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

AJISEN RAMEN
味千拉麵

(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

2016 年報
ANNUAL REPORT

Ajisen (China) Holdings Limited (stock code: 0538) ("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 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, we have carefully developed over one hundred types of Japanese-style ramen and dishes that cater for the Chinese people's palate. Combining the elements of fast food shops and traditional restaurant elements, the Group has become a fast-growing FCR chain operator.

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As a renowned brand in the Food and Beverage ("F&B") industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. As at 31 December 2016, the Group's nationwide retail network comprises 650 restaurants, Ajisen restaurants have entered 130 cities and 32 provinces of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 135, followed by 77 in Jiangsu and 49 in Guangdong (excluding Shenzhen), together with the remaining 353 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 35 chain restaurants with its chain network covering all major business areas of the city. During 2016, the Group also opened 1 restaurant in Rome of Italy. Moreover, the restaurant network is supported by the Group's Shanghai, Chengdu, Tianjin and Dongguan production bases.

On 30 March 2007, Ajisen (China) was successfully listed on the Main Board of the Stock Exchange, which made it the first domestic catering chain company listed overseas. In 2007, the Group was ranked first among the top 50 fastest-growing Asian enterprises of the year awarded by the influential international financial magazine Business Week. The Company was selected as a constituent of the 200-stock Hang Seng Composite Index ("HSCI") Series and Hong Kong Freefloat Index ("HSFI") Series with effect from 10 September 2007.

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.

这一碗
让心里好满

Contents

Corporate Information

Board of Directors

Executive Directors

Ms. Poon Wai
(Chairman and Chief Executive Officer)
Mr. Poon Ka Man, Jason

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
Mr. Lau Ka Ho, Robert

Qualified Accountant

Mr. Lau Ka Ho, Robert *(CPA)*

Company Secretary

Mr. Lau Ka Ho, Robert *(CPA)*

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

Auditor

Deloitte Touche Tohmatsu

Hong Kong Legal Advisers

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

iPR Ogilvy Ltd
www.iprogilvy.com

Investors Relations Contact

Mr. Richard Liu
Ajisen (China) Holdings Limited
18th Floor, Shui On Plaza
No. 333 Middle Huaihai Road
Shanghai, PRC 200021
E-mail: richard.liu@ajisen.net

