady growth of catering consumption expenditure. In addition, the increasing per capita income has driven the upgrading of consumers' demand for food and beverage. According to the National Bureau of Statistics, the revenue of the catering industry for the year of 2019 increased by 9.4% (corresponding period of 2018: 9.5%) year-on-year to RMB4.6721 trillion, indicating that the catering market continued to maintain a generally stable growth while making further progress in 2019. Of which, new types of business such as takeaway and group meals have led the catering consumption market, and the takeaway market size will exceed RMB280 billion in 2019 according to iiMedia Research, indicating that the market development has entered into a stage of stable growth after several years of popularization of takeaway services. In light of the gradual maturity of the takeaway market in the catering industry, Ele.Me and Meituan are accelerating the exploration of new retail business which will be a new playground for mainstream takeaway platforms in the future. In addition, the catering sector has gradually become the highlight of the consumer industry, accounting for 11.35%. In 2019, the contribution rate of consumption to economic growth was 57.8%, driving GDP growth by 3.5%, and being the first driving force for economic growth for six consecutive years. In particular, the scale of catering accounted for 11.3% of the total retail sales of social consumer goods, contributing 13.1% to the growth of total retail sales of social consumer goods, and driving the growth of total retail sales of consumer goods by 1%. The continuous expansion of the catering market is still an important force driving the domestic consumer market.

According to the China Catering Report 2019 (《中國餐飲報告2019》), the future development trend of the catering industry will be the industrial structure transformation, supply-side digitalization, business model upgrading in dimension, intelligent commerce, catering retail, and refined operations. At the time of reform, intelligence technology will penetrate into the catering industry to a large extent, thus affecting the entire industry. Through online and offline integration, digitization and technicalization, a restaurant can turn every customer into a user and every user into a member, and the store manager can understand each customer through big data and provide personalized services in the future.

The Group will continue to adopt lean management approach and strictly control the quality and safety of food. Moreover, the Group will upgrade its membership system comprehensively to enhance customer experience. Meanwhile, the Group will continue to strategically expand its restaurant network to further increase the restaurant density and expand the coverage of restaurants, and will also continue to optimize its brand strategy upgrading and dedicate itself to promoting internal organizational reform, with a view to grasping development opportunities arising from industry reform and bringing better return on investment for the shareholders of the Company.

Business Review

For the year ended 31 December 2019, the Group's turnover increased from approximately RMB2,378 million in 2018, by approximately 7.9% to approximately RMB2,565 million in 2019. The gross profit of the Group reached approximately RMB1,854 million, an increase of approximately 3.4% from last year. Profit from operation for the year of the Company decreased by approximately 48.3% and profit attributable to the owners of the Company decreased by approximately 71.6% to approximately RMB156.4 million from approximately RMB551.0 million last year. Correspondingly, basic earnings per share decreased from RMB0.5 last year to RMB0.14 per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of RMB0.049 (2018: RMB0.1) per ordinary share for the year ended 31 December 2019 as a return to the Shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2019, the Group has six major production bases in Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan throughout China.

During the year, the Group focused on streamlining the existing stores, adopting a prudent strategy in opening new stores. The Group adopted more focused strategies in its development, continued to expand the restaurant network and deepened the density in mature markets, such as Guangdong, Shandong, Zhejiang and Shanghai. As at 31 December 2019, the Group had a total of 799 fast casual chain restaurants, an increase of 33 from 766 during the corresponding period in 2018; the Group's restaurant network extended its reach to 176 cities in 31 provinces and municipalities nationwide.

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 27.7%, indicating an increase of approximately 3.1 percentage points from that of the corresponding period last year. Accordingly, gross profit margin decreased from approximately 75.4% last year to approximately 72.3% in 2019. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw materials.

During the year, the Group's labour costs accounted for approximately 26.5% of the turnover, which was approximately 0.9 percentage point higher than that of the corresponding period of last year. During the year, the level of minimum wage was raised in a number of provinces and cities in China successively, and the Group has adjusted its employee wages in compliance with the relevant laws and regulations

During the year, rental expenses as a proportion to turnover of the Group was approximately 4%, which was approximately 10.7% percentage points lower than that of the corresponding period last year. Such decrease was mainly due to the adoption of HKFRS 16 where lease payments were treated as repayment of lease liabilities and finance costs.

Besides the number of stores increased by 33 compared with last year. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium- and small-sized restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. The Group has timely introduced a number of enriched and attractive marketing activities. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. These activities not only encouraged new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The effective operation of 799 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operational efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully motivate its staff.

Retail Chain Restaurants

In 2019, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately RMB2,398,899,000 (2018: RMB2,218,124,000), accounted for approximately 93.5% (2018: 93.3%) of the Group's total revenue.

As at 31 December 2019, the Group's restaurant portfolio consisted of 799 Ajisen chain restaurants, comprising the following:

	31 December 2019	31 December 2018	+/–
By provinces/cities:			
Shanghai	**129**	129	–
Beijing	**46**	47	-1
Tianjin	**8**	6	+2
Guangdong (excluding Shenzhen)	**58**	49	+9
Shenzhen	**20**	22	-2
Jiangsu	**90**	91	-1
Zhejiang	**86**	74	+12
Sichuan	**15**	16	-1
Chongqing	**14**	12	+2
Fujian	**23**	25	-2
Hunan	**17**	18	-1
Hubei	**14**	16	-2
Liaoning	**25**	24	+1
Shandong	**54**	47	+7
Guangxi	**17**	13	+4
Guizhou	**4**	4	–
Jiangxi	**18**	15	+3
Shaanxi	**16**	15	+1
Yunnan	**10**	12	-2
Henan	**16**	14	+2
Hebei	**16**	12	+4
Anhui	**17**	19	-2
Xinjiang	**3**	3	–
Hainan	**8**	9	-1
Shanxi	**5**	4	+1
Neimenggu	**5**	5	–
Heilongjiang	**16**	14	+2
Ningxia, Qinghai	**3**	4	-1
Jilin	**15**	15	–
Tibet	**1**	1	–
Gansu	**1**	–	+1
Hong Kong	**27**	30	-3
Others:			
Rome	**1**	1	–
Finland	**1**	0	+1
Total	**799**	766	+33

	31 December 2019	31 December 2018	+/–
By geographical region:			
Northern China	**185**	169	+16
Eastern China	**322**	313	+9
Southern China	**171**	163	+8
Central China	**119**	120	-1
Europe	**2**	1	+1
Total	**799**	766	+33

Financial Review

Turnover

For the year ended 31 December 2019, the Group's turnover increased by approximately 7.9%, or approximately RMB187,357,000 to approximately RMB2,565,102,000 from approximately RMB2,377,745,000 for the corresponding period in 2018. Such increase was mainly due to the increase in number of stores of the Group during the year.

Cost of inventories consumed

For the year ended 31 December 2019, the Group's cost of inventories increased by approximately 21.6%, or approximately RMB126,063,000 to approximately RMB710,783,000 from approximately RMB584,720,000 for the corresponding period in 2018.

During the year, the ratio of inventories cost to turnover was approximately 27.7%, higher than 24.6% for the corresponding period in 2018. Such increase was attributable to the increase in material cost for the year.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2019 increased by approximately 3.4%, or approximately RMB61,294,000 to approximately RMB1,854,319,000 from approximately RMB1,793,025,000 for the corresponding period in 2018. Gross profit margin of the Group also decreased from approximately 75.4% for the corresponding period in 2018 to approximately 72.3% due to the increase in material costs.

Staff costs

For the year ended 31 December 2019, staff costs of the Group increased by approximately 11.7% from approximately RMB608,433,000 for the corresponding period in 2018 to approximately RMB679,858,000 which reflected the raise in level of minimum wage in a number of provinces and cities in China for the year. Staff costs as a proportion to turnover remained stable at around 26.5% (2018: 25.6%).

Depreciation

For the year ended 31 December 2019, depreciation of the Group increased by approximately 165.8% or approximately RMB258,871,000 from approximately RMB156,093,000 for the corresponding period in 2018 to approximately RMB414,964,000. Such increase was mainly attributable to the depreciation of right of use of assets from the initial adoption of HKFRS 16 in 2019.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of depreciation for the year ended 31 December 2019 would have been approximately RMB153,673,000, a decrease of approximately RMB2,420,000 or 1.6%, from approximately RMB156,093,000 for the corresponding period in 2018.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the year ended 31 December 2019, other operating expenses decreased by approximately 19.7%, or approximately RMB156,979,000, to approximately RMB639,748,000 from approximately RMB796,727,000 for the corresponding period in 2018. Its proportion to turnover decreased by 7.8 percentage points from approximately 33.5% to approximately 24.9% due to the initial adoption of HKFRS 16 in 2019 where the lease payments were treated as repayment of lease liabilities and finance costs.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of other operating expenses for the year ended 31 December 2019 would have been approximately RMB905,066,000 an increase of approximately RMB108,339,000 or approximately 13.6%, from approximately RMB796,727,000 for the corresponding period in 2018, which was mainly attributable to the increase in expenses on advertising and promotion.

Other income

For the year ended 31 December 2019, other income of the Group increased by approximately 34.3%, or approximately RMB33,153,000, to approximately RMB129,947,000 from approximately RMB96,794,000 for the corresponding period in 2018. The increase was due to the action taken by management in the recovery of funds which was allegedly defalcated by the former Chief Final Officer, Mr. Lau Ka Ho, Robert in 2019 as disclosed in the Company's announcement dated 19 December 2019.

Other gains and losses

For the year ended 31 December 2019, other gains and losses of the Group decreased by approximately 95.6% or approximately RMB334,081,000 to a gain of approximately RMB15,239,000 from a gain of approximately RMB349,320,000 for the corresponding period in 2018. The decrease in other gains and losses were mainly attributable to one-off investment gain in 2018.

Finance costs

For the year ended 31 December 2019, finance costs increased by approximately 441.8%, or approximately RMB28,736,000 to approximately RMB35,240,000 from approximately RMB6,504,000 for the corresponding period in 2018. The increase was mainly due to the finance costs recognised on lease liabilities upon initial adoption of HKFRS 16 in 2019.

The interest on bank borrowings decreased by approximately 23.6%, or approximately RMB1,536,000 to approximately RMB4,968,000 from approximately RMB6,504,000 for the corresponding period in 2018, which was mainly due to repayment of bank borrowings during the year.

Profit before taxation

Being affected by the factors referred to above, the Group's profit before taxation for the year ended 31 December 2019 decreased by approximately 65.7%, or approximately RMB442,608,000 to approximately RMB231,257,000 from approximately RMB673,865,000 for the corresponding period in 2018.

Had the impact of HKFRS 16 adoption been excluded for both years, the amount of profit before taxation for the year ended 31 December 2019 would have been approximately RMB263,169,000, a decrease of approximately RMB410,696,000 or approximately 60.9% from approximately RMB673,865,000 for the corresponding period in 2018.

Profit attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the year ended 31 December 2019 decreased by approximately 71.6%, or approximately RMB394,579,000, to approximately RMB156,441,000 from approximately RMB551,020,000 for the corresponding period in 2018.

Risk Management

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2019 remained healthy and strong, with bank balances amounting to approximately RMB1,705,399,000 (31 December 2018: RMB1,356,047,000) and a current ratio of 2.6 (31 December 2018: 3.4).

As at 31 December 2019, the Group had bank borrowings of approximately RMB207,676,000 (31 December 2018: RMB219,511,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 4.2 (31 December 2018: 5.3).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2019 and 31 December 2018 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Interest rate risk

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

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash, pledged bank deposits included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties. As of 31 December 2019 and 31 December 2018, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

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

In 2019, the Group disposed of its 100% equity interest of JILIN Property 1 S.A. to Ms. Poon Wai ("Ms. Poon"), who is the chairman, an executive Director and a controlling shareholder of the Company for a consideration of HK$186,700,896.39. The Group has recognised a gain on disposal of a subsidiary of approximately RMB29,396,000. Apart from those disclosed in this annual report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

Contingent liabilities

As of 31 December 2019, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,265,056,000 and the current ratio was 2.6 as at 31 December 2019 (31 December 2018: 3.4). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Cash generated from operations for the year ended 31 December 2019 was approximately RMB502,317,000, while profit before taxation for the same period was approximately RMB231,257,000. The difference was primarily due to depreciation of property, plant and equipment and right-of-use assets.

Capital expenditure

For the year ended 31 December 2019, the Group's capital expenditure was approximately RMB166,612,000 (2018: RMB334,591,000), the decrease was mainly because of purchase of financial assets in 2018.

Key operating ratios for restaurant operations

	Hong Kong			**PRC**		
	1-12/2019	1-6/2019	1-12/2018	**1-12/2019**	1-6/2019	1-12/2018
Comparable restaurant sales growth	**-27.9%**	-18.3%	-6.9%	**7.0%**	5.4%	-2.6%
Per capita spending	**HK$66.1**	HK$65.3	HK$65.8	**RMB48.0**	RMB53.8	RMB48.0
Table turnover per day (times per day)	**5.0**	4.2	4.1	**3.4**	3.4	3.4

Introduction

The board (the "Board") of directors (the "Directors") and the senior management (the "Management") of the Company recognize that sound corporate governance practices are crucial to the efficient operation of the Group and the safeguarding of our shareholders' interests. In this regard, the Board emphasizes on transparency, accountability and independence in order to enhance our long-term shareholders' return.

Corporate Governance Practices

The Company has, throughout the year ended 31 December 2019, adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, i.e. the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, 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 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.

Model Code for Securities Transactions

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

In addition, the Board has adopted written guidelines (the "Employees' Guidelines for Securities Transactions") for securities transactions by employees (the "Relevant Employees") who are likely to be in possession of inside information of the Company on no less exacting terms than the Model Code.

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2019.

The Board of Directors

The Board is the core of the corporate governance structure of the Company. It is responsible for giving guidance to and reviewing the efficiency of the Management. The Board is fully aware of its prime responsibilities to the Company and its duties to protect and enhance long-term shareholders' return.

To provide effective supervision of and proper guidance to the Management, the Board is required to consider and approve decisions in relation to the Company's long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

As regards the code provision requiring the Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Composition

The Board currently consists of seven Directors as follows:

Executive Directors
Ms. Poon Wai
Mr. Poon Ka Man, Jason
Ms. Minna Ng *(appointed on 20 August 2019)*

Non-executive Director
Mr. Katsuaki Shigemitsu

Independent Non-executive Directors
Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Wang Jincheng

All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. The Directors' biographies are set out under the section headed "Directors" of this annual report.

Ms. Poon Wai, the Chairman, Chief Executive Officer and executive Director, is the sister of Mr. Poon Ka Man, Jason who is an executive Director, and is the mother of Ms. Minna Ng, an executive Director. Save as disclosed, there is no other relationship among members of the Board.

The composition of the Board is in accordance with the requirement of Rules 3.10 and 3.10A of the Listing Rules. There are three independent non-executive Directors and one of them has accounting professional qualification. More than one-third of the members of the Board are independent non-executive Directors, which brings a fairly strong independence element in its composition.

Independent Non-Executive Directors ("INEDs")

The INEDs have the same duties of care, skill and fiduciary duties as the executive Directors. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

The INEDs are experienced professionals with expertise in respective areas of accounting, finance, industry knowledge and expertise. With their professional knowledge and experience, the INEDs advise the Company on its operation and management; provide independent opinion on the Company's connected transactions; and participate in the Company's various committees including Audit Committee, Remuneration Committee and Nomination Committee. The INEDs have contributed to provide adequate checks and balance to protect the interests of the Company and the Company's shareholders as a whole, and to advise strategically the development of the Company.

The Company has received confirmation from each of the INEDs about his independence in accordance with Rule 3.13 of the Listing Rules and therefore considers each of them to be independent.

All of the Directors including the non-executive Director and the INEDs are appointed for a specific term. Each of the non-executive Director and the INEDs has entered into a letter of appointment with the Company for a period of two years subject to the rotation requirement. In accordance with the Company's articles of association (the "Articles of Association") and, at each Annual General Meeting ("AGM") of the Company, one-third of the Directors for the time being will retire from office by rotation but will be eligible for re-election.

Delegation by the Board

To maximise the effectiveness of the Group's operations, the Board has delegated management and administration of the Group's daily operations to the Executive Committee while reserving several important matters for its approval. To this end, the Board delegates on specific terms to the Executive Committee consisting of the Chairman of the Board, Chief Executive Officer, Executive Directors and Chief Operating Officer to carry out the well-defined responsibilities with adequate authorities and to take charge in daily operation of the Company, advising the Board in formulating directions and making policies as well as significant corporate decisions reserved by the Board, and ensuring the proper execution of the resolutions approved by the Board. For such purposes, the Board has laid down clear written terms of reference which specify those circumstances under which the Executive Committee shall report to the Board for its decisions in respect of the matters and commitments for which prior approval of the Board is required.

Pursuant to the terms of reference of the Executive Committee, the major functions specifically reserved to the Board are summarized as follows:

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

(iv) approving fund raising activities (including debt or capital issues);

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

(viii) approving other disclosures specifically required by or matters as specifically mentioned under the Listing Rules.

The Executive Committee is principally, among others, responsible for:

(i) reviewing business strategies and management of the Company;

(ii) formulating and implementing investment and financing activities of the Company;

(iii) implementing the Company's strategies, monitoring performance of the Management and ensuring appropriate internal risk controls and risk management are in place;

(iv) implementing measures and procedures in compliance with the laws, regulations, Listing Rules, Articles of Association and internal regulations applicable to the Company;

(v) setting human resources policies of the Company; and

(vi) granting of share options to the eligible employees (other than Directors and Management) for a total of not more than the number of share options as specified and approved by the Board from time to time.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors;

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

During the year, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

Chairman and Chief Executive Officer ("CEO")

Under the code provision A.2.1, the roles of Chairman and CEO should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Ms. Poon Wai is the Chairman of the Board and the CEO. With her extensive experience in the industry, the Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and the 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 Wai distinctly. It is also considered that the current structure does not impair the balance of power and authority between the Board and the Management given the appropriate delegation of the power of the Board and the effective functions of the INEDs (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.

Induction and Continuing Professional Development of Directors

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2019 is as follows:

Name of Directors	Nature of continuous professional development programmes
Executive Directors	
Ms. Poon Wai	A
Mr. Poon Ka Man, Jason	A
Ms. Minna Ng *(appointed on 20 August 2019)*	A
Non-Executive Director	
Mr. Katsuaki Shigemitsu	A
INEDs	
Mr. Lo Peter	A
Mr. Jen Shek Voon	A
Mr. Wang Jincheng	A

Note:

A: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

Supply of and Access to Information

The Company provides all Directors with monthly updates on the Company's performance, position and prospects. In addition, in order to ensure that the Directors' duties can be properly discharged, the Directors are entitled to seek advice from independent professional advisers whenever deemed necessary by them at the Company's expense.

Board Meetings

The Board meets regularly, and at least four times a year, in person or by means of electronic communication. The Chairman also meets with the independent non-executive Directors at least once a year without the presence of other Directors. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board and Board committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and Board committee meeting are generally made available to Directors or Board committee members in advance. The Board and each Director also have separate and independent access to the Management whenever necessary.

The company secretary of the Company or the secretary to the Board committees is responsible for taking and/or keeping minutes of all Board meetings and various Board committees meetings in sufficient detail. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting is held, and the final version of the minutes is opened for Directors' inspection.

During the year ended 31 December 2019, the Board convened a total of four meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings, the annual general meeting of the Company held on 23 May 2019 (the "2019 AGM") is set out below:

Name of Directors	Board Meeting(s) Attended/Eligible to Attend	General Meeting Attended/Eligible to Attend
Executive Directors		
Ms. Poon Wai	4/4	1/1
Mr. Poon Ka Man, Jason	4/4	1/1
Ms. Minna Ng *(appointed on 20 August 2019)*	1/1	0/0
Non-Executive Director		
Mr. Katsuaki Shigemitsu	3/4	1/1
INEDs		
Mr. Lo Peter	4/4	1/1
Mr. Jen Shek Voon	4/4	1/1
Mr. Wang Jincheng	4/4	1/1

Independent Board Committee

Where there are matters involving connected or continuing connected transactions, so far as required under the Listing Rules, an Independent Board Committee, comprising wholly the INEDs, will be established.

Board Committees

The Board has established four committees, including the Executive Committee, the Remuneration Committee, the Nomination Committee and the Audit Committee with delegated powers for overseeing particular aspects of the Company's affair. Each of the Board committees of the Company has been established with defined written terms of reference.

Executive Committee

To assist the Directors to discharge some of their duties and to enable effective management and execution, the Board has established an Executive Committee on 29 June 2007. Details of the authorities and duties of the Executive Committee are set out in its terms of reference. The Executive Committee reviews specific issues and makes their suggestions to the Board on reserved matters as mentioned above.