Company Website

www.ajisen.com.cn
www.ajisen.com.hk

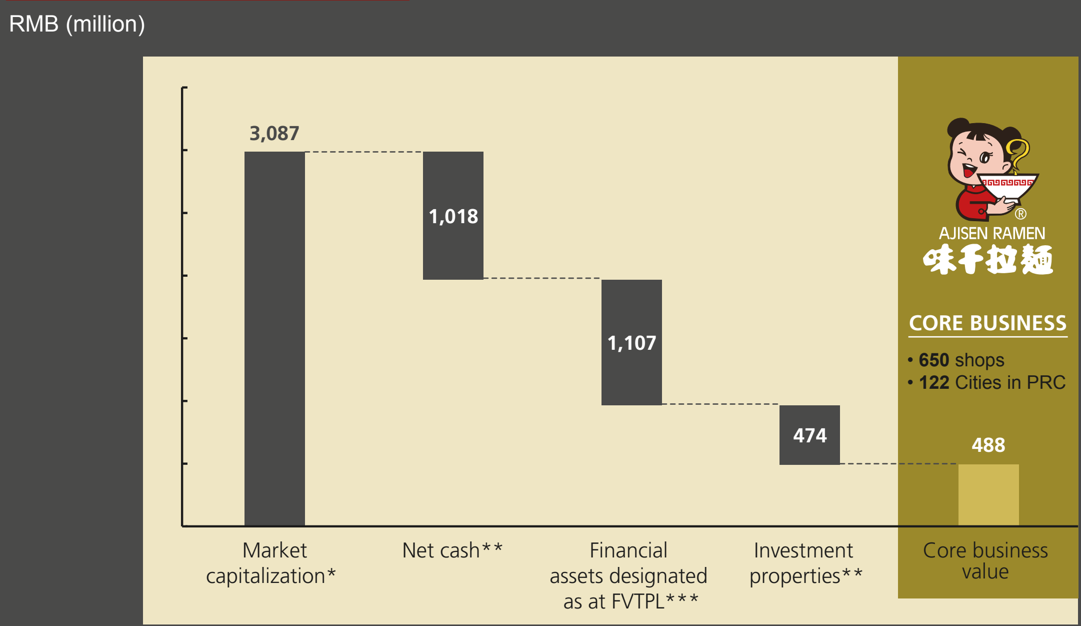
Stock Code

538

Financial Highlights

	2016	2015	Change
Turnover (RMB'000)	**2,379,096**	**2,545,055**	-6.5%
Sales from restaurant operation (RMB'000)	**2,219,230**	**2,430,651**	-8.7%
Gross profit (RMB'000)	**1,712,493**	**1,770,983**	-3.3%
Profit before taxation (RMB'000)	**926,845**	**295,603**	213.5%
Profit attributable to owners of the Company (RMB'000)	**665,292**	**184,558**	260.5%
Basic earnings per share (RMB)	**0.61**	**0.17**	258.8%
Total dividend per share (RMB)	**0.12**	**0.14**	15.0%
Total number of restaurants (at 31 December)	**650**	**673**	-3.4%
Total assets (RMB million)	**4,415.5**	**3,896.4**	13.3%
Net assets (RMB million)	**3,619.1**	**2,919.2**	24.0%
Bank balances and cash (RMB million)	**1,313.3**	**1,335.1**	-1.6%
Inventory turnover (days)	**45.1**	**44.8**	0.3 days
Trade payable turnover (days)	**51.5**	**48.0**	3.5 days
Gross profit margin	**72.0**	**69.6**	2.4 point
Net profit margin	**28.0**	**7.3**	20.7 point
Current ratio	**2.5**	**2.1**	19.0%
Return on equity	**21.3%**	**7.0%**	14.3%
Gearing ratio	**6.7%**	**14.3%**	-7.6 points

ANALYSIS OF CORE OPERATION (For illustration purpose only)



* Market capitalization based on 21 March 2017

** Based on 31 December 2016 consolidated financial statements

*** Available to owners of the Company as at 31 December 2016

As of 31 December 2016, the Group's turnover decreased by 6.5% from the corresponding period of last year. Profits grew by 260.5%, profit margin increased from 7.3% to 28.0% and profits of principle business increased from 8.4% to 10.2%, while food material costs decreased from 30.4% to 28.0%, rental costs increased from 16.0% to 16.3%, labour costs increased from 23.5% to 23.6% and operating costs decreased from 15.2% to 15.0%.

During the reporting period, all restaurants of the Group had been equipped with the Palm Smart Outlet System (掌貝智慧店鋪系統), which offers various functions such as payment, takeaway service, portable android device ("PAD") ordering, issuance of cards and coupons, as well as collection and management of customer consumption data, and facilitates targeted marketing by establishing a database, thus enhancing customer experience and providing better service. As at the end of 2016, all outlets nationwide are deployed with Wi-Fi connection. Meanwhile, apart from some outlets at airport and high-speed railway stations, all other outlets are offering access to WeChat and Alipay payment. The customer relationship management system was also established upon the formal operation of the Palm Smart Outlet System in September 2016. Since then all data with respect to payment, cards, coupons and takeaway service have been input into and handled through the platform of the Palm Smart Outlet System.

In 2016, the Group continued to launch vigorous campaigns to promote its takeaway service. At the end of 2016, the number of restaurants offering takeaway service increased to 526 from 396 at the end of 2015, and the revenue from takeaway service increased to RMB99,803,000, representing 6.4% of the revenue from restaurants offering takeaway service.

During the reporting period, a large number of restaurants were closed down as a result of the previous irrational expansion across the catering industry in the PRC. In particular, the number of restaurants in Beijing and Shanghai was slashed to 36,500. Against this backdrop, the Group has taken a more prudent strategy in terms of opening new restaurants. The portfolio of new restaurants mainly comprised of those with an area of about 80-120 square metres. The portfolio was also featured by a high concentration of locations, namely Beijing, Shanghai, Guangzhou, Shenzhen, Jiangsu, Zhejiang and Anhui, as well as provincial capitals and transportation hubs. Meanwhile, the Group also opened restaurants in third-tier and fourth-tier cities on the basis of prudent location selection and comprehensive consideration.

As at the end of 2016, the Group operated a total of 650 restaurants, representing a decrease of 23 from 673 restaurants in the corresponding period of last year. In particular, the Group also opened 72 new restaurants, with 66 in Mainland China, 1 in Rome of Italy and 5 in Hong Kong respectively, and closed down 95 restaurants, with 86 in Mainland China, 1 in Taiwan and 8 in Hong Kong respectively.

With respect to labour costs, the Group implemented the five-star performance policy in January 2016 with a view to reducing manpower while improving efficiency. Although the Group faced greater pressure from rising labour costs during the period, the proportion of labour costs was maintained at the level of 23.6%.

With respect to procurement, the Group continued its efforts to increase the proportion of direct procurement. The proportion of direct procurement of raw materials by the Group had increased to 77.5%. The Group also made continuous efforts to enhance the quantity and quality of its suppliers home and abroad. On the one hand, the Group maintained its close partnership with large suppliers of meat products in the PRC, such as China Animal Husbandry Group, Shuanghui and Yurun; on the other hand, the Group had developed various direct overseas procuring channels from Spain, Canada, the Netherlands and Brazil and cooperated with international buyer groups for the purpose of procuring meat ingredients of higher quality at more favourable prices. In addition, during the reporting period, the Group also invested in Xu Hongfei Fresh Eggs chicken farm, with a view to ensuring the quality of ingredients. In 2017, the Group will further optimise its global procurement and supply chain for meat products, while connecting supply channels across various regions, including South America and Australia. At the same time, it will also seek large suppliers of vegetables and fruits to enhance its supply chain of vegetables and fruits.

In terms of branding activities, subsequent to the engagement with Park Hae Jin, the Group had also engaged Feng Shaofeng, a popular movie star in China as its brand spokesperson to raise our brand image among consumers, especially those of the post-1980 and post-1990 generations by leveraging on his popularity. Moreover, the Group also launched various promotional activities on regular basis to reward our consumers.

Finally, I would like to express my gratitude to all shareholders and customers for their great support to the Group, as well as the members of the Board, the management and all staff for their efforts and dedication to our development. I am confident that with our concerted efforts, Ajisen will stride forward against headwinds in the restructuring of the industry, and continue to grow and strengthen our presence.

Industry Review

In 2016, global economy witnessed sluggish growth for the fifth consecutive year and intensified volatility in the global financial market. The recovery of developed economies remained weak and black swan events occurred frequently. Capital outflow in the emerging market slowed down and the operation of real economy was running steadily. The US as the world's largest economy sustained reviving pattern and the economy was improving gradually. The Federal Reserve announced a rate hike in mid-December 2016 and the US dollar strongly attracted funds back to the US to stimulate economic recovery. In 2016, the European economy suffered multiple pressures from the British exit from the EU, refugee crisis and deflation. Driven by easing monetary policy in major central banks, further decline in the exchange rate of major currencies, and persistently low international oil prices, the European economy saw steady recovery. The Euro zone economy soared moderately while featuring fragile and downward risks remained. In the emerging market, the Asia-Pacific region maintained moderate speed and slowing growth, while the recession in Eastern Europe and Latin America narrowed, and other regions were lack of growth highlights. In 2016, China's economic operation remained in a reasonable range, and the quality and efficiency of development improved. As the international and domestic economic environment was still intricate, the foundation for economic stability was not solid. In 2016, China's GDP grew 6.7% on a year-on-year basis to RMB74,412.7 billion.

In 2016, China's catering industry recorded revenue of RMB3,579.9 billion, representing an increase of 10.8%, accounting for 10.8% of the total retail sales of social consumer goods.