Ms. Minna Ng was appointed as a member of the Executive Committee on 20 August 2019. Currently, the Executive Committee comprises three executive Directors as follows:

Ms. Poon Wai *(Chairman and CEO),*
an executive Director
Mr. Poon Ka Man, Jason *(Chief Marketing Officer),*
an executive Director
Ms. Ng Minna,
an executive Director

There were two Executive Committee meetings held during the year ended 31 December 2019. Attendance of each Executive Committee member at the Executive Committee Meetings is set out below:

Name of Members	Executive Committee Meeting(s) Attended/ Eligible to Attend
Ms. Poon Wai	2/2
Mr. Poon Ka Man, Jason	2/2
Ms. Ng Minna *(appointed on 20 August 2019)*	0/0

Remuneration Committee

The Remuneration Committee was set up on 8 March 2007 in compliance with Appendix 14 of the Listing Rules. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference, which are available on the websites of the Company and the Stock Exchange. The main purpose for establishing the Remuneration Committee is to ensure that the Company can recruit, retain and motivate suitably qualified staff in order to reinforce the success of the Company and create return for our shareholders. The terms of reference of the Remuneration Committee are summarized as follows:

(i) to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Company, as well as on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(ii) to have delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, and make recommendations to the Board of the remuneration of non-executive Directors subject to the provision (vi) below;

(iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(iv) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment and ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is not otherwise unfair and in excessive for the Company;

(v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct and ensure that such arrangements are determined in accordance with the relevant contractual terms and that any compensation payment is not otherwise unreasonable and inappropriate; and

(vi) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Currently, the Remuneration Committee comprises three INEDs as follows:

Mr. Lo Peter *(Chairman)*, an INED
Mr. Jen Shek Voon, an INED
Mr. Wang Jincheng, an INED

The Remuneration Committee may call any meetings at anytime when necessary or desirable pursuant to the terms of reference of the Remuneration Committee.

During the year ended 31 December 2019, the Remuneration Committee convened two committee meetings. Attendance of each Remuneration Committee member is set out below:

Name of Members	**Remuneration Committee Meeting(s) Attended/ Eligible to Attend**
Mr. Lo Peter	2/2
Mr. Jen Shek Voon	2/2
Mr. Wang Jincheng	2/2

The Remuneration Committee discussed and reviewed the remuneration policy and packages for Directors and senior management and approved the remuneration package of Ms. Minna Ng as an executive Director during the meetings.

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was set up on 8 March 2007. Details of the authorities and duties of the Nomination Committee are set out in its terms of reference, which are available on the websites of the Company and the Stock Exchange. Its roles are highlighted as follows:

(i) to review the structure, size and composition of the Board (including the skills, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes;

(ii) to identify individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) to assess the independence of INEDs; and

(iv) to make recommendations to the Board on the relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors in particular the Chairman and the CEO.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Nomination Policy

The Company has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify and select potential candidates for directorship.

Selection Criteria

The following factors would be considered in assessing any potential candidate for directorship:

(a) reputation for integrity;

(b) commitment in respect of available time and attention;

(c) accomplishment, professional knowledge and industry experience which are relevant to the Company;

(d) the number of existing directorships held by the potential candidate, in particular, on the boards of the listed companies;

(e) the potential contributions that the potential candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

(f) in case of appointment of independent non-executive director, the compliance with the criteria of independence as ascribed under Rule 3.13 of the Listing Rules.

Nomination Procedures

A. Appointment of New Director

(i) The potential candidate will submit biographical information as required by the Nomination Committee for its evaluation whether the potential candidate is qualified to be a director of the Company.

(ii) A meeting of the Nomination Committee will be convened for the members of the Committee to discuss and consider (having regard to the potential contributions that the potential candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity); and make recommendation to the Board, if applicable.

(iii) Where appropriate, the Board will make recommendations to the shareholders for election of the proposed director at general meeting.

(iv) Any shareholder can nominate a person to be a director of the Company in accordance with the "Procedures for shareholders to propose a person for election as directors" issued by the Company, which is available on the websites of the Stock Exchange and the Company. The Board and/or the Nomination Committee will evaluate the nominated person with reference to the criteria set out under (ii) above to determine if the nominated person is qualified to be a director of the Company.

B. Re-election of Director

(i) The Nomination Committee will review the contribution and services rendered to the Company of the retiring directors to be re-elected at general meeting in accordance with the Articles of Association.

(ii) The Nomination Committee will make recommendations to the Board for the proposed directors to stand for re-election at general meeting.

(iii) Where appropriate, the Board will make recommendations to the shareholders for re-election of retiring directors at general meeting.

Disclosure of the Policy

A summary of the work performed by the Nomination Committee during a financial year, including the disclosure of the Policy for the nomination of directors, nomination procedures and the process and criteria adopted to select and recommend for directorship, will be disclosed in the corporate governance report under the annual report of the Company.

Review of the Policy

The Nomination Committee will monitor and review the Policy regularly with reference to the structure, size and composition of the Board to ensure the Policy meets the current regulatory requirements and the business needs of the Company.

Currently, the Nomination Committee comprises three INEDs as follows:

Mr. Wang Jincheng *(Chairman)*, an INED
Mr. Lo Peter, an INED
Mr. Jen Shek Voon, an INED

The Nomination Committee may call any meetings at anytime when necessary or desirable pursuant to the terms of reference of the Nomination Committee.

During the year ended 31 December 2019, the Nomination Committee convened two committee meetings and had assessed the independence of INEDs, considered the re-appointment of the retired Directors, discussed matters relating to procedure of nomination of director candidate by shareholders, Directors' evaluation and succession plan etc; and recommended to the Board on the appointment of Ms. Minna Ng as an executive Director. Attendance of each Nomination Committee member at the Nomination Committee meetings is set out below:

Name of Members	Nomination Committee Meetings Attended/Eligible to Attend
Directors	
Mr. Wang Jincheng	2/2
Mr. Lo Peter	2/2
Mr. Jen Shek Voon	2/2

Board Diversity Policy

On 2 December 2014, the Board adopted the Board Diversity Policy. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, length of service, skills, knowledge and industry experience. The selection of potential candidate will be based on the potential contributions that the potential candidate can bring to the Board, having due regard to the benefits of diversity on the Board without focusing on a single diversity aspect. As at the date of this annual report, the Board consists of a diverse mix of Directors from different genders, ethnicities, length of services as well as professional experience and qualifications. The Board will regularly review the Board Diversity Policy and make appropriate revisions to ensure the effectiveness of the Board Diversity Policy.

Audit Committee

The Audit Committee was set up on 8 March 2007 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules, its terms of reference are available on the websites of the Company and the Stock Exchange. The principal duties of the Audit Committee include:

(i) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor;

(ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(iii) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one audit firms are involved;

(iv) to develop and implement policy on the engagement of an external auditor to supply non-audit services;

(v) to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgments contained in them before submission to the Board;

(vi) to review the Company's financial controls, internal control and risk management systems;

(vii) to discuss with the Management the system of internal control and ensure that the Management has discharged its duty to have an effective internal control system, including the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

(viii) to review the Group's financial and accounting policies and practices; and

(ix) to report to the Board on any other matters set out in the Code.

Currently, the Audit Committee comprises three INEDs as follows:

Mr. Jen Shek Voon *(Chairman)*, an INED
Mr. Lo Peter, an INED
Mr. Wang Jincheng, an INED

The Audit Committee meeting shall be held not less than twice a year pursuant to the terms of reference of the Audit Committee.

During the year ended 31 December 2019, the Audit Committee convened two committee meetings. Attendance of each Audit Committee member at the Audit Committee meetings is set out below:

Name of Members	**Audit Committee Meetings Attended/ Eligible to Attend**
Directors	
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	2/2
Mr. Wang Jincheng	2/2

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor in the year 2020, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2019 and annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

As disclosed in the Company's announcements dated 14 December 2018, 13 March 2019, 23 April 2019 and 19 December 2019, the Company reported that Mr. Lau Ka Ho, Robert ("Mr. Lau"), the former chief financial officer of the Company, is suspected to have misappropriated funds of Ajisen China Group Management Limited, a wholly-owned subsidiary of the Company (the "Misappropriation Incident"). Subsequent to the discovery of the Misappropriation Incident, the Company has conducted an internal review of the Misappropriation Incident (the "Internal Audit"). In addition, the Company has also engaged RSM Consulting (Hong Kong) Limited ("RSM"), an independent consultancy firm, to conduct an investigation into the Misappropriation Incident, and to conduct a review of the Company's internal control procedures and systems and make recommendations to the Board to address and rectify the weaknesses identified, if any. As at the date of this annual report, a total of HK$29,049,851.04 has been recovered from Mr. Lau, the said amount has been recognized as other income in the consolidated statement of profit or loss and other comprehensive income of the Company for the year ended 31 December 2019; and RSM has issued their final draft report and the recommendations of which were reviewed and agreed by the Management on 25 February 2020 and the final RSM report was tabled and accepted by the Board at its meeting on 31 March 2020.

The Management has been continuously improving the internal control system of the Company. They have reviewed the findings regarding internal control and taken appropriate remedial measures based on the recommendations proposed by RSM to address the findings in relation to internal control.

Key findings	Company's response
Cheques are signed by unauthorised persons.	The Management has obtained latest authorised signature list from the banks and reviewed if there are any inappropriate authorised signatures.
The Group is in lack of well-established policies and procedures on bank account management, cheque register, chop management, bank reconciliation, payment approval and payment processing.	The Management is currently in the process of updating the policies and procedures on bank account management, cheque register, chop management, bank reconciliation, payment approval and payment processing to address the risks identified.
Bank reconciliations are not prepared and reviewed. Variances are not followed up.	Reconciliations are prepared for all banks by accountant of finance department independently and reviewed by head of finance department. Long outstanding items on bank reconciliations are investigated and reported to the Management.
Cheques are pre-signed or pre-stamped.	Pre-signed and pre-stamped cheques are prohibited by the Management.
Cheque payments are based on falsified invoices.	Original invoices are required for payment processing.
Accounting vouchers are not reviewed and properly maintained by supporting documents.	The Management confirmed that accounting vouchers are reviewed by the head of finance department and separately maintained with supporting documents.
No limit/dual signatures was set on payment by cheques.	The Management has performed review on the authorised signatures. Dual signatures are required for bank accounts generally except for certain bank accounts for urgent purpose only. The Management will monitor closely the balance of those bank accounts to avoid excessive balance.
Payment requisition forms are not used for expense claim.	Payment requisition forms are required for payment applications. The forms together with supporting documents are then to be approved by head of finance department for payment processing.

After review of the contents and results of the internal control assessment report prepared by RSM and taking into consideration the remedial measures having been taken, the Board believes that the Company has adequate financial reporting procedures and internal control procedures in place to fulfill its obligation under the Listing Rules. The Board also believes that the Company's existing financial reporting procedures and internal control procedures can effectively prevent misappropriation of funds in the future.

Risk Management and Internal Control

The Board strives to cultivate and disseminate a good internal control and risk management culture of the Company and its subsidiaries by:

(i) identifying and assessing relevant risks, considering and giving approval to necessary control activities proposed by executive Directors in accordance with risk assessments, to rationalize the control environment so as to lower operational risks but without impeding operating efficiency;

(ii) ensuring constantly updating information and coordinated sharing of information;

(iii) exercising appropriate levels of supervision to ensure the effectiveness and efficiency in the performance of various functions and activities of the Group;

(iv) establishing and reviewing internal control measures for minimising and eliminating identified risks; and

(v) seeking advice from external consultants for the enhancement and maintenance of the Group's internal control system.

The executive Directors, with the coordination of the management of the Group, strive to develop, implement and maintain an internal control and risk management system by conducting on-going business reviews; evaluating significant risks faced by the Group; formulating appropriate policies, programmes and authorization criteria; conducting business variance analyses of actual result versus business plan; undertaking critical path analyses to identify the impediments in attaining the corporate goals and initiating corrective measures; following up on isolated cases; identifying inherent deficiencies in the internal control system; and making timely remedies and adjustments to avoid recurrence of problems.

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the Management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;
- The Management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- Internal auditors provide independent assurance to the Board, the Audit Committee and the Management concerning the effectiveness of risk management and internal control systems.

Up to the date of this annual report, major works performed by the Management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;
- the Management, together with the finance department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;
- the Management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the Management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies;

- the Management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place; and

- in light of the Misappropriation Incident, the Management reviewed the Internal Audit and discussed the findings with the Audit Committee and the Board, and implemented the remedial measures to improve the internal control systems immediately.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. In addition, the Company engaged an external professional firm to review the internal audit process of the Company during the reporting period. The external professional firm carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company. The internal audit reports that were submitted to the Audit Committee, and the internal audit process, have been reviewed and the external professional firm attended meetings of the Audit Committee to present and explain their findings. The Audit Committee reviewed the draft reports submitted by the external professional firm and has made the necessary recommendations to the Board to put in place the mechanism for implementing an effective internal audit function. The Board has accepted the recommendations of the Audit Committee. Due to the outbreak of 2019 Novel Coronavirus, part of the internal audit program has been deferred until the timing when it will be appropriate for the finalization of the work.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in the Company's securities by Directors and designated members of the Management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the reporting period and up to the date of this annual report, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Company, in conjunction with the impact arising from the Misappropriation Incident. The annual review included works such as (i) review of reports submitted by the external professional firm regarding the implementation of the risk management and internal control systems, as well as the respective internal audit findings; (ii) periodic discussions with the Management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, in conjunction with the impact arising from the Misappropriation Incident, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of the Management's ongoing monitoring of the risks management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) provision of recommendations to the Board and the Management on the scope and quality of the Management's ongoing monitoring of the risk management and internal control systems, in conjunction with the impact arising from the Misappropriation Incident.

On the basis of the aforesaid, save for the internal control deficiencies identified in the Internal Audit, the Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control of the Company.

The Whistle-Blowing Policy (the "WBP") was set up on 17 April 2009. The WBP aims to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing in good faith.

The Board believes that, in the absence of any evidence to the contrary save for the internal control deficiencies identified in the Internal Audit, the system of internal controls maintained by the Group throughout the year ended 31 December 2019 and up to the date of this annual report provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Board, through the reviews made by the Audit Committee and the recommendation on the remedial measures taken up to address the internal control deficiencies arising from the Misappropriation Incident, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively. Considerations were also given to the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Directors' Responsibility for the Financial Statements

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In preparing the financial statements of the Group for the year ended 31 December 2019, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy, the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The auditor's statement about their reporting responsibilities on the financial statements is set out on pages 58 to 59 of this annual report.

Auditor's Remuneration

The Group's independent external auditor is DTT. The remuneration for the audit and non-audit services provided by DTT to the Group during the year ended 31 December 2019 was approximately as follows:

Type of Services	**Amount** *(RMB'000)*
Audit	2,600
Non-audit services *(Note)*	700
Total:	3,300

Note: Non-audit services include 2019 interim review.

Company Secretary

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Ng Sau Mei, an associate director of TMF Hong Kong Limited (a company secretarial services provider), as the company secretary of the Company. Her primary contact person at the Company is Mr. Poon Ka Man, Jason, the executive Director.

During the year ended 31 December 2019, Ms. Ng Sau Mei has undertaken more than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relations

The Board recognizes the importance of good communications with all shareholders. The 2019 AGM is a valuable forum for the Board to communicate directly with the Shareholders. The Chairmen of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the external auditor present at the 2019 AGM held on 23 May 2019 to answer shareholders' questions. The Company's forthcoming AGM will be held on 22 May 2020 (the "2020 AGM").

A key element of effective communication with shareholders and investors is prompt and timely dissemination of information in a transparent manner in relation to the Group. The Company has announced its inside information, announcements, interim and annual results in a timely manner according to the Listing Rules.

A shareholders' communication policy was adopted pursuant to the Code which aims at establishing a two-way relationship and communication between the Company and its shareholders. To promote effective communication, the Company maintains two websites at www.ajisen.com.hk and www.ajisen.com.cn where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to 6/F, Ajisen Group Tower, Block B, 24-26 Sze Shan Street, Yau Tong, Kowloon with attention to Mr. Poon Ka Man, Jason.

Closure of register of members

In order to determine the shareholders who are entitled to attend the 2020 AGM, the register of members of the Company will be closed from 19 May 2020 to 22 May 2020 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the shareholders who are entitled to receive the final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from 28 May 2020 to 2 June 2020 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the 2020 AGM, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 May 2020 and 27 May 2020 respectively.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholders' meetings, including the election of individual directors.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting. At the 2019 AGM, all resolutions were passed by poll by the shareholders of the Company.

Pursuant to article 64 of the Articles of Association, any shareholder holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Board or the company secretary of the Company at the principal place of business of the Company in Hong Kong a written request for such general meeting duly signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition. Shareholders also have the right to propose a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

Dividend Policy

Pursuant to code provision E.1.5 of the CG Code, the Company has formulated and adopted a dividend policy (the "Dividend Policy") which aims to set out the principles and guidelines in recommending or declaring dividends to the shareholders.

Principles and Guidelines

1. The Board has the discretion to declare and distribute dividends to the shareholders subject to the requirements of the Articles of Association, the laws of Cayman Islands, and other any applicable laws, rules and regulations and the Policy.

2. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting working capital requirements of the Company.

3. The Board shall take into account the following factors of the Group when considering the declaration or recommendation of dividends:

    - the Company's actual and expected financial performance;
    - the Group's working capital requirements, capital expenditure requirements/plans and future expansion plans;
    - the Group's liquidity position;
    - retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
    - any restrictions on payment of dividends that may be imposed by the Group's lenders;
    - taxation consideration;
    - the shareholders' interests;
    - the general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and
    - other factors that the Board may consider relevant.

4. The Company in annual general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

5. The Board may pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits of the Company justify the payment.

6. The Board may from time to time declare any special dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit.

7. The Company may declare and pay dividends by way of cash or an allotment of shares credited as fully paid or by other means that the Board considers appropriate.

8. Any unclaimed dividend shall be forfeited by the Board and shall revert to the Company in accordance with the Articles of Association.

9. For the avoidance of doubt, the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Change in Constitutional Documents

During the year ended 31 December 2019, there is no significant change in constitutional documents of the Company.

Looking Forward

The Company will review its corporate governance practices regularly and the Board endeavors to implement necessary measures and policies to ensure the compliance with the Code introduced by the Stock Exchange.

Corporate Social Responsibility

The Group has been actively fulfilling its social responsibility and taking part in various public benefit activities, thus set a good enterprise social image. During the reporting period, the employees in the headquarters of the Group regularly visited senior citizens to deliver them warm care, which encouraged employees to perform corporate social responsibility and make contributions to the community. As at 31 December 2019, the Group recruited a total of 84 disabled people in Shanghai, Beijing and Tianjin through a recruiting campaign of "Fallen Angel (折翼天使)" to solve their living problem and help them walk out of their home to join the big family "Ajisen" and then integrate into the society, thus offering them a way to realise their value of life. As integrated parts of the Group, our Hong Kong companies actively perform their responsibility as a responsible enterprise, committing to giving back and contributing to society.

After over 20 years of operation on the brand of "Ajisen Ramen" from the first restaurant established in Shenzhen in 1996 to the present 799 restaurants as well as operation rights in over 8,000 airports in the world, Ms. Poon Wai, the Chairman and Chief Executive Officer of the Group has accumulated a rich experience in catering operation and better serving customers. In 2019, Ajisen Ramen was awarded the Certificate of Honor of "2019 Influential Chinese Catering Brand" issued by Dragon TV. Ms. Poon Wai was re-elected as the vice chairman of both China Hotel Association and China Cuisine Association in 2019.

Food and Occupational Safety

In implementation of its overall development strategy, the Group strictly followed the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, complied with relevant national laws and regulations and adhered to law-abiding and honest operation. As a company listed on the Stock Exchange, the Group strictly followed the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, complied with the compliance guidelines and the requirements on information disclosure by listed companies.

In respect of operation of restaurants, we strictly complied with Consumer Protection Law, observed the laws and regulations such as Food Safety Law of the People's Republic of China, Advertisements Law of the People's Republic of China and Measures for the Management of Food Business License (《食品經營許可管理辦法》), and the subsidiaries in Hong Kong also strictly followed the Food Safety Ordinance of the Hong Kong Special Administrative Region. The Group organised employees to study the relevant laws and regulations, and further standardised and optimised the management process to do the business in compliance with regulations.

Food safety is the priority of the Group. The Group actively promotes direct procurement and guarantees the quality of products from the source. The Group's ERP system was connected with the traceability system of Shanghai Food and Drug Administration (FDA). The materials registered in the system can be traced back to its date of manufacture, product number, shelf life and other information. Large-scale purchase data is directly input into the system, guaranteeing the safety of food materials at the source. The Group adopts a scientific management mode, including large scale direct purchase, standardised operation, intensive production, together with the cold-chain production and delivery technology centered on central kitchens. The soup making process in central kitchen is comprised of material selection, dicing, cooking, evaporation, packaging, distribution, and finishing. All these seven steps are under standardised control over time, temperature, measurement, sequence, etc., to better ensure the stability of gourmet meals. Through the integrated production mode, the standardised production of bone soup is realised, which improves the production efficiency, ensures consistency of product taste, and guarantees safety of food material processing, ex-warehouse and delivery. The Group has always applied modern technologies to guarantee the safety and nutrition of the food materials and food.