In 2016, new capital and cross-border competitors continued to enter the catering market. The post-80s and -90s generation gradually took the leading position in the management of the catering business and industry, reshuffle was increasingly significant. According to data from Chenzhi database, as of the third quarter of 2016, the number of catering stores increased to 6.02 million in China. However, in 2016, the number of catering stores in the four first-tier cities, including Beijing, Shanghai, Guangzhou and Shenzhen decreased from over 590,000 in 2015 to 576,000, representing a decrease of 2.4%. It can be seen that the explosive growth of catering stores in 2015 slowed down sharply in 2016, especially in Beijing and Shanghai, where the number of catering stores decreased 36,500. In the meantime, since the homogenization at the supply side was rather severe, it was important to promote catering enterprises out of homogeneous competition and launch more optimized, updated, and iterative products. In addition, due to the accelerated integration of the Internet and the traditional catering industry, the O2O market of catering steadily increased and the restaurants were highly intelligent. The entire catering industry attached great attention to the application of the Internet, big data, and information technology, making this traditional industry undergo tremendous transformation in operations and marketing.

2015 witnessed the outburst of catering takeaway services. In 2016, the takeaway business continued to grow rapidly, imposing an impact on the physical catering stores. Mobile payment fully penetrated into the catering market, changing the payment habits of consumers and posing higher requirements for the informatization and intellectualization of the catering industry.

In addition, new consumers with the post-85s and -90s generation as the representative feature great personality and are willing to interact with great sense of participation. They are the main consumers and make new requirements for the operation and marketing of catering business. Understanding of consumers and meeting their demand have become the key to success in the industry. Facing continuous novel offerings of various specialty catering services, especially specific items, the seizure of consumer has become a new challenge for players in the catering industry.

In 2016, facing numerous challenges such as economic downturn and intensified competition, the management of the Group constantly explored and pursued for approaches for the transformation of the Group, adopted meticulous management, and adhered to the spirit of ingenuity to create intelligent digital stores, enhance the customer experience and promote the development of the Group. In terms of operation, the Group signed the operating rights of more than 8,000 stores in airports globally and stores in

European markets in 2016. In September 2016, the Group fully launched its intelligent store system – ZHANGBEI (掌貝), which improved the customer experience and accumulated consumption big data on Ajisen customers, laying a foundation for the precise marketing for the stores of the Group.

Business Review

For the year ended 31 December 2016, the Group's turnover decreased from approximately RMB2,545 million in 2015, by approximately 6.5% to approximately RMB2,379 million in 2016. The gross profit of the Group reached approximately RMB1,712 million, a decrease of approximately 3.3% from last year. In particular, profit for the year of the Company increased by approximately 275.2% and profit attributable to the owners of the Company increased by approximately 260.5% to approximately RMB665 million from approximately RMB185 million last year. Net profit margin also increased from approximately 7.3% last year to approximately 28.0%. Correspondingly, basic earnings per share increased from RMB0.17 last year to RMB0.61 per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of RMB0.08 (HK9.30 cents) per ordinary share for the year ended 31 December 2016 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 2016, the Group has four major production bases in Shanghai, Chengdu, Tianjin and Dongguan throughout China.

During the year, the Group decelerated its pace for the expansion of fast casual restaurant ("FCR")network as planned. The Group adopted more focused strategies in its development, and continued to expand the restaurant network and deepened the density in mature markets, such as Beijing, Jiangsu, Zhejiang and Shanghai.

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 28.0%, indicating a decrease of approximately 2.4 percentage points from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 69.6% last year to approximately 72.0% in 2016. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw material. In addition, benefit from the value added tax ("VAT") reform in PRC with effective from 1 May 2016, the Group will be able to maintain a relatively high and stable gross profit margin.

During the year, the Group's labour costs accounted for approximately 23.6% of the turnover, which was approximately 0.1 percentage point higher than that of the corresponding period of last year. During the year, proactive cost control measures were implemented, and obvious effects were witnessed during the reporting period. The Group enacted new standards for staff allocation based on restaurant scale, and optimized the scheduling system. These measures enhanced the efficiency of human resource utilization and actively reduced labour costs, leading to a decrease in labour costs.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 16.3%, which was approximately 0.3 percentage point higher than that of the corresponding period last year. Such increase was mainly attributable to the fact that the slower turnover growth for the period and with the recovery of turnover, rental costs will be diluted further, pushing up the proportion of rental and related costs to turnover. 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 650 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 operation 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 mobilize its staff.

Retail Chain Restaurants

In 2016, 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 RMB2,219,230,000 (2015: RMB2,430,651,000), accounted for approximately 93.3% (2015: 95.5%) of the Group's total revenue.

As at 31 December 2016, the Group's restaurant portfolio consisted of 650 Ajisen chain restaurants, comprising the following:

	31 December 2016	31 December 2015	+/–
By provinces:			
Shanghai	**135**	142	-7
Beijing	**43**	40	3
Tianjin	**5**	6	-1
Guangdong (excluding Shenzhen)	**49**	56	-7
Shenzhen	**26**	29	-3
Jiangsu	**77**	80	-3
Zhejiang	**56**	52	4
Sichuan	**16**	20	-4
Chongqing	**13**	17	-4
Fujian	**24**	22	2
Hunan	**16**	17	-1
Hubei	**12**	18	-6
Liaoning	**14**	14	0
Shandong	**35**	39	-4
Guangxi	**7**	7	0
Guizhou	**2**	2	0
Jiangxi	**12**	10	2
Shaanxi	**14**	14	0
Yunnan	**7**	5	2
Henan	**5**	4	1
Hebei	**5**	4	1
Anhui	**10**	12	-2
Gansu	**1**	1	0
Xinjiang	**2**	2	0
Hainan	**6**	3	3
Shanxi	**1**	1	0
Neimenggu	**5**	4	1
Heilongjiang	**8**	7	1
Ningxia, Qinghai	**3**	3	0
Jilin	**4**	3	1
Tibet	**1**	0	1
Hong Kong	**35**	38	-3
Taiwan*	**0**	1	-1
Rome	**1**	0	1
Total	**650**	673	-23
Total saleable area (sq. meters)	**150,516**	154,137	-3,621

* *Note:* Ajisen (China) Holdings Limited holds 15% interest in restaurants operated in Taiwan

	31 December 2016	31 December 2015	+/–
By geographical region:			
Northern China	**123**	121	2
Eastern China	**268**	274	-6
Southern China	**147**	155	-8
Central China	**111**	122	-11
Taiwan	**0**	1	-1
Italy	**1**	0	1
Total	**650**	673	-23

Sales of Packaged Noodle and Related Products

The manufacturing and sales of packaged noodle products under the Ajisen brand is one of the Group's two main businesses and is a beneficial complement to the major business of FCR network operation. These packaged noodle products are manufactured solely by the Group. Besides they are supplied to the chain restaurants of the Group, they are also sold through diversified channels, including supermarkets and department stores, which further enhances the awareness of the Ajisen brand.

For the year ended 31 December 2016, revenue from the sales of packaged noodle and related products was approximately RMB159,866,000 (2015: RMB114,404,000), accounted for approximately 6.7% (2015: 4.5%) of the Group's total revenue. The Group has an extensive distribution network for the packaged noodle and related products in China. As of 31 December 2016, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Alldays, Kedi and C-Store.

Financial Review

Turnover

For the year ended 31 December 2016, the Group's turnover decreased by approximately 6.5%, or approximately RMB165,959,000, to approximately RMB2,379,096,000 from approximately RMB2,545,055,000 for the corresponding period in 2015. Such decrease was mainly due to the stores closed during the year and VAT reform in PRC with effective from 1 May 2016.

Cost of inventories consumed

For the year ended 31 December 2016, the Group's cost of inventories decreased by approximately 13.9%, or approximately RMB107,469,000, to approximately RMB666,603,000 from approximately RMB774,072,000 for the corresponding period in 2015. The decrease of inventories cost was larger than the decrease in turnover. During the year, the ratio of inventories cost to turnover was approximately 28.0%, slightly lower than 30.4% for the corresponding period in 2015. Such decrease was mainly attributable to the adoption of direct purchase to stabilise the cost of raw materials for the year and the benefit from VAT reform in PRC with effective from 1 May 2016.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2016 decreased by approximately 3.3%, or approximately RMB58,490,000, to approximately RMB1,712,493,000 from approximately RMB1,770,983,000 for the corresponding period in 2015. Gross profit margin of the Group also slightly increased from approximately 69.6% for the corresponding period in 2015 to approximately 72.0%.

Property rentals and related expenses

For the year ended 31 December 2016, property rentals and related expenses of the Group decreased by approximately 4.5% from approximately RMB406,475,000 for the corresponding period in 2015 to approximately RMB388,087,000. Its proportion to turnover increased from approximately 16.0% for the corresponding period in 2015 to approximately 16.3%. Such increase was mainly attributable to the increase in rental costs for new tenancies for the year.