The Group has always attached importance to the rights and interests of consumers, is committed to safeguarding the correct transmission of product information, and has continuously improved the solution mechanism and process for consumers' rights and interests. When transmitting information about the corporate and products, the Group makes use of reasonable advertisements based on the needs of consumers in compliance with the state laws and regulations.

In order to standardise the service, the Group further optimised the excellent operation and service system, and proposed the 6T excellent site management method based on the 5S method of Japan and 5S management system of Hong Kong. The Group constantly perfected the system construction, and launched a 7S management system to the staff, equipment, materials, operating methods and environment, etc. respectively. The Group specified the work network and responsible officers on field management to realise a post responsibility system.

Employees are valuable assets of the Group, the Group values the occupation safety of staff. In addition to strictly comply with the Regulation on Work Injury Insurance, we also provide regular training on production safety to operation management personnel and staff in workshops at factories. The Group has further modified and refined the Guidance on Production Safety for factories and central kitchens. On the basis of comprehensive and careful analysis of the operation specifications, hazardous parts, extent of hazard and precautions of each machine and equipment, one-on-one training was provided to the production equipment operators. In 2019, the trainings involved 98 types and 475 sets of machinery and equipment and with 705 participants accumulatively. In addition, regular trainings on occupational safety were also provided to logistic support employees to create a healthier, safer and more comfortable work environment for staff.

Environmental Protection Measures

The Group stresses the protection of environment and resources and proactively promotes the idea of green and low carbon. We have made efforts to reduce the impact of business operations on the environment, continuously update technologies and equipment, and use energy-saving and environmentally friendly appliances and stove equipment. We regularly conduct environmental assessments to evaluate our environmental issues and related laws and regulations that may have a significant impact on our business operations. Through the assessment, we have identified wastewater discharge, exhaust emissions, noise emissions, and energy consumption as significant issues for which we need to take regulatory action. Due to the nature of our business, the hazardous and non-hazardous waste we produce has insignificant impact on the environment.

In terms of treatment of wastewater discharge, the central kitchen strictly abides by the Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015) and Discharge Standard of Water Pollutants for Meat Packing Industry (GB13457-92), and the wastewater produced after raw material washing, water produced by filter press, wastewater produced after equipment washing, and wastewater produced after floor washing, upon being treated via our wastewater treatment device, will be included into municipal water pipe network together with the domestic sewage and be discharged in a collective manner after satisfying the discharge standards. During the reporting period, the Group's central kitchen discharged a total of approximately 87,000 tonnes of sewage, with all indicators meeting the standards.

In terms of treatment of exhaust emission, the boiler in the central kitchen uses 0# light diesel fuel in strict compliance with the emission limits set out under the Emission Standard of Air Pollutants for Boilers (DB31/387-2014) and its first amendment as well as the Integrate Emission Standards of Air Pollutants (DB31/933-2015). The concentration and Ringelmann number and other indicators of the substances produced after its combustion including the smoke and nitrogen oxides, SO_2 reach the standards.

In respect of noise emission, the noise emission at the plant boundary in the daytime and at night has strictly conformed to the Class III standard under the Standard for Noise Emission at the Plant Boundary Environment of the Industrial Enterprises (GB12348-2008). The results of monitoring meet the standard during the reporting period.

In addition, the central kitchen has implemented the following environmental protection measures:

- Participated in the waste oil recycling scheme, under which qualified recyclers will collect waste oil and then convert it into renewable energy;
- The fume and exhaust gas produced during the baking process is purified and treated with the fume purification device, and device with low noise features are adopted for various types of machinery and equipment; and
- The cooling water recovery system has been installed in the workshop to recover the water after being used for cooling the product and re-use to wash pallets.

The regional lighting system has been implemented by the head office in Shanghai, Hong Kong branches, and subsidiaries, factories and restaurants in all the places to turn off illumination for certain unoccupied areas of individual region, thus to reduce unnecessary wastage of electricity. Moreover, the Group office proposed paperless office, double-sided paper utilisation and waste paper recycling, to make full use of each sheet of paper and protect forest resources. During the reporting period, a total of 89.92 tonnes of packaging compound bags were used for packaged noodle production by the Group. The Group encourages the fully utilisation of communication systems among employees to avoid unnecessary business trips. On the premise of ensuring that hygiene of food and tableware meet relevant standards, the use of water resources will be reduced to minimise the consumption of natural resources. The electricity, water and natural gas consumption of stores and offices in 2019 were approximately RMB101 million.

Energy Consumption (Central Kitchen)

	Consumption
Water (tonne)	152,067
Electricity (kWh)	11,204,113
Oil (litre)	575,200
Natural gas (cubic meter)	263,310

"Ajisen Ramen", a restaurant brand of the Group, won the honorary title of "Green Restaurant" in the rating of "Green Restaurant" organised by Shanghai Restaurants Cuisine Association. Green Restaurant aims at reminding people of enhancement of environmental awareness; control and reduction of environmental disruption; and adoption of scientific processing method to protect the nutrition of food materials in order to provide simple and natural catering services to customers. The award granted to "Ajisen Ramen" is the affirmation and praise for the Group's stress on environmental protection and initiative for green and low carbon.

Relations with Suppliers, Customers and Employees

Relationship with Suppliers

In order to ensure food safety, the Group persisted on the supply chain management mode featured by collective purchasing, production and delivery, and gave priority to the famous enterprises in the industry when selecting suppliers, requiring them to have qualified qualifications and provide product acceptance reports. In addition, our purchasing and quality control officers often visit food processing factories and examine the production processes and technology to verify whether suppliers have control system for food safety and independent research and development capability, and trace back the products manufactured by suppliers to strictly control product quality.

In respect of examination and verification of suppliers' qualifications, the suppliers must hold the government approved licences. The goods received from suppliers are required to be in compliance with the relevant hygiene and sanitary regulations. Suppliers should submit the health certificates and the results of laboratory tests for the goods on a regular basis. Evaluation on any suppliers for the initial provision of food merchandise shall be conducted by the procurement and quality control department. Such evaluation shall be in compliance with standards regarding food safety, performance of suppliers, hygiene documentary evidences, business reputation, sustainability and corporate social responsibility. The Group will conduct irregular review on the continued suppliers, including making an inspection tour to the production workshops of the suppliers.

Relationship with Customers

As a catering group mainly engages in operation of Japanese style fast casual restaurants, we have always given top priority to the interests of our consumers. To ensure continuous improvement of the quality of products and services, we regularly conduct internal and external market surveys to interact with consumers to deepen our understating of market demands, so as to gain market insights. We update our stores menu twice a year to timely give consumers fresh products and innovative ideas. Our customer service hotline is able to send the feedback to the management immediately and the same could be handled promptly. The Group launches promotion events at regular intervals to give back to our consumers. In the beginning of 2016, the Group introduced the "Zhangbei Smart Store System" (掌貝智能店鋪系統) and established a customer relationship management system, while in 2019, in order to enhance the store member experience, the Group formally set up the Ajisen Membership Task Force and officially launched the brand new Ajisen membership level rights, which further enhanced the communication and interaction with customers, so as to achieve accurate marketing while better satisfying customers' demands, serving customers and improving the Group's competitiveness in the market.

Relationship with Employees

The Group upholds the idea that employee is one of the key elements to the success of our business. With the aim of safeguarding the basic interests of employees, we strictly comply with the Labour Law of the People's Republic of China, the Contract Law of the People's Republic of China and Employment Ordinance of Hong Kong Special Administrative Region, and proactively implement minimum wages, gender equality, statutory holidays, reasonable working hours, the prohibition of force labor and child labor as well as enforcing anti-corruption practices.

The basic benefits provided for employees include salary, bonuses, communication subsidies, and subsidies for business trip. All employees are covered with social security, five insurances and the housing provident fund. In addition, the Group provides newly recruited employees with medical examinations. In order to fully safeguard the interests of the Company and its employees in the event of accidental injury during the course of performing their duty, the Company has insured employer's liability insurance for all employees. The Company also provides free lunches for employees working in the restaurants and the factories. The office employees follow the standard working hour system, which stipulates employees work for five days a week, eight hours a day, and are eligible to two days off at the weekends and statutory holidays.

The Group's Human Resources Department makes prompt adjustments to the relevant employment and administrative policies in accordance with the latest national laws and regulations. As at 31 December 2019, the Group has 11,872 employees, in which, 7,289 were female employees and 4,583 were male employees. During the reporting period, no child labour related cases occurred.

The Group values employees' career development and talent cultivation. In 2016, the Group established Ajisen Business School which is committed to providing extensive growth room to employees and facilitate them to grow fast and achieve their own values.

The Group has made effective manpower allocation in accordance with annual manpower planning to ensure that suitable talents are identified on a merit basis from both internal and external sources of the Company and provide suitable career paths and opportunities for them. The personnel policies are also reviewed periodically to strike the balance of human resources in all aspects. In particular, the compensation and benefits are adjusted on a regular basis to meet relevant needs.

Besides, the Group attaches great importance to the balance of work and life of its staffs and the Company offers dinner at each important festival during the year, organises cultural activities and other outdoor activities regularly, such as monthly summing-up meeting of cultural fashion icon, monthly birthday parties for staffs, outdoor hiking, wild hiking, Christmas buffet party and annual dinner etc. to enrich staff's leisure time life.

Anti-corruption

At the employees' level as well as the suppliers' level, the Group strictly complies with the state laws and regulations and has formulated internal anti-corruption guidelines.

Article 11 of the Code of Conduct of Ajisen prohibits the employees of the Group from intervening in bribery anywhere, and requires them to strictly abide by the Company Law of the People's Republic of China, the Law against Unfair Competition of the People's Republic of China and the Anti-money Laundering Law of the People's Republic of China and other laws in respect of corruption and bribery.

Article 12 of the Code of Conduct of Ajisen requires that employees of the Group shall not provide or accept gifts, money or entertainment that may cause undue influence while performing their duty.

Article 13 of the Code of Conduct of Ajisen requires that employees of the Group shall not use their authority to receive any forms of rebates, sponsorships, and banquets from suppliers.

Article 14 of the Code of Conduct of Ajisen requires that employees of the Group shall treat all customers and suppliers impartially and not misuse or disclose improperly to any third party any confidential information of any customers and suppliers for the purpose of preventing unfair competition from other suppliers.

The Group also organises anti-corruption briefings and training courses from time to time to ensure that employees and suppliers understand how to avoid bribery, conflicts of interest and receipt of gains. The Group encourages employees to report any corruption case. During the reporting period, the Group or its employees were not involved in any legal cases related to corruption.

Directors

Executive Directors

Poon Wai (潘慰), aged 64, is the founder of the Group. She is the Chairman and Chief Executive Officer of the Company. She is responsible for the overall management, including critical decision-making and planning for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. She is also a director of certain subsidiaries of the Group. Ms. Poon is an experienced entrepreneur who has over 20 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in the US and Hong Kong. Ms. Poon is particularly well versed and experienced in specialty foods from northern and southern regions of China. Ms. Poon currently serves as the vice president of China Hotel Association, special vice president of China Cuisine Association (中國烹飪協會), director of China Association of Enterprises and China Entrepreneur Association. Meanwhile, Ms. Poon is also the vice chairman of Shanghai Restaurants Cuisine Association as well as the vice president of Shanghai Commercial Enterprise Management Association. Ms. Poon was awarded Ernst & Young Entrepreneur of The Year for Hong Kong/Macau Region in October 2007. Ms. Poon was awarded "the Most Influential Entrepreneur in Chinese Restaurant Industry" (「中國餐飲最具影響力企業家」) by China Cuisine Association (中國烹飪協會) and "Contribution to Shanghai Restaurant Industry in 30 Years" (「上海餐飲三十年功勛人物獎」) by Shanghai Restaurants Cuisine Association in 2015. Ms. Poon is the sister of Mr. Poon Ka Man, Jason and is the mother of Ms. Minna Ng.

Poon Ka Man, Jason (潘嘉聞), aged 63, is an executive Director and the Chief Marketing Officer of the Company. He has been an executive Director since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon is also a director of certain subsidiaries of the Group. Mr. Poon has over 20 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai and is the maternal uncle of Ms. Minna Ng.

Minna Ng (伍美娜), aged 31, is an executive Director and the Director of New Business Department and Operating Officer of Hong Kong and Macau Businesses of the Group, overseeing Hong Kong operation, overseas business development and new brand restaurants of the Group. Ms. Ng is also a director of certain subsidiaries of the Group. After joining the Group in 2011, she has held various managerial roles within the Group, including restaurant operation, R&D and business development. She graduated from Bentley University in Boston, US with Bachelor degrees in Economics and Finance. Ms. Ng is the daughter of Ms. Poon Wai and the niece of Mr. Poon Ka Man, Jason.

Non-executive Director

Katsuaki Shigemitsu (重光克昭), aged 51, has been a non-executive Director since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's franchisor. In addition, Mr. Shigemitsu has served as a non-executive director of a Singapore-listed company, namely Japan Food Holdings Limited since November 2008. Mr. Shigemitsu has over 15 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 73, is an independent non-executive Director. He is a sole proprietor of Jen Shek Voon, PAS, a Chartered Accountant and Public Accounting Singapore firm in Singapore that specializes in international and regional financial and business advisory services. Mr. Jen currently holds a certificate of registration issued by the Accounting and Corporate Regulatory Authority of Singapore, authorizing him to practice as a public accountant in Singapore. Mr. Jen also sits as an independent non-executive director of the boards of directors of a number of non-publicly listed companies in Singapore, and, on publicly listed companies in Malaysia and Hong Kong. Mr. Jen is a Fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree (Hons) from the University of Singapore and a M Comm (Hons) degree from the University of New South Wales. He is a Fellow of the Chartered Accountants Australia and NZ, the Association of Chartered Certified Accountants in the UK and a Chartered Tax Adviser of the Taxation Institute of Australia respectively, and a member of the Malaysian Institute of Accountants, ISACA (Information System Audit and Control Association) and a member of the British Computer Society.

Lo Peter (路嘉星), aged 64, has been an independent non-executive Director since 8 March 2007. Mr. Lo is a director of China Enterprise Capital Limited. Mr. Lo was the chairman and an executive director of China Outfitters Holdings Limited (stock code: 1146) from March 2010 to June 2018 and resigned as the chairman and non-executive director of Sino Distillery Group Limited (now known as China Beidahuang Industry Group Holdings Limited) (stock code: 0039) in May 2013, companies listed on the Stock Exchange. Mr. Lo has more than 20 years of experience in operating businesses in the PRC, including but not limited to trade and investment in various industries such as leather goods, power plants, auto manufacturers, medical equipment and beer brewery. Mr. Lo is also an independent non-executive director of Uni-President China Holdings Ltd (stock code: 0220), a company listed on the Stock Exchange. Mr. Lo holds a bachelor degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science.

Wang Jincheng (王金城), aged 65, has been an independent non-executive Director since 9 September 2008. Mr. Wang has over 35 years extensive experience in the hospitality industry in the PRC. Since 2003, Mr. Wang has served as the president of Shanghai Baolong (Group) Co. Ltd, the main business of which includes hotel and hostel services, food and beverage services and rental car services in the PRC. He has been a director of the World Cuisine Association since 2003, and is currently the chairman of the professional committee of career managers of the China Cuisine Association and the vice-chairman of both the Shanghai Cuisine Association and the Shanghai Restaurants Association. He was awarded Senior Chinese Catering Manager in February 2010, a Distinguished Entrepreneur of the Food & Beverage Industry of China in 2007 and a Distinguished Commercial Venturing Entrepreneur of China in 2006. Mr. Wang was a deputy to 5th and 6th National People's Congress of the Baoshan District of Shanghai, the PRC.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2019.

Principal activities

The Company is a FCR chain operator selling Japanese ramen and Japanese-style dishes in Hong Kong and the PRC. An analysis of the Company's performance for the year by geographical segments is set out in note 6 to the consolidated financial statements.

Business Review

A review of the business of the Group during the year ended 31 December 2019, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and a description of the principal risks and uncertainties that the Group may be facing are contained in the Management Discussion and Analysis on pages 7 to 14 of this annual report. The Company's environmental policies and performance, and the Group's relationships with its employees, customers and suppliers are contained in the Environmental, Social and Governance Report on pages 33 to 37 of this annual report.

Results and appropriations

The results and appropriations of the Group are set out on page 60 to page 63 of the consolidated financial statements respectively.

Dividend

The Board recommended the payment of a final dividend of RMB0.049 (HK5.3 cents) per ordinary share for the financial year ended 31 December 2019.

Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 31 and 33 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group are set out on page 64 to page 66 of the consolidated financial statements.

Distributable reserves

As at 31 December 2019, the Company has no reserve available for distribution.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 43 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

Borrowings

Details of the borrowings of the Group are set out in note 30 to the consolidated financial statements.

Pre-emptive rights

There are no pre-emptive or similar rights under the Cayman Islands law or the Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers were less than 5.0% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 5.7% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 20.5% of the Group's total purchase.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who owns an approximately 44.5% interest in Shigemitsu Industry Co., Ltd. (also known as Shigemitsu Kabushiki Kaisha or Shigemitsu Sangyo Co. Ltd), a company incorporated in Japan on 5 July 1972, which is the franchisor of the Company (details of which are set out on page 50 to page 51 of this annual report), none of the Directors or their respective associates, or the Shareholders who, to the knowledge of the Directors, own more than 5% of the issued shares of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group.

Donations

The Company did not make any charitable and other donations during the year under review (2018: RMB6,848).

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 172 of this annual report.

Directors

The Directors of the Company during the year and up to the date of this annual report are:

Executive Directors:

Ms. Poon Wai *(Chairman and Chief Executive Officer)*
Mr. Poon Ka Man, Jason
Ms. Minna Ng *(appointed on 20 August 2019)*

Non-executive Director:

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors:

Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Wang Jincheng

All the Directors were first appointed on 8 March 2007, except Ms. Poon Wai who was appointed on 6 April 2006, Mr. Wang Jincheng who was appointed on 9 September 2008 and Ms. Minna Ng who was appointed on 20 August 2019.

The biographical details of the Directors and senior management are set out under the section "Directors" of this annual report.

In accordance with articles 108 and 112 of the Articles of Association, Ms. Poon Wai, Mr. Poon Ka Man, Jason, Ms. Minna Ng and Mr. Wang Jincheng shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM.

Confirmation of independence of independent non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng are still independent.

Directors' service contracts

Each of Ms. Poon Wai and Mr. Poon Ka Man, Jason, being the executive Directors, has entered into a service contract with the Company for a term of three years commencing from 30 March 2007. Ms. Minna Ng, being the executive Director, has entered into a service contract with the Company for a term of three years commencing from 20 August 2019, subject to retirement by rotation and re-election and other related provisions in accordance with the Articles of Association and the Listing Rules.

Each of Mr. Katsuaki Shigemitsu, being the non-executive Director and Mr. Lo Peter and Mr. Jen Shek Voon, being the independent non-executive Directors, has entered into a letter of appointment with the Company for a period of two years commencing from 8 March 2007, subject to retirement by rotation in accordance with Article 108 of the Articles of Association, which may be terminated according to the Articles of Association.

Mr. Wang Jincheng, being an independent non-executive Director, has entered into a letter of appointment with the Company for a term of two years commencing from 9 September 2008, subject to retirement by rotation in accordance with Article 108 of the Articles of Association, which may be terminated according to the Articles of Association.

None of the Directors standing for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than the normal statutory compensation.

Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2019, 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 of Hong Kong, Chapter 571 of the laws of Hong Kong ("the SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

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

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

Notes:

1. The letter "L" denotes the Director's long position in such shares.
2. 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.
3. Among the 31,425,380 shares, 10,604,251 shares were held by Shigemitsu Industry Co. Ltd., and 20,821,129 shares were held by Wealth Corner Limited. The aforesaid companies are respectively owned as to approximately 69.89% and 100% by Mr. Katsuaki Shigemitsu, a non-executive Director.

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

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

Notes:

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

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

(1) Long position in the shares of Anmi Holding

Name of director	Capacity and nature of interest	Number of shares	Approximate % of shareholding
Ms. Poon Wai	founder of a discretionary trust	1	100% *(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

Name of director	Capacity and nature of interest	Number of shares	Approximate% of shareholding
Ms. Poon Wai	founder of a discretionary trust	10,000	100% *(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 31 December 2019, none of the Directors and chief executive of the Company, or any of their spouse, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept by the Company under section 352 of the SFO or required to be 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 31 December 2019, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of shareholder	**Capacity and nature of interest**	**Number of shares** *(Note 1)*	**Approximate % of shareholding**
Favor Choice *(Note 2)*	beneficial owner	480,123,041 (L)	43.99%
Anmi Holding *(Note 2)*	interest of controlled corporation	480,123,041 (L)	43.99%
HSBC International Trustee Limited *(Note 2)*	trustee	480,123,041 (L)	43.99%
Invesco Hong Kong Limited	investment manager	110,192,000 (L)	10.10%
Invesco Management S.A.	investment manager	54,714,000 (L)	5.01%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in such shares.