Staff costs

For the year ended 31 December 2016, staff costs of the Group decreased by approximately 6.1% from approximately RMB598,087,000 for the corresponding period in 2015 to approximately RMB561,516,000. Staff costs as a proportion to turnover increased from approximately 23.5% for the corresponding period in 2015 by 0.1 percentage point to approximately 23.6%, which reflected the implementing efficient management system such as increasing number of part time staff for the year.

Depreciation

For the year ended 31 December 2016, depreciation of the Group decreased by approximately 1.3% or approximately RMB2,226,000 from approximately RMB165,643,000 for the corresponding period in 2015 to approximately RMB163,417,000. Such decreased was mainly attributable to the decrease in the number of restaurants during the year.

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 2016, other operating expenses decreased by approximately 7.5%, or approximately RMB28,981,000, to approximately RMB357,718,000 from approximately RMB386,699,000 for the corresponding period in 2015. Its proportion to turnover was approximately 15.0%. Expenses spent on advertising and promotion had decreased to approximately RMB48,821,000 from approximately RMB74,029,000 in 2015.

Other income

For the year ended 31 December 2016, other income of the Group decreased by approximately 3.5%, or approximately RMB3,116,000, to approximately RMB84,922,000 from approximately RMB88,038,000 for the corresponding period in 2015. The decreased mainly originated from the decrease in bank interest income and government grant during the year.

Other gains and losses

For the year ended 31 December 2016, other gains and losses of the Group increased by approximately 23,994.1% or RMB615,209,000 to a gain of approximately RMB612,645,000 from a loss of approximately RMB2,564,000 for the corresponding period in 2015. The increase was primarily due to change in the fair value of approximately RMB646,090,000 of financial asset designated as at FVTPL for the year.

The exchange differences arising on translation amounted to a loss of approximately RMB8,018,000 for the year ended 31 December 2016 (2015: RMB922,000) due to depreciation of RMB as compared to HK$ throughout the year and less RMB denominated bank balances were resulted at the end of the year 2016 in Hong Kong as compared to that in the previous year.

Finance costs

For the year ended 31 December 2016, finance costs increased by approximately 136.3%, or approximately RMB5,553,000, to approximately RMB9,628,000 from approximately RMB4,075,000 for the corresponding period in 2015. The increase was mainly due to the bank loan drawn in second half year in 2015.

Profit before taxation

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2016 increased by approximately 213.5%, or approximately RMB631,242,000 to approximately RMB926,845,000 from approximately RMB295,603,000 for the corresponding period in 2015.

Profit attributable to owners of the Company

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company for the year ended 31 December 2016 increased by approximately 260.5%, or approximately RMB480,734,000, to approximately RMB665,292,000 from approximately RMB184,558,000 for the corresponding period in 2015.

Risk Management

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2016 remained healthy and strong, with bank balances amounting to RMB1,313,304,000 (31 December 2015: RMB1,335,062,000) and a current ratio of 2.5 (31 December 2015: 2.1).

As at 31 December 2016, the Group had bank borrowings of RMB294,940,000 (31 December 2015: RMB557,285,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 6.7 (31 December 2015: 14.3).

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 2016 and 31 December 2015 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.

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

Save for those disclosed in this Annual Report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the year under review. 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.

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 2016 and 31 December 2015, 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.

Contingent liabilities

As of 31 December 2016, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB887,758,000 and the current ratio was 2.5 as at 31 December 2016 (31 December 2015: 2.1). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The increase in current ratio was mainly attributable to the repayment of a bank loan in the second half year in 2016.

Cash flows

Cash generated from operations for the year ended 31 December 2016 was approximately RMB406,948,000, while profit before taxation for the same period was approximately RMB926,845,000. The difference was primarily due to the fair value gain on financial asset designated as at FVTPL.

Capital expenditure

For the year ended 31 December 2016, the Group's capital expenditure was approximately RMB327,104,000 (2015: RMB627,940,000), the decrease was due to the purchase of financial asset of RMB454,496,000 in 2015.