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

Save as disclosed herein, as at 31 December 2019, 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.

Directors' interests in transaction, arrangement or contract of significance

Save as disclosed in the sections headed "Continuing connected transactions" below, no transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in competing business

Save as disclosed in the prospectus of the Company dated 19 March 2007 (the "Prospectus"), none of the Directors and their respective associates (as defined in the Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

Each of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu, who are Directors, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by her/him (as described in the Prospectus) (the "Non-competition Undertaking").

In addition to what was disclosed in the Prospectus, the INEDs had been made aware of the following facts relating to Ms. Poon Wai and Mr. Poon Ka Man, Jason's (the "Poons") prior interests in Itamae, a Japanese-style sushi bar, which was operated by Smart Wave Limited ("Smart Wave"):

(i) Despite the disposals of the Poons' beneficial ownership interests in Smart Wave prior to the listing of the Company as disclosed in the Prospectus and in compliance with the undertaking given by Mr. Poon Ka Man, Jason to the Company (the "Disposal Undertaking"), the names of the Poons remain on the register of Smart Wave as of now, since Mr. Cheng Wai Tao, Ricky ("Mr. Cheng"), the sole director of Smart Wave, has failed and/or refused to register the incoming shareholder, Fine Elite Group Limited ("Fine Elite") on the register of members of Smart Wave.

(ii) Subsequent to the Poons' disposals of their beneficial interest in Smart Wave, Fine Elite intended to bring legal proceedings on behalf of Smart Wave against Mr. Cheng for breach of fiduciary duties owed to Smart Wave (the "Proceedings"). Given that only a registered shareholder has locus standi to do so, Mr. Poon Ka Man, Jason agreed with Fine Elite that he would use his name to commence the Proceedings. The Proceedings were concluded at the Court of Final Appeal in 2016 and Mr. Cheng was adjudged liable to Smart Wave for breach of fiduciary duties.

(iii) In the Proceedings, Mr. Poon Ka Man, Jason only acted in a representative capacity for Smart Wave, and he personally has not received and will not receive any economic benefits from his involvement.

Having reviewed the information provided by the Poons and obtained separate legal advice from the Company's legal adviser, the INEDs were satisfied that Mr. Poon Ka Man, Jason had materially and substantively complied with the Disposal Undertaking and the Poons have materially and substantively complied with the Non-competition Undertakings insofar as the Poons' shareholding in Smart Wave is concerned, on the basis that:

(i) The Poons are merely holding the shares in Smart Wave as bare trustees, and have no equitable, beneficial or financial interest in, or control over, Smart Wave;

(ii) Since 2010, Smart Wave has ceased operation and no longer been operating any business, competing or otherwise;

(iii) The Poons have agreed to enter into a new deed on 13 March 2018 with Fine Elite and its beneficial owner to expressly covenant that all rights, benefits, dividends, obligations, and liabilities as attendant to the Poons' ostensible legal shareholding in Smart Wave would accrue to Fine Elite and its beneficial owner; and

(iv) The Poons have agreed to update the Company as and when they become aware of anything material relating to Smart Wave (including but not limited to updates in the annual confirmation of compliance with the Non-competition Undertaking to be given by them to the Company every year).

In addition, on 3 August 2017, the borrower of Mr. Katsuaki Shigemitsu repaid the loan to Mr. Katsuaki Shigemitsu by 1% equity interest of Itamae. Therefore, Mr. Katsuaki Shigemitsu has 1% interest in that company's shares since then.

Other than the above, the INEDs have also reviewed the compliance by Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu with the Non-competition Undertaking and any information that they may have provided regarding any investment and engagement by any of them in any F&B business (other than the Company's business, as disclosed in the Prospectus or as disclosed above), and the nature of such investment and engagement. In this connection, the INEDs have also confirmed that, as far as they can ascertain, there is no breach of any of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu of the Non-competition Undertaking given by her/him.

Management contracts

No contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Compliance with Corporate Governance Code

Details of the compliance by the Company with the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules are set out in the Corporate Governance Report on page 15 to page 32 of this annual report.

Share option scheme

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

The purpose of the 2017 Share Option Scheme is to enable the Company to grant options to the eligible participants in recognition of their contribution made or to be made to the Group. Under the 2017 Share Option Scheme, the Board may offer to grant options to any Director or employee, or any advisor, consultant, individual or entity who, in the opinion of the Board, has contributed or will contribute to the growth and development of the Group. The amount payable by a participant upon acceptance of a grant of options is HK$1.00.

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

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

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

At 31 December 2019, the number of shares in respect of which options under the 2007 Share Option Scheme and 2017 Share Option Scheme had been granted and remained outstanding was 12,077,000 shares and 4,855,000 shares, representing approximately 1.11% and 0.44% of the shares of the Company in issue as at 31 December 2019.

Total number of shares available for issue under the 2007 Share Option Scheme was 12,077,000 shares, representing approximately 1.11% of the shares of the Company in issue as at the date of this annual report.

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

Details of the share options granted under the 2007 Share Option Scheme and the 2017 Share Option Scheme are contained in note 33 to the consolidated financial statements and the movement during 2019 are as follows:

Grantee	Date of Grant	Outstanding as at 1 January 2019	Number of share options: Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2019
Employees	25 June 2008	40,000	–	–	–	(40,000)	–
(in aggregate)	31 December 2008	5,000	–	–	–	(5,000)	–
	3 July 2009	27,500	–	–	–	(27,500)	–
	2 July 2010	328,000	–	–	–	(10,000)	318,000
	26 August 2011	6,955,000	–	–	–	(1,076,000)	5,879,000
	15 October 2012	400,000	–	–	–	–	400,000
	2 July 2013	600,000	–	–	–	(300,000)	300,000
	27 August 2013	830,000	–	–	–	(300,000)	530,000
	25 October 2013	1,000,000	–	–	–	(1,000,000)	–
	30 June 2014	150,000	–	–	–	(150,000)	–
	25 September 2014	100,000	–	–	–	–	100,000
	8 January 2015	150,000	–	–	–	–	150,000
	17 April 2015	2,200,000	–	–	–	–	2,200,000
	2 July 2015	1,990,000	–	–	–	(190,000)	1,800,000
	13 July 2017	2,500,000	–	–	–	–	2,500,000
	1 June 2018	2,100,000	–	–	–	–	2,100,000
	14 January 2019	–	55,000	–	–	–	55,000
	3 June 2019	–	200,000	–	–	–	200,000
Directors							
Mr. Jen Shek Voon	22 January 2009	100,000	–	–	–	(100,000)	–
Mr. Wang Jincheng	22 January 2009	37,500	–	–	–	(37,500)	–
Mr. Jen Shek Voon	15 October 2012	100,000	–	–	–	–	100,000
Mr. Lo Peter	15 October 2012	100,000	–	–	–	–	100,000
Mr. Katsuaki Shigemitsu	15 October 2012	100,000	–	–	–	–	100,000
Mr. Wang Jincheng	15 October 2012	100,000	–	–	–	–	100,000
		19,913,000	255,000	–	–	(3,236,000)	16,932,000

Directors' rights to acquire shares or debentures

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

Retirement scheme

Particulars of the retirement scheme of the Company are set out in note 41 to the consolidated financial statements.

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2019 are as follows:

Shigemitsu transactions

Shigemitsu Industry Co., Ltd. ("Shigemitsu") is a company incorporated in Japan and owned by the Shigemitsu family. Mr. Katsuaki Shigemitsu, a non-executive Director, personally owns approximately 44.5% interest in Shigemitsu, which is thus a connected person of the Company pursuant to the Listing Rules.

1. *The franchise agreements*

The Group entered into respective two franchise agreements with Shigemitsu on 19 February 2006, one in respect of the PRC and the other in respect of Hong Kong and Macau (collectively, the "Franchise Agreements"). Pursuant to the Franchise Agreements, Shigemitsu grants a sole, exclusive and perpetual franchise to the Group to operate the franchise business of manufacturing, supplying, marketing, distributing and selling ramen and the special Japanese soup base formulated and produced by Shigemitsu and the business of operating Japanese style ramen FCR chain restaurants under the trade name of "Ajisen Ramen" and related trademarks (the "Franchise Business").

Pursuant to the Franchise Agreements, the franchise fees and technical fees are payable by the Group to Shigemitsu. The franchise fee is calculated with reference to the number of restaurants and the technical fee is an annual payment for the business of manufacturing and distributing noodles under the "Ajisen" trademark.

The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the year ended 31 December 2019 is RMB34,852,304. The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2019 is approximately RMB31,102,000.

The annual cap set for the aggregate royalty of airports in Europe is RM474,980, the aggregate amount of the royalty for the year ended 31 December 2019 is approximately RMB76,000.

2. *Supply agreements between the Group and Shigemitsu*

Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same party on 16 September 2006 and renewed for a term of three years from 14 May 2015 by a renewal supply agreement dated 14 May 2015 (the "Supply Agreement"). As the Group intended to continue carrying out the transactions under the Supply Agreement, the Group renewed the Supply Agreement with Fortune Choice on 14 May 2018 for a further three-year term. Pursuant to the Supply Agreement, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Business.

Festive Profits Limited ("Festive Profits"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu Food (Shanghai) Co., Ltd. ("Shigemitsu Food") on 14 May 2009 and renewed for a term of three years from 14 May 2015 by a renewal supply agreement dated 14 May 2015 (the "Supply Agreement (PRC)"). As the Group intended to continue carrying out the transactions under the Supply Agreement (PRC), the Group renewed the Supply Agreement (PRC) with Festive Profits on 14 May 2018 for a further three-year term. Shigemitsu Food is wholly owned by Eagle Sky International Limited, which is in turn owned by Mr. Katsuaki Shigemitsu and Shigemitsu as to 60% and 30% respectively. Pursuant to the Supply Agreement (PRC), Shigemitsu Food agrees to sell materials and supplies which are required by the Group for the operation of the Franchise Business in the PRC, including the soup base and other goods.

The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2019 is RMB52,001,355. The actual amount payable for the year is approximately RMB43,335,000.

3. *Sales agreement between Fortune Choice and Shigemitsu*

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 which was renewed for a term of three years from 14 May 2015 by a renewal sales agreement dated 14 May 2015 (the "Sales Agreement (Japan)"). As the Group intended to continue carrying out the transactions under the Sales Agreement (Japan), the Group renewed the Sales Agreement (Japan) with Fortune Choice on 14 May 2018 for a further three-year term. Pursuant to Sales Agreement (Japan), Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried onion crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement (Japan) for the year ended 31 December 2019 is RMB1,507,928. The actual amount received for the year is approximately RMB1,049,000.

Design Union transactions

Design Union Interior Contracting Limited ("Design Union") provides design, decoration and renovation services to the Group's chain restaurants in Hong Kong.

Design Union is jointly owned by Mr. Poon Ka Man, Jason and his wife. Mr. Poon Ka Man, Jason is the younger brother of Ms. Poon Wai and is the maternal uncle of Ms. Minna Ng. He is also an executive Director.

A framework agreement was entered into between Design Union and the Group on 8 March 2007 which was renewed for a term of three years from 14 May 2015 by a renewal agreement dated 14 May 2015 (the "Design Union Agreement"). As the Group intended to continue carrying out the transactions under the Design Union Agreement, the Group renewed the Design Union Agreement with Design Union on 14 May 2018 for a further three-year term. Pursuant to the Design Union Agreement, Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2019 is RMB5,412,000. The actual amount payable for the year is approximately RMB2,306,000.

The INEDs have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has performed certain pre-determined procedures and reported its findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2019 and stated that:

(1) nothing has come to their attention that causes them to believe that the above continuing connected transactions have not been approved by the Company's Board of Directors.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the annual cap as set by the Company.

As Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu have interests in the above continuing connected transactions, they have abstained from physically attending meetings or have abstained from voting on any such board resolution of the Group in relation to the relevant continuing connected transactions.

The Group confirms that it will comply or continue to comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions of the Company.

Apart from the above continuing connected transactions, the related party transaction with Ms. Poon as disclosed in note 42 to the consolidated financial statements also constitutes continuing connected transaction as defined in Chapter 14A of the Listing Rules. However, it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The other related party transactions set out in note 42 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Connected transactions

During the year ended 31 December 2019, the Group also entered into below transactions which constituted connected transactions of the Group under the Listing Rules.

On 30 April 2019, Ajisen Properties Limited (an indirect wholly-owned subsidiary of the Company, the "Vendor") and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company, "Purchaser") entered into a share transfer agreement (the "Share Transfer Agreement"), pursuant to which, the Vendor has agreed to sell and Purchaser has agreed to acquire the entire equity interest in JILIN Property 1 S.A. (wholly and beneficially owned by the Vendor, the "Target Company") for a consideration of HK$186,700,896.39 (the "Disposal"). The Target Company is a property holding company and its principal asset is an office premises with a total GFA of 2,573.24 sq. m., located at the whole of 18th Floor, No. 333 Middle Huaihai Road, Shanghai, the PRC (the "Property"), which is used as an office premises of the Group.

On 30 April 2019, the Target Company (as landlord) and Shanghai Lead Food & Restaurant Management Co. Ltd. (an indirectly wholly-owned subsidiary of the Company, as tenant) entered into a tenancy agreement (the "Tenancy Agreement"), pursuant to which the landlord has conditionally agreed to lease the Property to the tenant upon the terms and subject to the conditions set out in the Tenancy Agreement for an initial term of 3 years commencing on 1 July 2019 until 30 June 2022 (both dates inclusive) after the completion of the Disposal; and the Property will continue to serve as the Group's office premises. Under the Tenancy Agreement, the monthly rent of the Property is fixed at RMB600,000 (equivalent to approximately HK$697,674.42), exclusive of government rates, air-conditioning charges and management fees.

The total monthly rents of the Property incurred during the period from 1 July 2019 to 31 December 2019 were RMB600,000.

The Purchaser, Ms. Poon, is the chairman of the Company, an executive Director and a controlling shareholder of the Company and is interested in approximately 47.55% of the issued share capital of the Company. Accordingly, Ms. Poon is a connected person of the Company pursuant to the Listing Rules. In addition, as at the date of entering the Share Transfer Agreement, Mr. Poon Ka Man, Jason, who is an executive Director and the brother of Ms. Poon, is an associate of Ms. Poon. As such, both Ms. Poon and Mr. Poon had abstained from voting on the relevant Board resolutions relating to the Share Transfer Agreement and the transactions contemplated thereunder.

Following completion of the Share Transfer Agreement, the Target Company becomes wholly-owned by Ms. Poon Wai and is her associate and therefore a connected person of the Company. The Tenancy Agreement thus constitutes a connected transaction of the Company pursuant to the Listing Rules. For detailed terms of the Share Transfer Agreement and the Tenancy Agreement, please refer to the Company's announcement dated 1 May 2019.

Employee's remuneration and policy

As at 31 December 2019, the Group employed 12,354 persons (31 December 2018: 11,609 persons, most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will be changed from time to time as may be 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 bonus and/or share options based on their performances.

The total remuneration payment of the Group for the year ended 31 December 2019 was approximately RMB679,858,000 (31 December 2018: RMB608,433,000).

Permitted Indemnity

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective articles of associations. Such provisions were in force during the course of the financial year ended 31 December 2019 and remained in force as of the date of this report. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the amount of public float as required by the Listing Rules up to the date of this annual report.

Auditor

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu. A resolution for its reappointment as auditor for the ensuing year will be proposed at the forthcoming AGM.

Subsequent Event

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

The Group had to close its restaurants since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

Even though the Group had reopened parts of its restaurants since 1 March 2020, they are still not operating at normal capacity due to the market sentiment.

In addition, as the operations of substantially all of the Group's associates, joint ventures, investees are located in mainland China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments in these investees, which are subject to impairment assessments as appropriate. The recoverability of the Group's inventories is also expected to be negatively affected.

As the situation remains fluid as at the date of this annual report, the Directors considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to materially affect the consolidated results of the Group for the first half and full year of 2020, e.g. provision of inventory, impairment of property, plant and equipment, right-of-use assets and investments in associates and a joint venture, fair value decrease of financial assets at FVTPL and investment properties.

Save as disclosed above, Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this annual report.

On behalf of the Board
Poon Wai
Chairman and Chief Executive Officer

Hong Kong, 31 March 2020

Deloitte. 德勤

TO THE SHAREHODLERS OF AJISEN (CHINA) HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ajisen (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 168, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement for financial assets at fair value through profit or loss ("FVTPL")	
We identified the fair value measurement for financial assets at FVTPL as a key audit matter due to its significance in the context of the consolidated financial statements, combined with the management judgments involved in the fair value measurements for such financial assets. As disclosed in Note 22 to the consolidated financial statements, as at 31 December 2019, the carrying amount of financial assets at FVTPL amounted to approximately RMB262,708,000. As disclosed in Note 35 to the consolidated financial statements, financial assets at FVTPL in an aggregate amount of RMB262,708,000 as at 31 December 2019, fair value of which are determined by appropriate valuation techniques and inputs used. Changes in the key inputs and assumptions on which the fair value of these assets are based could significantly affect the Group's assessment resulting in a fair value change being recognised.	Our procedures in relation to the fair value measurement for financial assets at FVTPL included: • Understanding the key controls over the fair value measurements and evaluating the design and implementation of these controls; • For those investments that management use the assistance of the external valuers in the fair value measurement, assessing the objectivity, independence and competence of the external valuers; and • With the assistance of our internal valuation specialists, evaluating the appropriateness of the valuation techniques and disclosure of the fair value measurement, and challenging management's key inputs and assumptions with supporting evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is David Leung Ho Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 December 2019

	NOTES	**2019 RMB'000**	2018 RMB'000
Revenue	*5*	**2,565,102**	2,377,745
Cost of inventories consumed		**(710,783)**	(584,720)
Staff costs		**(679,858)**	(608,433)
Depreciation and amortisation		**(414,964)**	(156,093)
Other operating expenses		**(639,748)**	(796,727)
Profit from operation		**119,749**	231,772
Other income	*7*	**129,947**	96,794
Impairment losses under expected credit loss model, net of reversal		**(515)**	–
Other gains and losses	*8*	**15,239**	349,320
Share of profit of associates		**2,310**	3,395
Share of loss of a joint venture		**(233)**	(912)
Finance costs	*9*	**(35,240)**	(6,504)
Profit before taxation	*10*	**231,257**	673,865
Income tax expense	*12*	**(62,947)**	(108,525)
Profit for the year		**168,310**	565,340
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on property, plant and equipment and right-of-use assets upon transfer to investment properties		**174,710**	71,914
Income tax relating to items that will not be reclassified to profit or loss		**(88,670)**	(18,065)
Reversal of income tax previously recognised on properties revaluation reserve		**6,736**	–
		92,776	53,849
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**5,350**	(1,869)
		5,350	(1,869)
Other comprehensive income for the year, net of income tax		**98,126**	51,980
Total comprehensive income for the year		**266,436**	617,320

(continued)

	NOTE	2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Owners of the Company		**156,441**	551,020
Non-controlling interests		**11,869**	14,320
		168,310	565,340
Total comprehensive income attributable to:			
Owners of the Company		**253,430**	585,074
Non-controlling interests		**13,006**	32,246
		266,436	617,320

	NOTE	2019 RMB	2018 RMB
Earnings per share	*14*		
– Basic		**0.14**	0.50
– Diluted		**0.14**	0.50

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment properties	15	**1,032,120**	679,874
Property, plant and equipment	16	**606,933**	882,455
Right-of-use assets	17	**681,683**	–
Prepaid lease payments		**–**	55,988
Intangible assets		**6,002**	5,608
Interests in associates	20	**134,570**	149,349
Interest in a joint venture	21	**11,713**	11,946
Rental deposits		**98,885**	83,070
Goodwill	18	**1,344**	7,129
Deferred tax assets	19	**9,069**	1,695
Financial assets at fair value through profit or loss ("FVTPL")	22	**262,708**	310,362
Long term receivables		**–**	86,077
		2,845,027	2,273,553
Current assets			
Inventories	23	**126,691**	79,260
Trade and other receivables	24	**249,443**	425,075
Amount due from a related party	25	**–**	12
Taxation recoverable		**716**	3,260
Pledged bank deposits	26	**–**	380
Bank balances and cash	26	**1,705,399**	1,356,407
		2,082,249	1,864,394
Current liabilities			
Trade and other payables	27	**325,341**	246,551
Lease liabilities	28	**230,231**	–
Contract liabilities		**10,234**	12,824
Amounts due to related companies	29	**4,073**	4,428
Amounts due to directors	29	**504**	906
Amount due to a shareholder	29	**17,525**	30,274
Amounts due to non-controlling interests	29	**13,434**	13,532
Amount due to associates	29	**2,245**	12,116
Amount due to a joint venture		**2,076**	–
Dividend payable		**26**	26
Taxation payable		**51,349**	51,416
Bank borrowings	30	**160,155**	169,598
		817,193	541,671

(continued)

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Net current assets		**1,265,056**	1,322,723
Total assets less current liabilities		**4,110,083**	3,596,276
Non-current liabilities			
Bank borrowings	*30*	**47,521**	49,913
Lease liabilities	*28*	**415,992**	–
Deferred tax liabilities	*19*	**175,355**	107,872
Financial liabilities at FVTPL		**62,776**	132,747
		701,644	290,532
Net assets		**3,408,439**	3,305,744
Capital and reserves			
Share capital	*31*	**108,404**	108,404
Reserves		**3,220,670**	3,122,086
Equity attributable to owners of the Company		**3,329,074**	3,230,490
Non-controlling interests		**79,365**	75,254
Total equity		**3,408,439**	3,305,744

The consolidated financial statements on pages 60 to 168 were approved and authorised for issue by the Board of Directors on 31 March 2020 and are signed on its behalf by:

Poon Ka Man, Jason
DIRECTOR

Minna Ng
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share-based payments reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	108,404	1,887,197	(234,729)	63,843	1,159	93,131	(192,506)	155,173	(10,005)	1,358,823	3,230,490	75,254	3,305,744
Profit for the year	–	–	–	–	–	–	–	–	–	156,441	156,441	11,869	168,310
Other comprehensive income for the year	–	–	–	–	–	92,776	4,213	–	–	–	96,989	1,137	98,126
Total comprehensive income for the year	–	–	–	–	–	92,776	4,213	–	–	156,441	253,430	13,006	266,436
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	105	105
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	–	–	(156,090)	(156,090)	–	(156,090)
Recognition of equity-settled share-based payments (Note 33)	–	–	–	1,244	–	–	–	–	–	–	1,244	–	1,244
Transfer on forfeiture/lapse of share options	–	–	–	(24,568)	–	–	–	–	–	24,568	–	–	–
Transfer of Properties revaluation reserve	–	–	–	–	–	(12,602)	–	–	–	12,602	–	–	–
Transfer	–	–	–	–	–	–	–	5,769	–	(5,769)	–	–	–
At 31 December 2019	108,404	1,887,197	(234,729)	40,519	1,159	173,305	(188,293)	160,942	(10,005)	1,390,575	3,329,074	79,365	3,408,439

(continued)

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share-based payments reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (restated)	108,404	1,887,197	(234,729)	65,812	1,159	39,282	(172,711)	139,289	–	892,656	2,726,359	213,970	2,940,329
Profit for the year	–	–	–	–	–	–	–	–	–	551,020	551,020	14,320	565,340
Other comprehensive income (expense) for the year	–	–	–	–	–	53,849	(19,795)	–	–	–	34,054	17,926	51,980
Total comprehensive income (expense) for the year	–	–	–	–	–	53,849	(19,795)	–	–	551,020	585,074	32,246	617,320
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(64,946)	(64,946)
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	–	–	(72,885)	(72,885)	–	(72,885)
Recognition of equity-settled share-based payments	–	–	–	1,947	–	–	–	–	–	–	1,947	–	1,947
Transfer on forfeiture of share options	–	–	–	(3,916)	–	–	–	–	–	3,916	–	–	–
Transfer	–	–	–	–	–	–	–	15,884	–	(15,884)	–	–	–
Acquisition of additional equity interests in a subsidiary	–	–	–	–	–	–	–	–	(10,005)	–	(10,005)	(5,547)	(15,552)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,922	1,922
Capital withdrawal from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(102,391)	(102,391)
At 31 December 2018	108,404	1,887,197	(234,729)	63,843	1,159	93,131	(192,506)	155,173	(10,005)	1,358,823	3,230,490	75,254	3,305,744

The special reserve mainly represents the aggregate of:

(a) An amount of approximately RMB41 million, being the difference between the paid-in capital of Ajisen (China) International Limited ("Ajisen International") and the subsidiaries involved in the group reorganisation which was effected in 2007.

(b) A net amount of approximately RMB45 million, being the difference between (i) the share premium which resulted from the issue of shares of Ajisen International, of RMB219 million to acquire additional interests in subsidiaries (which resulted in a goodwill of approximately RMB36 million) and (ii) an amount of approximately RMB174 million, being the difference between the fair value and the carrying amount of the additional interest in these subsidiaries prior to the acquisition, which represented a revaluation increase in the net assets attributable to the Group's additional interest in the subsidiaries effected in 2007.

(c) A net debit amount of approximately RMB321 million, being the difference between (i) the consideration which comprised cash consideration of RMB184 million and share consideration of RMB137 million of the acquisition of Luck Right Limited ("Luck Right") and its subsidiaries from Ms. Poon Wai ("Ms. Poon") in 2008 and (ii) the share capital of Luck Right.

Share-based payments reserve represents fair values of share options recognised as expense over their vesting periods on a straight-line basis. Fair values of share options previously recognised in this reserve will be transferred to share premium when the share options are exercised. Fair values of share options previously recognised in this reserve will be transferred to retained profits when the share options are forfeited after the vesting date or are still not exercised at the expiry date.

Capital reserve represents the difference between the actual amount contributed and the registered paid-in capital of certain subsidiaries.

Properties revaluation reserve represents the difference between (i) the carrying amounts and (ii) the fair values of property interests previously classified as property, plant and equipment by the Group at the dates the Group changed their intention and transferred these property interests to investment properties.

As stipulated by the relevant laws and regulations for foreign investment enterprises in People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserve is made out of profit after taxation of the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**231,257**	673,865
Adjustments for:		
Compensation in relation to a prior year financial asset at FVTPL	**–**	(329,404)
Fair value loss (gain) on financial assets at FVTPL	**28,931**	(11,536)
Fair value (gain) loss on financial liabilities at FVTPL	**(1,308)**	49,227
Fair value gain on investment properties	**(47,834)**	(47,840)
Depreciation of property, plant and equipment	**151,947**	154,565
Depreciation of right-of-use assets	**263,017**	–
Impairment loss, net of reversal		
– property, plant and equipment	**3,438**	–
– right-of-use assets	**5,667**	–
– financial assets under expected credit loss model	**515**	–
– goodwill	**5,839**	–
– interest in an associate	**16,139**	–
Finance costs	**35,240**	6,504
Bank interest income	**(27,320)**	(15,935)
Loss (gain) on disposal of property, plant and equipment	**1,782**	(12,385)
Gain on disposal of a subsidiary	**(29,396)**	–
Operating lease rentals in respect of prepaid lease payments	**–**	1,528
Share-based payment expenses	**1,244**	1,947
Share of loss of a joint venture	**233**	912
Share of profit of associates	**(2,310)**	(3,395)
Operating cash flows before movements in working capital	**637,081**	468,053
Increase in utility and other deposits	**(557)**	(1,268)
Increase in inventories	**(47,431)**	(8,863)
Increase in trade and other receivables	**(50,252)**	(26,705)
Increase in trade and other payables	**46,946**	19,926
(Decrease) Increase in contract liabilities	**(2,590)**	1,710
Cash generated from operations	**583,197**	452,853
Income tax paid	**(80,880)**	(92,011)
NET CASH FROM OPERATING ACTIVITIES	**502,317**	360,842
INVESTING ACTIVITIES		
Interest received	**26,254**	15,935
Dividend from an associate	**979**	–
Proceeds on disposal of property, plant and equipment	**4,093**	30,151
Proceeds on disposal of an investment property	**30,000**	–
Proceeds on disposal of a subsidiary	**152,343**	–
Purchase of property, plant and equipment	**(166,612)**	(202,756)
Payments for rental deposits	**(13,335)**	–
Withdraw of pledged bank deposits	**380**	–
Repayment from a related party	**12**	–
Compensation received in relation to a prior year financial asset at FVTPL	**337,572**	–
Capital injection to a joint venture	**–**	(7,715)
Purchase of financial assets at FVTPL	**–**	(124,120)
Proceeds on disposal of financial assets at FVTPL	**–**	62,083
NET CASH FROM (USED) IN INVESTMENT ACTIVITIES	**371,686**	(226,422)

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Advance from related companies	**2,797**	5,154
Repayment to related companies	**(3,152)**	(5,797)
Advance from directors	**1,959**	5,692
Repayment to directors	**(2,361)**	(5,227)
Advance from associates	**2,327**	14,043
Repayment to associates	**(12,198)**	(13,990)
Advance from a joint venture	**2,076**	–
Advance from a shareholder	**18,372**	67,495
Repayment to a shareholder	**(31,121)**	(64,977)
Bank borrowings raised	**40,310**	236,574
Repayment of bank borrowings	**(57,049)**	(352,611)
Repayment of lease liabilities	**(245,639)**	–
Repayment of financial liabilities at FVTPL	**(41,910)**	–
Interest paid	**(35,684)**	(6,504)
Dividends paid to shareholders of the Company	**(156,090)**	(74,598)
Dividends paid to non-controlling interests	**(9,000)**	(64,946)
Contribution from non-controlling interests	**105**	1,922
Withdrawal from non-controlling interests	**–**	(18,871)
Acquisition of additional interest in a subsidiary from non-controlling interests	**–**	(15,552)
NET CASH USED IN FINANCING ACTIVITIES	**(526,258)**	(292,193)
Net increase (decrease) in cash and cash equivalents	**347,745**	(157,773)
Cash and cash equivalents at 1 January	**1,356,407**	1,534,103
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**1,247**	(19,923)
Cash and cash equivalents at 31 December, representing bank balances and cash (Note 26)	**1,705,399**	1,356,407

1. GENERAL

Ajisen (China) Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007. Its immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust and controlled by Ms. Poon Wai ("Ms. Poon") who is also the Chairwoman and Managing Director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section to the annual report.

The principal activities of the Group is operation of restaurants, manufacture and sales of noodles and related products, and investment holding.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and the PRC operating subsidiaries of the Company. The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars ("HK$"). Details of the subsidiaries of the Company (together with the Company hereinafter defined as the "Group") are set out in Note 43.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after the date of 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *HKFRS 16 Leases (Continued)*

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities ranged from 3.29% to 5.94%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	876,819
Less: Recognition exemption – short-term leases	(12,571)
Practical expedient – lease with lease term ending within 12 months from the date of initial application	(48,997)
Change in allocation basis between lease and non-lease components	(94,099)
Undiscounted lease liabilities (excluding short-term leases and non-lease components)	721,152
Lease liabilities as at 1 January 2019 (discounted at relevant incremental borrowing rates)	670,333
Analysed as:	
Current	234,088
Non-current	436,245
	670,333

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *HKFRS 16 Leases (Continued)*

As a lessee (Continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		670,333
Reclassified from prepaid lease payments – leasehold lands	*(a)*	57,522
Reclassified from prepaid lease payments – other	*(a)*	17,850
		745,705
By class:		
Land and buildings – rented premises		745,705

a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current (included in trade and other receivables) and non-current portion of prepaid lease payments amounting to RMB1,534,000 and RMB55,988,000 respectively were reclassified to right-of-use assets. In addition, lease payment paid in advance for restaurants of RMB17,850,000, which was included in trade and other receivables as at 31 December 2018, was reclassified to right-of-use assets upon application of HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 16 Leases (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustments to fair value have had no material impact on the consolidated financial statements of the Group for the current year.

Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year as only a few contracts contain non-lease components and the corresponding amounts are not material.

Impact of transition to HKFRS 16 on retained profits

The transition to HKFRS 16 has no impact on retained profits at 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 *HKFRS 16 Leases (Continued)*

Impact of transition to HKFRS 16 on the consolidated statement of financial position

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000**
Non-current Assets			
Prepaid lease payments	55,988	(55,988)	**–**
Right-of-use assets	–	745,705	**745,705**
Current Assets			
Trade and other receivables	425,075	(19,384)	**405,691**
– Prepaid lease payments (current portion)	1,534	(1,534)	**–**
– Property rentals paid in advance for restaurants	28,073	(17,850)	**10,223**
Current Liabilities			
Lease liabilities	–	234,088	**234,088**
Non-current Liabilities			
Lease liabilities	–	436,245	**436,245**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Impact of applying HKFRS 16 as a lessor on the consolidated financial statements

The impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current year were insignificant.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit (or group of cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposed are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is include within the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as wold be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassified to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reducing in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profit and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, i.e. sub-franchise contracts, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct goods or services underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or services separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

The Group as lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions (upon application of HKFRS 16 since 1 January 2019)

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group acts as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill on identifiable assets acquired arising on an acquisition of a foreign operation is treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefit

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 33 to the Group's consolidation financial statements.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are excised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

If an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the fair value of that item at the date of change in use shall be treated as its deemed cost for subsequent accounting in accordance with HKAS 16 *Property, Plant and Equipment*.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets, intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indicator that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average method basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from a related party, pledged bank deposits, bank balances, loan to an associate and long-term receivables), and other item (including lease receivables) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12M ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 *(Continued)*

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively for other debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12M ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and rental deposits are each assessed as a separate group. Amount due from a related party is assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, trade and other payables, amounts due to related companies, amounts due to directors, amount due to a shareholder, amounts due to non-controlling interests, amount due to associates and amount due to a joint venture are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of the financial assets and liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will engage third party qualified valuers to perform the valuation, if necessary. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management 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 related financial assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15 and 35(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Estimated impairment of interest in an associate

As at 31 December 2019, in view of impairment indicators, the Group performed impairment assessment on interest in an associate. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on observable market value of comparable companies with certain valuation adjustment less incremental costs for disposing of the investment. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment taking into account factors, including discount rate, dividend payout rate, etc.. In cases where change in facts and circumstances which result in revision of those estimation in calculation of fair value less costs of disposal and value in use, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31 December 2019, the carrying amount of the associate amounted to RMB35,702,000 (2018: RMB53,054,000), after taking into account the impairment of RMB16,139,000 (2018: Nil) recognised in profit or loss during the year.

4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

Key source of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is RMB1,344,000 (2018: RMB7,129,000) (net of accumulated impairment loss of RMB31,920,000 (2018: RMB25,408,000)). Details of the recoverable amount calculation are disclosed in note 18.

Deferred tax asset

As at 31 December 2019, a deferred tax asset of RMB9,069,000 (2018: RMB1,695,000) has been recognised in the Group's consolidated statement of financial position as disclosed in note 19. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

Key source of estimation uncertainty (Continued)

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of keen competitions from competitors, resulting in higher depreciation charge and/or write-off or write-down of obsolete assets when residual value or useful lives are less than previously estimated.

At 31 December 2019, the carrying amount of property, plant and equipment amounted to approximately RMB606,933,000 (31 December 2018: RMB882,455,000).

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2019, the carrying amounts of right-of-use assets and property, plant and equipment, are RMB21,686,000 and RMB6,696,000 (2018: RMBNil for property, plant and equipment) respectively, after taking into account the impairment losses of RMB5,667,000 and RMB3,438,000 (2018: no impairment) in respect of right-of-use assets and property, plant and equipment that have been recognised respectively. Details of the impairment of right-of-use assets and property, plant and equipment, are disclosed in Notes 17 and 16 respectively.

4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS *(Continued)*

Key source of estimation uncertainty (Continued)

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in Note 35.

Critical judgements in applying accounting policies

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted and deferred tax liabilities have been recognised.

However, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties.

5. REVENUE

(i) *Disaggregation of revenue from contracts with customers*

	2019 RMB'000	2018 RMB'000
Operation of restaurants	**2,398,899**	2,218,124
Manufacture and sales of noodles and related products	**166,203**	159,621
	2,565,102	2,377,745
Timing of revenue recognition		
A point in time	**2,565,102**	2,377,745

(ii) *Performance obligations for contracts with customers*

Revenue from operation of restaurants, manufacture and sales of packaged noodles and related products is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. For operation of restaurants, payment of the transaction price is due immediately at the point the customer purchases noodles and related products. For manufacture and sales of packaged noodles and related products, the advance payments received from customers are recognised as contract liabilities throughout the year ended 31 December 2019 before the control on the goods is transferred to customers and are recognised as revenue once the goods are delivered and accepted by customers.

All transactions are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue of RMB6,612,000 (2018: RMB7,720,000) recognised in the current year relates to carried-forward contract liabilities that was included in the contract liability balance at the beginning of the year

6. SEGMENT INFORMATION

Information reported to 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 Group's operating and reportable segments under HKFRS 8 are as follows:

Operation of restaurants	– operation of restaurants in Mainland China – operation of restaurants in Hong Kong
Manufacture and sales of packaged noodles and related products	– manufacture and sales of packaged noodles and related products in Mainland China and Hong Kong
Investment holding	– leasing of property interests and investment in financial instruments

Information regarding these segments is presented below.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31 December 2019

	Operation of restaurants			Manufacture and sales of packaged 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	2,240,566	158,333	2,398,899	166,203	–	2,565,102	–	2,565,102
– inter-segment sales	–	–	–	868,549	–	868,549	(868,549)	–
	2,240,566	158,333	2,398,899	1,034,752	–	3,433,651	(868,549)	2,565,102
Segment profit (loss)	152,272	(45,335)	106,937	16,639	58,828*	182,404	–	182,404
Interest income								27,320
Gain on disposal of a subsidiary								29,396
Compensation from Mr. Lau								25,760
Unallocated administrative expenses								(28,655)
Unallocated finance costs								(4,968)
Profit before taxation								231,257
Taxation								(62,947)
Profit for the year								168,310

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Operation of restaurants			Manufacture and sales of packaged noodles and related products	Investment holding	Segment total	Elimination	Total
	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
– external sales	2,038,888	179,236	2,218,124	159,621	–	2,377,745	–	2,377,745
– inter-segment sales	–	–	–	779,219	–	779,219	(779,219)	–
	2,038,888	179,236	2,218,124	938,840	–	3,156,964	(779,219)	2,377,745
Segment profit	347,392	1,856	349,248	14,295	368,469*	732,012	–	732,012
Interest income								15,935
Unallocated administrative expenses								(67,578)
Unallocated finance costs								(6,504)
Profit before taxation								673,865
Taxation								(108,525)
Profit for the year								565,340

* Included share results of associates and a joint venture of profit of RMB2,077,000 in segment profit for the year ended 31 December 2019 (2018: profit of RMB2,483,000).

6. SEGMENT INFORMATION *(Continued)*

Other information

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of interest income, central administrative costs, gain on disposal of a subsidiary, compensation from Mr. Lau and finance costs. 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.

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

The following is an analysis of the Group's non-current assets by geographical location of assets:

	2019 RMB'000	2018 RMB'000
Mainland China	**1,940,738**	1,358,413
Hong Kong	**530,944**	515,696
	2,471,682	1,874,109

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which are Mainland China and Hong Kong, during the years ended 31 December 2019 and 2018.

None of the customers accounted for 10% or more of the total revenue of the Group during each of the years ended 31 December 2019 and 2018.

7. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Royalty income from sub-franchisee (note i)	**18,094**	38,148
Property rental income, net of direct outgoings (note ii)	**36,540**	26,433
Bank interest income	**27,320**	15,935
Government grant (note iii)	**7,123**	6,311
Compensation received from landlord for early termination of leases of restaurants	**2,097**	682
Compensation from Mr. Lau (note iv)	**25,760**	–
Others	**13,013**	9,285
	129,947	96,794

Notes:

(i) The Group grants the royalties to the sub-franchisee and provide rights for them to operate restaurants with the Brand "Ajisen" for fixed contract terms. Royalty income are recognised over time by reference to the amounts specified in the contract.

(ii) Property rental income are recognised on a straight-line basis over the terms of the relevant leases. All the leases for the years ended 31 December 2019 and 2018 are operating leases with fixed lease payments.

(iii) The amount of government grant represents the incentive subsidies received from the PRC local district authorities for the business activities carried out by the Group in the district. There are no specific conditions attached to the grant.

(iv) At 16 December 2019, the Group has recovered a total amount of RMB25,760,000 from Mr. Lau Ka Ho, Robert (劉家豪) ("Mr. Lau"), the former chief financial officer of the Company, in relation to his suspected misappropriation of funds of a subsidiary of the Group during the period from January 2012 to November 2018 as disclosed in the Company's announcements dated 14 December 2018, 19 March 2019 and 23 April 2019.

8. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Gain on disposal of a subsidiary (Note 32)	**29,396**	–
Compensation in relation to a prior year financial asset at FVTPL	**–**	329,404
Fair value gain on investment properties	**47,834**	47,840
(Loss) gain on disposal of property, plant and equipment	**(1,782)**	12,385
Fair value (loss) gain on financial assets at FVTPL	**(28,931)**	11,536
Fair value gain (loss) on financial liabilities at FVTPL	**1,308**	(49,227)
Net foreign exchange loss	**(1,503)**	(2,618)
Impairment loss on goodwill (Note 18)	**(5,839)**	–
Impairment loss on right of use assets (Note 17)	**(5,667)**	–
Impairment loss on property, plant and equipment (Note 16)	**(3,438)**	–
Impairment loss on interest in an associate (Note 20)	**(16,139)**	–
	15,239	349,320

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on lease liabilities	**30,272**	–
Interest on bank borrowings	**4,968**	6,504
	35,240	6,504

10. PROFIT BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories consumed *(note a)*	710,783	584,720
Directors' remuneration *(Note 11)*	3,575	3,327
Other staff's salaries, wages and other benefits	607,355	535,978
Other staff's retirement benefits scheme contributions	67,684	67,181
Other staff's share-based payment expenses	1,244	1,947
Total staff costs	679,858	608,433
Advertising and promotion expenses	29,349	17,802
Depreciation of property, plant and equipment	151,947	154,565
Depreciation of right of use assets	263,017	–
Auditor's remuneration		
Audit fee	2,600	2,500
Non-audit services	700	650
	3,300	3,150
Fuel and utility expenses	121,484	117,182
Gross rental income from investment properties	(38,202)	(27,821)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	1,662	1,388
	(36,540)	(26,433)
Operating lease rentals in respect of		
– land lease	–	1,528
– rented premises	–	348,554
Property rentals in respect of		
– Variable lease payment	58,345	–
– Short-term lease payment	45,192	–
	103,537	350,082

Note:

a. This represents costs of raw materials and consumables used.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to directors and the chief executive are as follows:

	2019						2018					
	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive bonuses RMB'000 (note)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive bonuses RMB'000 (note)	Share-based payment expenses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors												
Ms. Poon	–	1,796	142	–	16	1,954	–	1,755	121	–	15	1,891
Mr. Poon Ka Man Jason	–	760	65	–	16	841	–	755	63	–	15	833
Ms. Minna Ng (appointed on 20 August 2019)	–	142	14	–	5	161	–	–	–	–	–	–
Non-executive director												
Mr. Katsuaki Shigenitsu	110	–	–	–	–	110	108	–	–	–	–	108
Independent non-executive directors												
Mr. Peter Lo	179	–	–	–	–	179	174	–	–	–	–	174
Mr. Jen Shek Voon	179	–	–	–	–	179	174	–	–	–	–	174
Mr. Wang Jincheng	151	–	–	–	–	151	147	–	–	–	–	147
	619	2,698	221	–	37	3,575	603	2,510	184	–	30	3,327

Note: The performance related incentive bonuses for the years ended 31 December 2019 and 2018 were determined based on performance of the Group and individuals.

Ms. Poon is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(Continued)*

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors of Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Employees		
– Salaries and other benefits	1,865	2,154
– Performance related incentive bonuses	–	104
– Share-based payment expenses	450	794
– Retirement benefits scheme contributions	277	110
	2,592	3,162

The number of the highest paid employees whose remuneration fell within the following bands is as follows:

	No. of employees	
	2019	2018
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	1
	5	5

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2019 and 2018.

12. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Hong Kong Profits Tax		
– Current year	**2,837**	8,476
PRC Income Tax		
– Current year	**74,712**	85,742
– Over provision in prior years	**(5,778)**	(6,511)
	68,934	79,231
Withholding tax	**12,995**	4,633
Deferred taxation (credit) charge *(Note 19)*	**(21,819)**	16,185
	62,947	108,525

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the year ended 31 December 2019.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except the followings:

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

During the year ended 31 December 2019 and 2018, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2018 and 2017 respectively, and therefore, Chongqing Weiqian reversed the income tax liability of approximately RMB5,828,000 and RMB5,568,000 which was previously recognised in the year 2018 and 2017 respectively.

12. INCOME TAX EXPENSE *(Continued)*

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

Tax charge for the year is reconciled to profit (loss) before taxation as follows:

	Hong Kong				PRC				Total			
	2019		2018		2019		2018		2019		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit (loss) before taxation	(14,465)		302,486		245,722		371,379		231,257		673,865	
Tax at the applicable income tax rate	(2,387)	16.5	49,910	16.5	61,431	25.0	92,845	25.0	59,044	25.5	142,775	21.2
Tax effect of expenses not deductible for tax purposes	6,684	(46.2)	–	–	348	0.1	237	0.1	7,032	3.0	237	0.0
Tax effect of income not taxable for tax purpose	(10,118)	69.9	(4,906)	(1.6)	–	–	–	–	(10,118)	(4.4)	(4,906)	(0.7)
Tax effect of tax losses not recognised	8,899	(61.5)	8,662	2.9	2,836	1.2	188	0.1	11,735	5.1	8,850	1.3
Tax effect of utilisation of tax losses previously not recognised	(1)	0.0	(45,386)	(15)	(136)	(0.1)	(136)	(0.0)	(137)	(0.1)	(45,522)	(6.8)
Effect of different tax rate on compensation in relation to a prior year financial assets at FVTPL	–	–	(4,250)	(1.4)	–	–	–	–	–	–	(4,250)	(0.6)
Income tax at concessionary rate	–	–	–	–	(866)	(0.4)	–	–	(866)	(0.4)	–	–
Withholding tax on dividends from PRC subsidiaries	–	–	–	–	6,000	2.4	9,000	2.4	6,000	2.6	9,000	1.3
Over provision in prior years	–	–	–	–	(5,778)	(2.4)	(6,511)	(1.8)	(5,778)	(2.5)	(6,511)	(1.0)
Others	419	(2.9)	6,314	2.1	376	0.2	(5,694)	(1.5)	795	0.3	620	0.1
Land appreciation tax effect	–	–	–	–	(4,760)	(1.9)	8,252	2.2	(4,760)	(2.1)	8,252	1.2
Tax charge and effective rate for the year	3,496	(24.2)	10,344	3.4	59,451	24.2	98,181	26.4	62,947	27.2	108,525	16.1

13. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK2.20 cents) per share for 2019 (2018: paid – RMB0.02 (HK2.80 cents) per share for 2018)	**21,831**	26,164
Final, paid – RMB0.10 (HK12.00 cents) per share for 2018 (2018: paid – RMB0.04 (HK5.00 cents) per share for 2017)	**109,154**	46,721
Special paid – RMB0.023 (HK2.50 cents) per share for 2019	**25,105**	–
	156,090	72,885

A final dividend of RMB0.049 (HK5.3 cents) per ordinary share (2018: a final dividend of RMB0.10 (HK12.00 cents) per ordinary share), in an aggregate amount of RMB53,485,000 (HK$57,852,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS PER SHARE

Calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2019 RMB'000	2018 RMB'000
Earnings for the purposes of basic and diluted earnings per share, being earnings for the year attributable to owners of the Company	**156,441**	551,020

14. EARNINGS PER SHARE *(Continued)*

Number of shares

	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to: – outstanding share options	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,538,820**	1,091,538,820

All (31 December 2018: 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 Company's earnings per share during the years ended 31 December 2019 and 2018 because the exercise prices of these options were higher than the average market prices of the Company's shares during the years ended 31 December 2019 and 2018.

15. INVESTMENT PROPERTIES

The Group leases out various offices and factories under operating leases with rentals payable monthly. The leases of offices and factories typically run for an initial period of 1 to 5 years and 10 to 20 years respectively, with no rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
FAIR VALUE	
At 1 January 2018	492,042
Exchange alignment	17,006
Transfer from property, plant and equipment	122,148
Net increase in fair value recognised in profit or loss	48,678
At 31 December 2018	679,874
Exchange alignment	8,876
Transfer from property, plant and equipment	180,572
Transfer from right-of-use assets	17,318
Increase in fair value upon transfer to investment properties recognised in other comprehensive income	174,710
Disposal of an investment property *(note)*	(77,064)
Net increase in fair value recognised in profit or loss	47,834
At 31 December 2019	1,032,120

Note:

During the current year, a factory building located in mainland China was expropriated and compensated at fair value at the expropriation date by Minhang District government of Shanghai. The Group has recognised a fair value gain of RMB42,964,000 on disposal of the investment property for the year ended 31 December 2019.

15. INVESTMENT PROPERTIES *(Continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group engages third party qualified valuers International Valuation Limited (2018: International Valuation Limited) to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities.

During the year ended 31 December 2019, the Group transferred certain of its property interests held under operating leases with carrying values of approximately RMB180,572,000 (2018: RMB42,929,000) from construction in progress, and RMB17,318,000 from right-of-use assets (2018: RMB8,143,000 from prepaid lease payments) to investment properties. The resulting revaluation surplus of approximately RMB174,710,000 (2018: RMB71,914,000) relating to such property interests as at the date of transfer had been credited to the properties revaluation in equity.

Details of the Group's investment properties are as follows:

	2019 **RMB'000**	2018 RMB'000
Commercial property units located in Hong Kong	**405,520**	399,284
Commercial property units located in the PRC	**626,600**	280,590
	1,032,120	679,874

The following table gives information about how the fair values of these investment properties as at 31 December 2019 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorise based on the degree to which the inputs to the fair value measurements is observable.

15. INVESTMENT PROPERTIES *(Continued)*

Carrying Value of Investment Properties held by the Group in the Consolidated Statement of Financial Positions	Fair Value Hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range
Completed investment properties in the PRC RMB114,000,000 (31 December 2018: RMB113,930,000)	Level 3	Direct comparison approach	Price per square meter (note ii)	RMB3,407 to RMB80,631 (2018: RMB900 to RMB75,000)
Completed investment properties in the PRC RMB511,900,000 (note i) (31 December 2018: RMB166,000,000)		Income capitalisation approach	Market rent per square meter per month (note ii)	RMB3.75 to RMB455 (2018: RMB3.0 to RMB450)
			Capitalisation rate (note iii)	3% to 9% (2018: 4.5% to 6.5%)
Car parking spaces in the PRC RMB700,000 (31 December 2018: RMB660,000)		Direct comparison approach	Price per unit (note ii)	RMB350,000 (2018 RMB330,000)
Completed investment properties in HK RMB387,067,000 (31 December 2018: RMB384,135,000)	Level 3	Direct comparison approach	Price per square foot (note ii)	RMB3,187 to RMB27,827 (2018: RMB2,458 to RMB27,162)
Car parking spaces in HK RMB18,453,000 (31 December 2018: RMB15,149,000)		Direct comparison approach	Price per unit (note ii)	RMB1,791,560 to RMB2,239,450 (2018: RMB1,314,300 to RMB1,708,590)

Notes:

(i) Included investment properties with fair value of RMB372,600,000 upon transfer from property, plant and equipment and right-of-use assets during the year.

(ii) Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

(iii) Any significant isolated increases (decreases) in these inputs would result in a significantly lower (higher) fair value measurement.

There are no transfers into or out of level 3 during the year.

In estimating the fair value of the properties, the best use of the properties is their current use.

At 31 December 2019, the Group pledged certain of its investment properties to secure general banking facilities granted to the Group. Details are set out in Note 38.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	680,398	836,810	95,698	6,401	328,788	107,945	2,056,040
Exchange alignment	7,361	2,743	199	77	1,188	–	11,568
Additions	72	83,232	22,884	12	22,070	87,327	215,597
Transfer	3,627	5,256	4	–	–	(8,887)	–
Transfer to investment properties	(71,226)	–	–	–	–	–	(71,226)
Disposals	(24,077)	(6,319)	(1,164)	(8)	(2,636)	–	(34,204)
At 31 December 2018	596,155	921,722	117,621	6,482	349,410	186,385	2,177,775
Exchange alignment	770	1,440	112	37	627	–	2,986
Additions	–	100,212	36,757	–	16,635	36,822	190,426
Transfer	–	12,350	205	–	3,224	(15,779)	–
Transfer to investment properties	–	–	–	–	–	(180,572)	(180,572)
Disposal of a subsidiary (Note 32)	(149,499)	–	–	–	–	–	(149,499)
Disposals	(1,741)	(32,922)	(3,640)	(109)	(4,143)	–	(42,555)
At 31 December 2019	445,685	1,002,802	151,055	6,410	365,753	26,856	1,998,561
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	175,164	673,826	67,483	5,516	259,288	–	1,181,277
Exchange alignment	1,130	1,963	173	46	900	–	4,212
Provided for the year	25,825	91,940	13,144	226	23,430	–	154,565
Transfer to investment properties	(28,297)	–	–	–	–	–	(28,297)
Eliminated on disposals	(10,385)	(2,553)	(1,132)	(8)	(2,359)	–	(16,437)
At 31 December 2018	163,437	765,176	79,668	5,780	281,259	–	1,295,320
Exchange alignment	1,690	1,101	89	28	504	–	3,412
Provided for the year	17,882	94,239	28,311	217	11,298	–	151,947
Eliminated on disposal of a subsidiary (Note 32)	(25,809)	–	–	–	–	–	(25,809)
Eliminated on disposals	(307)	(29,076)	(3,471)	(109)	(3,717)	–	(36,680)
Impairment loss recognised in profit or loss (Note 17)	–	3,438	–	–	–	–	3,438
At 31 December 2019	156,893	834,878	104,597	5,916	289,344	–	1,391,628
CARRYING VALUES							
At 31 December 2019	288,792	167,924	46,458	494	76,409	26,856	606,933
At 31 December 2018	432,718	156,546	37,953	702	68,151	186,385	882,455

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line method at the following rates per annum:

Buildings	5%
Leasehold improvements	10% – 33%
Furniture, fixtures and equipment	15% – 20%
Motor vehicles	20%
Plant and machinery	15% – 20%

The Group's buildings which are situated in the PRC are erected on land with medium-term leases.

As at 31 December 2019 and 2018, the Group pledged certain of its property, plant and equipment to secure the general banking facilities granted to the Group. Details are set out in Note 38.

17. RIGHT-OF-USE ASSETS

	Land use right	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019			
Carrying amount	57,522	688,183	745,705
As at 31 December 2019			
Carrying amount	38,628	643,055	681,683
For the year ended 31 December 2019			
Depreciation charge	(1,726)	(261,291)	(263,017)
Exchange Difference	150	1,436	1,586

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	45,192
Variable lease payments not included, in the measurement of lease liabilities	58,345
Total cash outflow for leases	352,935
Additions to right-of-use assets	240,621
Disposal of right-of-use assets	(10,494)
Modification of right-of-use assets	(9,733)
Impairment loss of right-of-use assets recognised in profit or loss	(5,667)
Land use right transfer to investment property (Note 15)	(17,318)

17. RIGHT-OF-USE ASSETS *(Continued)*

During the current years, the Group leases various offices, chain stores for its operations. Lease contracts are entered into for fixed term of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several factory buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group applies the short-term lease recognition exemption to chain stores with lease term ends within 12 month from the date of initial application of HKFRS 16. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 10.

Variable lease payments

Leases of chain stores are either with only fixed lease payments or contain variable lease payment that are based on 5 to 30% sales and minimum annual lease payment that are fixed over the lease term. The payment terms are common in chain stores in where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the year ended 31 December 2019:

	Number of stores	**Fixed payments**	**Variable payments**	**Total payments**
		RMB'000	RMB'000	RMB'000
Chain stores without variable lease payments	319	150,201	–	150,201
Chain stores with variable lease payments	381	115,662	58,345	174,007

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

17. RIGHT-OF-USE ASSETS *(Continued)*

Restrictions or covenants on leases

In addition, lease liabilities of RMB646,223,000 are recognised with related right-of-use assets of RMB649,937,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Sale and leaseback transactions – seller-lessee

During the year, the Group entered into a sale and leaseback transaction in relation to an office premises located in Shanghai, the PRC and the transaction satisfies the requirements as a sale, details of which are set out in Note 32.

Impairment assessment

As at 31 December 2019, due to the poor performance of certain restaurants operated in mainland China and Hong Kong, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts of RMB6,696,000 and RMB21,686,000 respectively.

The recoverable amount of each CGU, representing each restaurant, has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the lease terms with pre-tax discount rates are 12% for mainland China and 9% for Hong Kong as at 31 December 2019 (2018: nil for property, plant and equipment), respectively. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of RMB3,438,000 and RMB5,667,000 (2018: no impairment), respectively, has been recognised against the carrying amount of property, plant and equipment and right-of-use assets.

18. GOODWILL

	Group of certain Mainland China Restaurants CGUs RMB'000	Group of certain Hong Kong Restaurants CGUs RMB'000	Total RMB'000
COST			
At 1 January 2018	1,255	29,786	31,041
Exchange alignment	60	1,436	1,496
At 31 December 2018	1,315	31,222	32,537
Exchange alignment	29	698	727
At 31 December 2019	1,344	31,920	33,264
IMPAIRMENT			
At 1 January 2018	–	(24,240)	(24,240)
Exchange alignment	–	(1,168)	(1,168)
At 31 December 2018	–	(25,408)	(25,408)
Exchange alignment	–	(673)	(673)
Recognized during the year	–	(5,839)	(5,839)
At 31 December 2019	–	(31,920)	(31,920)
CARRYING VALUES			
At 31 December 2019	1,344	–	1,344
At 31 December 2018	1,315	5,814	7,129

18. GOODWILL *(Continued)*

As at 31 December 2019, a goodwill before impairment amounting to RMB31,920,000 is allocated to a group of cash generating units of certain restaurants operated in Hong Kong ("the group of certain Hong Kong Restaurants CGUs") and a goodwill amounting to RMB1,344,000 is allocated to a group of cash generating units of certain restaurants operated in Mainland China ("the group of certain Mainland China Restaurants CGUs"). The Group has recognised total impairment loss of RMB31,920,000 as at 31 December 2019 in relation to the goodwill allocated to the group of certain Hong Kong Restaurants CGUs.

During the year ended 31 December 2019, the Group engaged an independent qualified professional valuer to assist in performing impairment review for the goodwill allocated to the group of certain Hong Kong Restaurants CGUs. The recoverable amount of the group of cash generating units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2018: 5-year), and discount rate of 9.00% (2018: 12.00%). The group of certain Hong Kong Restaurant CGUs' cash flows beyond the 5-year period (2018: 5-year) are extrapolated using a 3% growth rate (2018: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Based on the valuation, a further impairment loss of RMB5,839,000 has been provided during the year ended 31 December 2019.

19. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year.

	Revaluation of properties in the PRC RMB'000	Land appreciation tax in the PRC RMB'000 *(note)*	Timing difference arising from the leases RMB'000	Withholding tax on undistributed dividends RMB'000	Revaluation of financial assets and liabilities at FVTPL RMB'000	Difference in depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(28,399)	(33,918)	(1,127)	(9,407)	–	911	–	(71,940)
Exchange alignment	(33)	–	–	(1)	–	47	–	13
Credit (charge) to profit or loss	1,934	(8,252)	–	(4,367)	(5,500)	–	–	(16,185)
Charge to other comprehension income	(4,080)	(13,985)	–	–	–	–	–	(18,065)
At 31 December 2018	(30,578)	(56,155)	(1,127)	(13,775)	(5,500)	958	–	(106,177)
Exchange alignment	(14)	–	–	–	–	20	–	6
Credit (charge) to profit or loss	732	4,760	6,910	6,995	6,906	(1,068)	(3,416)	21,819
Charge to other comprehension income	(28,680)	(53,254)	–	–	–	–	–	(81,934)
At 31 December 2019	(58,540)	(104,649)	5,783	(6,780)	1,406	(90)	(3,416)	(166,286)

Note: As the Group's investment properties located in the PRC are held under a business model whose objective is to gain the economic benefits through sale, land appreciation tax is calculated and provided on properties revaluation reserves (charge to other comprehensive income) when such property, plant and equipment are transferred to investment properties and on change on fair values of investment properties (charge to profit or loss) when fair values change at the end of the year.

19. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019	2018
	RMB'000	RMB'000
Deferred tax assets	**9,069**	1,695
Deferred tax liabilities	**(175,355)**	(107,872)
	(166,286)	(106,177)

As at 31 December 2019, the Group has accumulated unutilised tax losses of approximately RMB452,190,000 (2018: RMB386,675,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses which expire as follows:

	2019	2018
	RMB'000	RMB'000
Year of expiry		
2019	**–**	4,070
2020	**1,752**	1,752
2021	**7,643**	7,643
2022	**7,251**	7,251
2023	**747**	753
2024	**11,343**	–
	28,736	21,469

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately RMB197,770,000 (2018: RMB275,500,000), deferred tax liabilities have not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries as at 31 December 2019 amounting to approximately RMB1,445,823,000 (2018: RMB1,356,826,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of investment in associates	151,341	151,341
Share of post-acquisition results and other comprehensive expense, net of dividends received	(1,971)	(3,302)
	149,370	148,039
Less: Impairment loss recognised *(note)*	(16,139)	–
Loan to an associate	1,339	1,310
	134,570	149,349

Note: During the year ended 31 December 2019, the Group engaged an independent qualified professional valuer to assist the management in performing impairment review for an associate of the Group. Based on the valuation, an impairment loss of RMB16,139,000 (2018: Nil) has been recognised during the year ended 31 December 2019.

21. INTEREST IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Cost of investment in a joint venture	12,858	12,858
Share of post-acquisition results	(1,145)	(912)
	11,713	11,946

On 28 April 2017, the Group entered into a joint venture cooperation agreement with two independent third parties to the admission and management of Beijing Feicui Jinghua & Restaurant Management Co., Ltd. ("Feicui Jinghua"), which is principally engaged in operating restaurants. The Group took up approximately 42% of equity interest of Feicui Jinghua.

Pursuant to its articles of association, the financial and operating policies of Feicui Jinghua are governed by resolutions resolved in the Feicui Jinghua's shareholders' meeting. The Group holds 42% of total voting rights, while a valid resolution of shareholders' meeting requires more than two-thirds of total votes. Decisions about relevant activities of Feicui Jinghua require unanimous consent from the Group and the other equity holder sharing control. Therefore, Feicui Jinghua is accounted for as a joint venture in the consolidated financial statements of the Group.

22. FINANCIAL ASSETS AT FVTPL

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Unlisted equity investments and fund investments	**262,708**	310,362

The components of financial assets at FVTPL are as follow:

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Yunxi	**133,500**	137,000
Jiahua Anyuan Fund	**62,002**	70,000
Hezhi	**62,964**	99,120
Others	**4,242**	4,242
	262,708	310,362

In estimating the fair value, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fair value of the major unlisted equity investments are determined by market approach, using key inputs including equity value, redemption value, liquidation value, risk free rate and volatility. Details refer to Note 35.

23. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials and consumables	**114,359**	67,828
Work in progress	**110**	268
Finished goods	**12,222**	11,164
	126,691	79,260

24. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables		
– a related company *(note i)*	**–**	935
– others	**23,494**	33,107
	23,494	34,042
Less: allowance for credit losses	**(3,183)**	(2,956)
	20,311	31,086
Other receivables		
Rental and utility deposits	**19,127**	21,050
Prepaid management fee and property rental *(note ii)*	**9,462**	6,133
Prepaid property rentals	**–**	21,940
Advance to suppliers	**70,088**	26,218
Deductible value added tax	**40,694**	24,753
Compensation receivable in relation to a prior year financial asset at FVTPL	**3,850**	266,067
Receivable from disposal of an investment property *(Note 15)*	**47,064**	–
Prepaid lease payment – current portion	**–**	1,534
Others	**39,135**	26,294
	229,420	393,989
Less: allowance for doubtful debts on other receivables	**(288)**	–
	229,132	393,989
	249,443	425,075

Notes:

(i) The related company is a company in which Ms. Poon has controlling interests.

(ii) The prepaid property rentals are related to short-term leases.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Customers including both independent third parties and related company of noodles and related products are normally granted 60 to 90 days (2018: 60 to 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for customers relating to sales from operation of restaurants.

As at 31 December 2019 and 1 January 2019, trade receivables from contracts with customers amounted to RMB20,311,000 and RMB31,086,000 respectively.

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

	2019	2018
	RMB'000	RMB'000
Ageing		
0 to 30 days	**17,057**	27,865
31 to 60 days	**873**	2,292
61 to 90 days	**1,348**	768
91 to 180 days	**1,033**	161
	20,311	31,086

As at 31 December 2019, included in the Group's trade receivables balance, are debtors with aggregate carrying amount of RMB1,046,000 (2018: RMB161,000) which are past due as at the reporting date. Out of the past due balances, RMB1,046,000 (2018: RMB161,000) has been past due 90 days or more and is not considered as in default as these balances are mainly due from customers of good credit quality. The Group does not hold any collateral over the balances.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in Note 35.

25. AMOUNT DUE FROM A RELATED PARTY

Details of the amount due from a related party are as follows:

Name of the related party	**2019**	2018	**Maximum amount outstanding during the year**
	RMB'000	RMB'000	RMB'000
Well Keen International Ltd., a company in which Ms. Poon Wai has controlling interests	–	12	12

The amount is unsecured, non-trade related, interest-free and repayable on demand.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

As at 31 December 2019, pledged bank deposits held by the Group amounting to Nil (2018: RMB380,000) represent utility deposits pledged to banks, which is classified as current assets. Details are set out in Note 38.

Bank balances and cash comprise cash held by the Group and bank deposits with original maturities of three months or less which carry interest at market rates ranging from 0.30% to 2.80% (2018: 0.30% to 3.30%) per annum.

The Group's bank balances and cash that were denominated in United States dollars("US$"), HK$ and other foreign currencies of the relevant group entities were re-translated in RMB and stated for reporting purposes as:

	2019 **RMB'000**	2018 RMB'000
– US$	**247,208**	24,233
– HK$	**60,247**	41,966
– Others	**530**	2,311
	307,985	68,510

Certain bank balances and cash of approximately RMB1,415,981,000 (2018: RMB1,287,897,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

27. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables		
– related companies *(note)*	26,809	6,143
– others	105,129	88,525
	131,938	94,668
Payroll and welfare payables	49,614	39,386
Customers' deposits received	11,667	12,028
Payable for acquisition of property, plant and equipment	52,073	28,259
Payable for variable lease payment	9,335	8,738
Payable for fixed lease payment	–	15,304
Other taxes payable	17,098	22,108
Others	53,616	26,060
	325,341	246,551

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

The average credit period for purchase of goods is 60 days (31 December 2018: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

Ageing	2019 RMB'000	2018 RMB'000
0 to 30 days	95,038	62,877
31 to 60 days	27,514	24,420
61 to 90 days	1,113	537
91 to 180 days	568	342
Over 180 days	7,705	6,492
	131,938	94,668

28. LEASE LIABILITIES

	2019
	RMB'000
Lease liabilities payable:	
Within one year	230,231
Within a period of more than one year but not more than two years	189,272
Within a period of more than two years but not more than five years	222,528
Within a period of more than five years	4,192
	646,223
Less: Amount due for settlement with 12 months shown under current liabilities	(230,231)
Amount due for settlement after 12 months shown under non-current liabilities	415,992

All lease obligations are denominated in the functional currencies of the relevant group entities.

29. AMOUNT(S) DUE TO RELATED COMPANIES/DIRECTORS/A SHAREHOLDER/NON-CONTROLLING INTERESTS/ASSOCIATES/A JOINT VENTURE

The amount(s) due to related companies/directors/a shareholder/non-controlling interests/associates/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.

30. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured bank borrowings with carrying amounts repayable:		
Within one year or repayable on demand	**160,155**	169,598
In more than one year but not more than two years	**3,466**	3,187
In more than two years but not more than five years	**10,825**	9,982
In more than five years	**33,230**	36,744
	207,676	219,511
Less: amounts shown as non-current liabilities	**(47,521)**	(49,913)
Amounts shown as current liabilities	**160,155**	169,598

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

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

Denominated in	Interest rate	2019 RMB'000	2018 RMB'000
HK$	Prime rate of the counterparty bank minus 3.25% (2018: prime rate of the counterparty bank minus 3.25%)	**45,946**	47,873
HK$	Prime rate of the counterparty bank minus 2.80% (2018: prime rate of the counterparty bank minus 2.80%)	**4,969**	5,160
HK$	Hong Kong InterBank Offered Rate ("HIBOR") plus 1.20% (2018: HIBOR plus 1.20%)	**76,141**	166,478
HK$	HIBOR plus 1.05% (2018: nil)	**80,620**	–
		207,676	219,511

As at 31 December 2019, the weighted average effective interest rate on the bank borrowings was 1.93% (31 December 2018: 2.23%), and are further analysed as follows:

	2019	2018
Denominated in HK$	**1.93%**	2.23%

Detail of the assets of the Group as at 31 December 2019 and 2018 that have been pledged as collateral to secure the general bank facilities of the Group are set out in Note 38.

31. SHARE CAPITAL

	Number of shares	Share capital
		RMB'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,091,538,820	108,404

All shares issued during the years ended 31 December 2019 and 2018 ranked pari passu in all respects with all shares then in issue.

32. DISPOSAL OF A SUBSIDIARY

During the current year, Ajisen Properties Limited ("Ajisen Properties"), a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Ms. Poon pursuant to which, Ajisen Properties has agreed to sell and Ms. Poon has agreed to acquire the entire equity interest in the JILIN Property 1 S.A. 麒麟不動產有限公司 ("JILIN"), a wholly-owned subsidiary of the Group, for a consideration of approximately HK$186,700,896 (equivalent to approximately RMB164,233,000). JILIN is a property holding company and its principal asset is an office premises located in Shanghai, the PRC, which is used as an office premises of the Group. On 30 April 2019, the Group lost control of JILIN in accordance with HKFRS 10.

The net assets of JILIN at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	123,690
Trade and other receivables	756
Bank balances and cash	11,890
Trade and other payable	(90)
Taxation payable	(1,409)
Net assets disposed of	134,837
Total cash consideration	164,233
Less: net assets disposed of	(134,837)
Gain on disposal of the subsidiary:	29,396
Total cash consideration received	164,233
Less: bank balances and cash disposed of	(11,890)
Net cash inflow arising on disposal of the subsidiary	152,343

Following the disposal, the Group has entered into a tenancy agreement, pursuant to which JILIN continues to lease the aforesaid office premises to the Group for an initial term of 3 years. This tenancy agreement is accounted for under HKFRS 16.

33. SHARE OPTION SCHEMES

The Company adopted its share option scheme (the "Share Option Scheme") and pre-IPO share option scheme (the "Pre-IPO Share Option Scheme").

(a) Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant option to the eligible participants in recognition of their contribution made or to be made to the Group. Under the Share Option Scheme, the board of directors of the Company (the "Board") may offer to grant an option 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.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as the date of approval of the Share Option Scheme, i.e. a total of 100,000,000 shares.

No consideration is payable on the grant of the Company's options. The exercise price of a share in respect of option granted under the Share Option Scheme will be determined by the Board provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

33. SHARE OPTION SCHEMES *(Continued)*

(a) Share Option Scheme *(Continued)*

The following table disclosed movements of the Company's shares options under the Share Option Scheme during the years ended 31 December 2019 and 2018.

For the year ended 31 December 2019

Grant date	Exercise price *HK$*	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	Outstanding at 31 December 2019
Employees						
25 June 2008	3.726	40,000	–	–	(40,000)	–
31 December 2008	3.726	5,000	–	–	(5,000)	–
3 July 2009	4.938	27,500	–	–	(27,500)	–
2 July 2010	8.884	328,000	–	–	(10,000)	318,000
26 August 2011	5.530	6,955,000	–	–	(1,076,000)	5,879,000
15 October 2012	5.530	400,000	–	–	–	400,000
2 July 2013	6.310	600,000	–	–	(300,000)	300,000
27 August 2013	8.740	830,000	–	–	(300,000)	530,000
25 October 2013	8.350	1,000,000	–	–	(1,000,000)	–
30 June 2014	6.020	150,000	–	–	(150,000)	–
25 September 2014	6.450	100,000	–	–	–	100,000
8 January 2015	5.900	150,000	–	–	–	150,000
17 April 2015	5.060	2,200,000	–	–	–	2,200,000
2 July 2015	4.104	1,990,000	–	–	(190,000)	1,800,000
19 July 2017	3.504	2,500,000	–	–	–	2,500,000
1 June 2018	3.256	2,100,000	–	–	–	2,100,000
14 January 2019 *(note i)*	2.214	–	55,000	–	–	55,000
3 June 2019 *(note ii)*	3.322	–	200,000	–	–	200,000
		19,375,500	255,000	–	(3,098,500)	16,532,000
Directors						
22 January 2009	3.308	137,500	–	–	(137,500)	–
15 October 2012	5.530	400,000	–	–	–	400,000
		537,500	–	–	(137,500)	400,000
		19,913,000	255,000	–	(3,236,000)	16,932,000
Exercisable at the end of the year		13,884,500				11,887,000
Weighted average exercise price (HK$)		5.06	3.08	–	6.60	4.89

33. SHARE OPTION SCHEMES *(Continued)*

(a) Share Option Scheme *(Continued)*

For the year ended 31 December 2018

Grant date	Exercise price *HK$*	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2018
Employees						
25 June 2008	3.726	40,000	–	–	–	40,000
31 December 2008	3.726	5,000	–	–	–	5,000
3 July 2009	4.938	27,500	–	–	–	27,500
2 July 2010	8.884	328,000	–	–	–	328,000
26 August 2011	5.530	7,242,000	–	–	(287,000)	6,955,000
15 October 2012	5.530	400,000	–	–	–	400,000
2 July 2013	6.310	600,000	–	–	–	600,000
27 August 2013	8.740	1,150,000	–	–	(320,000)	830,000
25 October 2013	8.350	1,050,000	–	–	(50,000)	1,000,000
30 June 2014	6.020	150,000	–	–	–	150,000
25 September 2014	6.450	100,000	–	–	–	100,000
8 January 2015	5.900	150,000	–	–	–	150,000
17 April 2015	5.060	2,200,000	–	–	–	2,200,000
2 July 2015	4.104	2,070,000	–	–	(80,000)	1,990,000
19 July 2017	3.504	2,500,000	–	–	–	2,500,000
1 June 2018 *(note i)*	3.256	–	2,100,000	–	–	2,100,000
6 December 2018 *(note ii)*	2.366	–	1,000,000	–	(1,000,000)	–
		18,012,500	3,100,000	–	(1,737,000)	19,375,500
Directors						
22 January 2009	3.308	137,500	–	–	–	137,500
15 October 2012	5.530	400,000	–	–	–	400,000
		537,500	–	–	–	537,500
		18,550,000	3,100,000	–	(1,737,000)	19,913,000
Exercisable at the end of the year		14,118,540				13,884,500
Weighted average exercise price (HK$)		5.34	2.97	–	4.32	5.06

33. SHARE OPTION SCHEMES *(Continued)*

(a) *Share Option Scheme* *(Continued)*

The details of the share options granted during the year ended 31 December 2019 are set out below:

Note i: Share options granted on 14 January 2019:

(1) The share options granted under the Share Option Scheme on 14 January 2019 were at an exercise price of HK$2.214 per share.

(2) The exercise period is from 14 January 2019 to 13 January 2029.

(3) For the share options granted on 14 January 2019, the options will be vested in 5 tranches, i.e. the first 20% on 14 January 2020, the second 20% on 14 January 2021, the third 20% on 14 January 2022, the fourth 20% on 14 January 2023 and the remaining 20% on 14 January 2024.

(4) The fair values of the share options of the Company at the grant date were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	Granted on 14 January 2019
Share price	HK$2.210
Exercise price	HK$2.214
Expected volatility	41.73%
Expected life (years)	10 years
Risk-free interest rates	1.96%
Expected dividend yield	2.41%
Exercise multiple	2.2

The closing price of the Company's shares on the date immediately before the date of grant was HK$2.210. The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

Note ii: Share options granted on 3 June 2019:

(1) The share options granted under the Share Option Scheme on 3 June 2019 were at an exercise price of HK$3.322 per share.

(2) The exercise period is from 3 June 2019 to 3 June 2029.

(3) For the share options granted on 3 June 2019, the options will be vested in 5 tranches, i.e. the first 20% on 3 June 2020, the second 20% on 3 June 2021, the third 20% on 3 June 2022, the fourth 20% on 3 June 2023 and the remaining 20% on 3 June 2024.

33. SHARE OPTION SCHEMES *(Continued)*

(a) Share Option Scheme *(Continued)*

Note ii: Share options granted on 3 June 2019: (Continued)

(4) The fair values of the share options of the Company at the grant date were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	Granted on 3 June 2019
Share price	HK$3.260
Exercise price	HK$3.322
Expected volatility	41.76%
Expected life (years)	10 years
Risk-free interest rates	1.39%
Expected dividend yield	2.48%
Exercise multiple	2.2

The closing price of the Company's shares on the date immediately before the date of grant was HK$3.260. The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

The Group recognised the total expense of RMB1,244,000 (2018: RMB1,947,000) for the year ended 31 December 2019 in relation to share options granted by the Company under the Share Option Scheme. The Group transferred the expense of RMB24,568,000 (2018: RMB3,916,000) which was previously recognised to retained earnings because the share options were forfeited after the vesting date.

34. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Interests in a subsidiary	**60,506**	60,506
Amounts due from subsidiaries	**258,259**	367,451
	318,765	427,957
Current assets		
Amounts due from subsidiaries	**93,476**	132,997
Bank balances and cash	**19,948**	837
Other receivable	**1**	–
	113,425	133,834
Current liabilities		
Other payables	**4,847**	2,927
Bank borrowings	**116,451**	87,620
Dividend payable	**26**	26
	121,324	90,573
Net current (liabilities) assets	**(7,899)**	43,261
Total assets less current liabilities	**310,866**	471,218
Capital and reserves		
Share capital	**108,404**	108,404
Reserves *(note i)*	**202,462**	362,814
Total equity	**310,866**	471,218

34. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note i: Reserves

	Share premium RMB'000	**Share options reserve** RMB'000	**Special reserve** RMB'000 *(note)*	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2018	1,887,197	65,812	(320,594)	(1,214,198)	418,217
Total comprehensive income for the year	–	–	–	15,535	15,535
Recognition of equity-settled share-based payments	–	1,947	–	–	1,947
Transfer on forfeiture of share options	–	(3,916)	–	3,916	–
Dividends recognised as distribution *(Note 13)*	–	–	–	(72,885)	(72,885)
At 31 December 2018	1,887,197	63,843	(320,594)	(1,267,632)	362,814
Total comprehensive expense for the year	–	–	–	(5,506)	(5,506)
Recognition of equity-settled share-based payments	–	1,244	–	–	1,244
Transfer on forfeiture of share options	–	(24,568)	–	24,568	–
Dividends recognised as distribution *(Note 13)*	–	–	–	(156,090)	(156,090)
At 31 December 2019	1,887,197	40,519	(320,594)	(1,404,660)	202,462

Note: A debit amount of approximately RMB321 million represents the aggregate amount of the consideration which was settled by the Company with (i) cash consideration of approximately RMB184 million and (ii) share consideration of approximately RMB137 million for the acquisition of Luck Right and its subsidiaries from Ms. Poon in 2008.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost	1,910,366	1,762,389
Financial assets at FVTPL	262,708	310,362
	2,173,074	2,072,751

Financial liabilities

	2019 RMB'000	2018 RMB'000
Liabilities measured at amortised cost	555,776	505,210
Financial liabilities at FVTPL	62,776	132,747
	618,552	637,957

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, rental deposits, loan to an associate, long term receivables, trade and other receivables, amount due from a related party, bank balances and cash, pledged bank deposits, trade and other payables, amounts due to related companies/a shareholder/directors/non-controlling interests/associates/a joint venture, bank borrowings and financial liabilities at FVTPL. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's exposure to foreign currency risk is arising mainly from the bank balances of the Group which are denominated in foreign currencies of the relevant group entities. Except for the bank balances denominated in foreign currencies of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period.

The carrying amounts of the Group's bank balances that are denominated in foreign currency of group entities, representing US$, as at 31 December 2019 and 31 December 2018 are approximately RMB17,313,000 and RMB18,791,000, respectively.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Currency risk (Continued)

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in each relevant foreign currencies US$ against functional currencies RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year and a negative number below indicates a decrease in post-tax profit for the year where the relevant foreign currencies fluctuate 5% against RMB.

	2019	2018
	RMB'000	RMB'000
US$ impact (*Note*)		
– US$ strengthens against RMB by 5%	**649**	705
– US$ weakens against RMB by 5%	**(649)**	(705)

Note: The directors of the Company consider that exposure of the Group's HK operating subsidiaries to US$ is insignificant as that HK$ is pegged to US$.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period end exposures do not reflect the exposure during the year.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

As at 31 December 2019, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 30 for details of these borrowings) and lease liabilities (see Note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 26 for details), variable-rate bank borrowings (see Note 30 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

A 15 basis point (2018: 15 basis points) increase or decrease in variable-rate bank balances and a 50 basis point (2018: 50 basis points) increase or decrease in variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 15 basis points (2018: 15 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by RMB1,988,000 (2018: decrease/increase by RMB1,528,000).

If interest rates on variable-rate bank borrowings had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by RMB669,000 (2018: decrease/increase by RMB708,000).

Credit risk and impairment assessment

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Credit risk and impairment assessment (Continued)

Trade receivables

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables. To measure the ECL of trade receivables, they are assessed individually for debtors with significant balances and/or collectively for other debtors using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate and loss allowance of RMB227,000 (2018:RMB2,956,000) was recognised.

Pledged bank deposits/bank balances

Credit risk on pledged bank deposits/bank balances is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Other receivables and rental deposits

For other receivables and deposits, the directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2019 and 2018, the Group assessed the expected credit losses for other receivables and rental deposits were insignificant and loss allowance of RMB288,000 (2018: Nil) was recognised.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Company's financial assets and other item, which are subject to ECL assessment:

	Note	Internal credit rating	12-month or lifetime ECL	**2019 Gross carrying amount RMB'000**	2018 Gross carrying amount RMB'000
Financial assets at amortised costs					
Amount due from a related party – non-trade related		Low risk	12-month ECL	**–**	12
Long term receivables		Low risk	12-month ECL	**–**	86,077
Pledged bank deposits		NA	12-month ECL	**–**	380
Cash and bank balances	26	NA	12-month ECL	**1,705,399**	1,356,407
loan to an associate	20	Low risk	12-month ECL	**1,339**	1,310
Other receivables and rental deposits	24	Low risk	12-month ECL	**183,477**	287,117
Trade receivables	24	Low risk	Lifetime ECL (not credit impaired)	**19,492**	30,925
		Watch list	Lifetime ECL (not credit impaired)	**1,046**	161
		Loss	Lifetime ECL (credit impaired)	**2,956**	2,956
				23,494	34,042
Other item					
Lease receivables		Low risk	Lifetime ECL (not credit impaired)	**11,741**	–

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and amount due from a related party with trade nature under the simplified approach.

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
As at 1 January 2019	–	2,956	2,956
Impairment losses recognised	227	–	227
As at 31 December 2019	227	2,956	3,183

The following tables show reconciliation of loss allowances that has been recognised for other receivables and rental deposits using the general approach under HKFRS 9:

	12m ECL RMB'000
As at 1 January 2019	–
Impairment losses recognised	160
As at 31 December 2019	160

The following tables show reconciliation of loss allowances that has been recognised for lease receivables using the simplified approach under HKFRS 9:

	Lifetime ECL (not credit impaired) RMB'000
As at 1 January 2019	–
Impairment losses recognised	128
As at 31 December 2019	128

Liquidity risk management

The directors of the Company have adopted a liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) *Financial risk management objectives and policies (Continued)*

Liquidity risk management (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2019							
Financial liabilities							
Trade and other payables	–	308,243	–	–	–	308,243	308,243
Amounts due to related companies	–	4,073	–	–	–	4,073	4,073
Amounts due to directors	–	504	–	–	–	504	504
Amount due to a shareholder	–	17,525	–	–	–	17,525	17,525
Amounts due to non-controlling interests	–	13,434	–	–	–	13,434	13,434
Amounts due to associates	–	2,245	–	–	–	2,245	2,245
Amounts due to a Joint venture	–	2,076	–	–	–	2,076	2,076
Lease liabilities	4.16%	133,249	123,008	439,427	4,567	700,251	646,223
Financial liabilities at FVTPL	–	–	–	62,776	–	62,776	62,776
Bank borrowings-variable interest rate	1.93%	156,637	2,158	17,265	35,461	211,521	207,676
		637,986	125,166	519,468	40,028	1,322,648	1,264,775

	Weighted average effective interest rate %	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2018							
Financial liabilities							
Trade and other payables	–	224,443	–	–	–	224,443	224,443
Amounts due to related companies	–	4,428	–	–	–	4,428	4,428
Amounts due to directors	–	906	–	–	–	906	906
Amount due to a shareholder	–	30,274	–	–	–	30,274	30,274
Amounts due to non-controlling interests	–	13,532	–	–	–	13,532	13,532
Amounts due to associates	–	12,116	–	–	–	12,116	12,116
Financial liabilities at FVTPL	–	–	–	132,747	–	132,747	132,747
Bank borrowings-variable interest rate	2.23%	4,173	170,651	17,179	39,576	231,579	219,511
		289,872	170,651	149,926	39,576	650,025	637,957

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurements of financial instruments*

This note provides information about how the Group determines fair values of various financial assets.

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. 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 Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management 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 following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) 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);

- 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).

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurements of financial instruments (Continued)*

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring Basis (Continued)*

Financial assets/ liabilities	Fair value as at 31/12/2019	31/12/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets at FVTPL – unlisted equity investments	173,763,500	213,419,500	Level 3 (31/12/2018: Level 2)	Market approach The key inputs include equity value of investees, risk free rate and volatility. (31/12/2018: The issue prices for recently issued shares of each investment)	Equity value
Financial assets at FVTPL – fund investments	37,700,500	22,700,500	Level 2	Net asset value determined based on the fair value of underlying assets which are observable and adjustments of related expenses. Key inputs is the comparable interest rates.	N/A
Financial assets at FVTPL – unlisted equity investments	47,002,000	70,000,000	Level 3	Market approach The key inputs include equity value of the investee, risk free rate and volatility. (31/12/2018: 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.)	Equity value (31/12/2018: Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries *(note 1)*. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model *(note 2)*.)
Financial assets at FVTPL – unlisted equity investments	4,242,000	4,242,000	Level 3	Income approach-in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee based on an appropriate discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries *(note 1)*. Discount rate, taking into account of weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model *(note 2)*.
Financial liabilities at FVTPL	62,776,000	132,747,000	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. (31/12/2018: These underlying investments are not publicly traded in an open market. Therefore, the fair value of these investments were determined with reference 1) the issue prices for recently issued shares of each investment and 2) discounted cash flow method *(notes 1, 2 and 3)*.)

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

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

Note 3: Any increases (decreases) in volatility would result in an increase (decrease) in fair value.

Note 4: Any increase (decrease) on share price would result in an increase (decrease) in fair value.

There were no transfers between Level 1 and 2 during the year ended 31 December 2019 and 2018.

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurements of financial instruments (Continued)*

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring Basis (Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	**Financial liabilities at FVTPL**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2018 (restated)	249,729	–	249,729
Exchange realignment	2,050	–	2,050
Addition	124,120	(83,470)	40,650
Disposal	(77,073)	–	(77,073)
Gain (loss) on fair value change	11,536	(49,277)	(37,741)
Transfer out of level 3	(236,120)	–	(236,120)
At 31 December 2018	74,242	(132,747)	(58,505)
Exchange realignment	–	(126)	(126)
Transfer in level 3	213,420	–	213,420
Derecognition	(18,723)	18,723	–
Settlement	–	50,066	50,066
(Loss) gain on fair value change	(28,931)	1,308	(27,623)
Transfer out of level 3 to level 2	(15,000)	–	(15,000)
At 31 December 2019	225,008	(62,776)	162,232

Of the total gains or losses for the period included in profit or loss, loss of RMB28,931,000 and gain of RMB1,308,000 relates to financial assets and liabilities at FVTPL held at the end of the current reporting period. Fair value gains or loss on financial assets at FVTPL are included in 'other gains and losses'.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2019 and 2018 approximate their fair values.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (bank borrowings as detailed in Note 30 offset by bank balances and cash) and equity attributable to owners of the Company comprising share capital and reserves as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank borrowings.

37. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	19,870	14,716
	19,870	14,716

38. PLEDGE OF ASSETS

	2019 RMB'000	2018 RMB'000
Right of use assets	649,937	–
Investment properties	408,288	399,284
Property, plant and equipment	5,752	5,511
Prepaid lease payments	–	6,955
Pledged bank deposits	–	380
	1,063,977	412,130

39. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group's properties with carrying amounts of approximately RMB1,032,120,000 (2018: RMB679,874,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 4.0% (2018: 3.9%) on an ongoing basis.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of premises rented out:

	2019	2018
	RMB'000	RMB'000
Within one year	**45,464**	47,271
In the second to fifth year inclusive	**146,694**	60,534
Over five years	**426,042**	33,401
	618,200	141,206

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Amounts due to related companies RMB'000	Amounts due to directors RMB'000	Amounts due to a shareholder RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to associates RMB'000	Amounts due to a joint venture RMB'000	Dividend payable RMB'000	Interests payable RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	4,428	906	30,274	13,532	12,116	–	26	667	219,511	670,333	951,793
Financing cash flows	(355)	(402)	(12,749)	–	(9,871)	2,076	(156,090)	(35,684)	(16,739)	(245,639)	(475,453)
Foreign exchange translation	–	–	–	(98)	–	–	–	–	4,904	1,543	6,349
Dividends recognised as distribution	–	–	–	–	–	–	156,090	–	–	–	156,090
New lease entered	–	–	–	–	–	–	–	–	–	240,621	240,621
lease disposal	–	–	–	–	–	–	–	–	–	(10,902)	(10,902)
Lease modification	–	–	–	–	–	–	–	–	–	(9,733)	(9,733)
Interest expenses	–	–	–	–	–	–	–	35,240	–	–	35,240
At 31 December 2019	4,073	504	17,525	13,434	2,245	2,076	26	223	207,676	646,223	894,005

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Amounts due to related companies RMB'000	Amounts due to directors RMB'000	Amounts due to a shareholder RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to associates RMB'000	Dividend payable RMB'000	Bank borrowings RMB'000	Total RMB'000
At 1 January 2018	5,071	441	27,756	13,516	12,063	24	320,118	378,989
Financing cash flows	(643)	465	2,518	–	53	(74,598)	(122,541)	(194,746)
Foreign exchange translation	–	–	–	16	–	1,715	15,430	17,161
Dividends recognised as distribution	–	–	–	–	–	72,885	–	72,885
Interest expenses	–	–	–	–	–	–	6,504	6,504
At 31 December 2018	4,428	906	30,274	13,532	12,116	26	219,511	280,793

41. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the MPF) in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of RMB1,299 (HK$1,500) per month or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss for the year is approximately RMB67,721,000 (2018: RMB67,211,000) and as at 31 December 2019, amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately RMB767,000 (as at 31 December 2018: RMB684,000).

42. RELATED PARTY TRANSACTIONS

(a) During the year, the Group has the following significant transactions with related parties:

Relationship with related party	Nature of transaction	2019 RMB'000	2018 RMB'000
Shigemitsu Industry Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Sales of packaged noodles and related products	**1,049**	1,025
	Purchases of raw materials	**(43,335)**	(39,371)
	Franchise commissions		
	– for restaurant operating in Hong Kong	**(1,253)**	(1,216)
	– for restaurant operating in the PRC	**(29,249)**	(27,227)
	Technical fee	**(600)**	(662)
	Royalty fee	**(76)**	(40)
Ajisen Overseas Franchising Co., Ltd. a company Mr. Katsuaki Shigemitsu has controlling interests	Royalty fee	**(76)**	(40)
Ms. Poon	Property rentals	**–**	(2,365)
	Disposal of a subsidiary (Note 32)	**164,233**	–
	Lease liabilities *(note)*	**(15,616)**	–
	Interest expense on lease liabilities	**(515)**	–
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Decoration expenses	**(2,306)**	(2,638)
Japan Foods Holding Ltd., non-controlling interests of a subsidiary	Franchise commissions	**(1,932)**	(2,004)
Katrina International Pte Ltd., non-controlling shareholder of a subsidiary of the Company	Franchise commissions	**–**	(512)
Hubei Jupeng Kitchen Equipment Co., Ltd. an associate of the company	Purchase of equipment	**(28,552)**	–
Shenzhen Jupeng Kitchen Equipment Co., Ltd. an associate of the company	Purchase of equipment	**(332)**	–

note: During the year ended 31 December 2019, the Group entered into a tenancy agreement for the use of office premises to the Group for an initial term of 3 years. The Group has recognised an addition of right-of-use assets and lease liabilities of RMB20,243,000 and RMB20,243,000 respectively.

(b) The remuneration of directors of the Company and other members of key management during the year was as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**4,228**	5,555
Retirement benefits scheme contributions	**138**	140
Share-based payment	**443**	794
	4,809	6,489

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

43. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership Interest/ Voting Rights held by the Company 2019	2018	Principal activities
Ajisen International *(note1)*	British Virgin Islands	US$1,000	100%	100%	Investment holding
Ajisen (Hong Kong) Limited	British Virgin Islands	US$990	100%	100%	Investment holding
Ajisen Investments Limited	British Virgin Islands	US$50,000	100%	100%	Investment holding
Ajisen China Group Management Limited	Hong Kong	HK$10,000	100%	100%	Provision of management services to group companies
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	100%	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK$10,000	100%	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Ltd.	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Nice Concept Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Ocean Talent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership Interest/ Voting Rights held by the Company 2019	2018	Principal activities
Pacific Smart Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Ajisen International Limited	Hong Kong	US$1,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Colour Rise Limited	Hong Kong	HK$10,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Big Benefit Group Limited	British Virgin Islands	US$50,000	100%	100%	Investment holding
So Pho International Limited	British Virgin Islands	US$100	70%	70%	Investment holding
Fully Brave Limited	Hong Kong	HK$10,000	70%	70%	Investment holding
領先食品(上海)發展有限公司 Lead Food (Shanghai) Development Co. Ltd.	PRC wholly foreign owned enterprise	US$1,200,000	100%	100%	Operating a noodle factory in Shanghai, the PRC
上海領先餐飲管理有限公司 Shanghai Lead Food & Restaurant Management Co. Ltd.	PRC wholly foreign owned enterprise	US$20,000,000	100%	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership Interest/ Voting Rights held by the Company 2019	2018	Principal activities
南京味千餐飲管理有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	RMB30,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing, the PRC
杭州味千餐飲管理有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	RMB20,000,000	100%	100%	Operating Ajisen chain restaurants in Hangzhou, the PRC
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd.	PRC limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Shandong, the PRC
北京味千餐飲管理有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	US$2,200,000	55%	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, the PRC
重慶味千餐飲文化有限公司 Chongqing Weiqian Food & Culture Management Co. Ltd.	PRC limited liability enterprise	RMB1,500,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
大連味千餐飲有限公司 Dalian Weiqian Food Co., Ltd.	PRC limited liability enterprise	RMB500,000	51%	51%	Operating Ajisen chain restaurants in Dalian, the PRC
味千拉麵飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	PRC limited liability enterprise	RMB210,000	100%	100%	Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, the PRC
領鮮食品(上海)有限公司 Lingxian Food (Shanghai) Co., Ltd.	PRC limited liability enterprise	US$15,000,000	100%	100%	Operating a noodle factory in Shanghai, the PRC

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership Interest/ Voting Rights held by the Company 2019	2018	Principal activities
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd.	PRC wholly foreign owned enterprise	RMB18,437,000	**100%**	100%	Operating a noodle factory in Shenzhen, the PRC
領馳食品發展(上海)有限公司 Lingchi Food Development (Shanghai) Co., Ltd.	PRC wholly foreign owned enterprise	US$20,000,000	**100%**	100%	Operating a noodle factory in Shanghai, the PRC
東莞領馳食品有限公司 Donguan Lingchi Food., Ltd.	PRC wholly foreign owned enterprise	US$20,000,000	**100%**	100%	Operating a noodle factory in Dongguan, the PRC
青島領馳食品有限公司 Qingdao Lingchi Food Co., Ltd.	PRC wholly foreign owned Enterprise	RMB$3,000,000	**100%**	100%	Operating a noodle factory in Shandong, the PRC
上海領食餐飲管理有限公司	PRC wholly foreign owned Enterprise	US$1,000,000	**70%**	70%	Operating So Pho chain restaurants in shanghai, the PRC
Hina Group Fund III, Limited Partnership	Cayman Islands limited partnership	US$70,000,000	**86%**	86%	Investment holding
Shanghai JingJing Investment Center (Limited Partnership)	PRC limited partnership	RMB115,010,000	**52%**	52%	Investment holding
Jiahua Mingde (Tianjin) Enterprise Management and Consulting partnership	PRC limited partnership	RMB70,010,000	**71.4%**	71.4%	Investment holding

43. PRINCIPAL SUBSIDIARIES *(Continued)*

Note 1: This company was directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

44. EVENTS AFTER THE REPORTING PERIOD

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

The Group had had to close its restaurants since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

Even though the Group had reopened parts of its restaurants since 1 March 2020, they are still not operating at normal capacity due to the market sentiment.

In addition, as the operations of substantially all of the Group's associates, joint ventures, investees are located in mainland China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments in these investees, which are subject to impairment assessments as appropriate. The recoverability of the Group's inventories is also expected to be negatively affected.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to materially affect the consolidated results of the Group for the first half and full year of 2020, e.g. provision of inventory, impairment of property, plant and equipment, right-of-use assets and investments in associates and a joint venture, fair value decrease of financial assets at FVTPL and investment properties.

45. COMPARATIVE FIGURES

In previous years, property rentals and related expenses is presented on a separate line item on the consolidated statement of Profit or Loss and other Comprehensive Income. The adoption of HKFRS 16 on 1 January 2019 results in changes in measurement, presentation and disclosure of leases as indicated in Note 2.1.

Accordingly, the directors determined not to separately present property rentals and related expenses on the consolidated statement of Profit or Loss and other Comprehensive Income from 1 January 2019 as the information is no longer comparable.

Properties Held for Investment

Name/Location		Type	Carrying values in existing state at 31 December 2019 RMB'000	Lease term
1.	Workshops 1 to 24 on 10/F and Car Parking Space No. 52 on Level 3, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	103,552	Medium-term lease
2.	Storage B on Base Floor, Storages/Workshops B on G/F and 1/F, Workshops B on 1/F, 3/F 5/F and Roof B, Storage B on B/F Ajisen Group Tower, Nos. 24-26 Sze Shan Street, Yau Tong, Kowloon, Hong Kong	C	198,774	Medium-term lease
3.	Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong	C	16,393	Medium-term lease
4.	9/F, Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong	C	86,801	Medium-term lease
5.	Unit 3101, 31/F, Golden Bell Plaza, No. 98 Huaihai Zhong Road, Luwan District, Shanghai, the PRC	C	44,100	Medium-term lease
6.	Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 1 Tongyan Road, Gaoxin District, Xi'an City Shaanxi Province, the PRC	C	5,500	Medium-term lease

Name/Location		Type	Carrying values in existing state at 31 December 2019 RMB'000	Lease term
7.	Unit 2602, 22/F, Full Town No. 9 Dongsanhuan Zhong Road, Chaoyang District Beijing City, the PRC	C	11,800	Medium-term lease
8.	Units 903 to 908, Block A, Xinian Centre, Tairanjiu Road, Shennan Da Road South, Futian District, Shenzhen City, Guangdong Province, the PRC	C	16,100	Medium-term lease
9.	Units 2110 to 2116, 2118, 2121, 2214 and Two Underground Car Parking spaces, No. 1399 Haining Road, Zhabei District, Shanghai City, the PRC	C	10,400	Medium-term lease
10.	An Industry Property located at 398 Yongan Road, Ande Town Industrial Zone, Pi County, Chengdu City, Sichuan Province, The PRC	C	4,900	Medium-term lease
11.	No. 2, Block D, No. 951 Xinfei Road, Songjiang District, Shanghai City, The PRC	C	21,200	Medium-term lease
12.	Units B-613, 614, A-1216 and A-1217, Tai'an Court, Tairan Nineth Road, Futian District, Shenzhen City, Guangdong Province, The PRC	C	14,300	Medium-term lease
13.	Unit 4206-4207, No. 67 Zhujiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC	C	12,500	Medium-term lease

	Name/Location	Type	Carrying values in existing state at 31 December 2019 RMB'000	Lease term
14.	Unit B of Block 11, No. 951 Xinfei Road Songjiang District, Shanghai City, The PRC	C	17,500	Medium-term lease
15.	Shop 2, Level 2, Block A and Shop 4 Level 2, Block C, Hua Ye Commercial and Residential Estate, No. 65 Meijiang 2nd Road, Jiangnan District, Meizhou City, Guangdong Province, the PRC,	C	18,000	Medium-term lease
16.	Various Protions of level 1 to 3 Block 1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	5,400	Medium-term lease
17.	Site No.1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	10,200	Medium-term lease
18.	115, podium of Dingcheng Building, Zhonghangyuan, Zhenhua Road, Futian District, Shenzhen City, Guangdong Province, the PRC	C	36,100	Medium-term lease
19.	Unit 2-1, 2-2, 2-3 and 2-5, Block 5, No. 88 Wuxing Street, Liouzhou City, Zhuang Autonomous Region, Guangxi Province, the PRC	C	18,400	Medium-term lease
20.	A parcel of land Songkai IV-110-2 with buildings and structures erected thereon, No.961 Xinfei Road, Songjiang District Industrial Zone, Songjiang District, Shanghai, The PRC	C	380,200	Medium-term lease

Type of properties: C- commercial

Note: These property interests are 100% attributable to the Group.

Financial Summary

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	2,545,055	2,379,096	2,332,283	2,377,745	**2,565,102**
Profit (loss) before taxation	295,603	926,845	(533,862)	673,865	**231,257**
Taxation	(90,322)	(156,662)	(50,793)	(108,525)	**(62,947)**
Profit (loss) for the year	205,281	770,183	(584,655)	565,340	**168,310**
Attributable to:					
– owners of the Company	184,558	665,292	(486,650)	551,020	**156,441**
– non-controlling interests	20,723	104,891	(98,005)	14,320	**11,869**
	205,281	770,183	(584,655)	565,340	**168,310**
ASSET AND LIABILITIES					
Total assets	3,896,438	4,415,525	3,673,422	4,137,947	**4,927,276**
Total liabilities	(977,264)	(796,472)	(727,473)	(832,203)	**(1,518,837)**
Net assets	2,919,174	3,619,053	2,945,949	3,305,744	**3,408,439**

J A P A N　C H I N A
U S A　SOUTH KOREA
AUSTRALIA　VIETNAM
SINGAPORE　INDONESIA
THAILAND　MALAYSIA
PHILIPPINE　CANADA

“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。

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