Key operating ratios for restaurant operations

	Hong Kong			PRC		
	1-12/2016	1-6/2016	1-12/2015	**1-12/2016**	1-6/2016	1-12/2015
Comparable restaurant sales growth:[Note]	**-1.3%**	-1.4%	6.0%	**-8.1%**	-7.7%	-7.5%
Comparable restaurant sales growth:[Note] (not deducted of VAT)*	**N/A**	N/A	N/A	**-4.9%**	-6.1%	N/A
Per capita spending:	**HK$66.2**	HK$65.3	HK$66.1	**RMB46.7**	RMB46.7	RMB46.7
Table turnover per day (times per day):	**4.9**	4.9	5.2	**3.4**	3.4	3.4

* For illustration purpose only

Note: On 23 March 2016, the Ministry of Finance and the State Administration of Taxation of the PRC jointly issued the 財税[2016]36號通知 (Caishui [2016] No. 36 (Circular)) which provides the Business Tax to Value-Added Tax Transformation Pilot Program (the "Program") for, among others, 生活服務 (lifestyle services) which covers the catering services provided by the Group, effective from 1 May 2016. Under the Program, the 5% business tax ("BT") rate formerly applicable to the sale of the FCR business was replaced by VAT at the rate of 3% or 6% levied on the sales since 1 May 2016. Before the implementation of the Program, the same store sales growth rate in the PRC was reported on a BT-inclusive basis. After such implementation, the same store sales growth rate in the PRC is reported on a net of VAT basis.

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' value.

Corporate Governance Practices

The Company has, throughout the year ended 31 December 2016, 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 Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual, and currently the Company does not comply with this code provision.

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 2016.

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' value.

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 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, Directors have agreed to disclose their commitments to the Company in a timely manner.

Composition

The Board currently consists of six Directors as follows:

Executive Directors
Ms. Poon Wai
Mr. Poon Ka Man, Jason

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 and Senior Management" 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. 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 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, Chief Financial Officer 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 policies making 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, article 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 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 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 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 of the Company 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.

Directors will be continuously updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. 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 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 2016 is as follows:

Name of Directors	**Nature of continuous professional development programmes**
Executive Directors	
Ms. Poon Wai	A
Mr. Poon Ka Man, Jason	A
Non-Executive Directors	
Mr. Katsuaki Shigemitsu	A
Mr. Wong Hin Sun, Eugene#	A
INEDs	
Mr. Lo Peter	A
Mr. Jen Shek Voon	A
Mr. Wang Jincheng	A

Notes:

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

Mr. Wong Hin Sun, Eugene resigned as Director on 22 February 2016.

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 non-executive Directors (including the INEDs) at least once a year without the presence of the executive Directors. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board and committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and committee meeting are generally made available to Directors or 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 committees meetings in sufficient detail. Draft minutes are normally circulated to 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 2016, the Board convened a total of four meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings and the annual general meeting of the Company held on 18 May 2016 (the "2016 AGM") is set out below:

Name of Directors	Board Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Executive Directors		
Ms. Poon Wai	3/4	1/1
Mr. Poon Ka Man, Jason	4/4	1/1
Non-Executive Directors		
Mr. Katsuaki Shigemitsu	4/4	1/1
Mr. Wong Hin Sun, Eugene#	0/0	0/0
INEDs		
Mr. Lo Peter	4/4	1/1
Mr. Jen Shek Voon	4/4	1/1
Mr. Wang Jincheng	4/4	1/1

Mr. Wong Hin Sun, Eugene resigned as Director on 22 February 2016.

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 committees of the Company has been established with 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.

Currently, the Executive Committee comprises two executive Directors and the Chief Financial Officer as follows:

Ms. Poon Wai *(Chairman and CEO)*,
an executive Director
Mr. Poon Ka Man, Jason *(Chief Marketing Officer)*,
an executive Director
Mr. Lau Ka Ho, Robert *(Chief Financial Officer)*

There was one Executive Committee meeting held during the year ended 31 December 2016. Attendance of each Executive Committee member at the Executive Committee Meeting is set out below:

Name of Members	Executive Committee Meeting Attended/Held
Directors	
Ms. Poon Wai	1/1
Mr. Poon Ka Man, Jason	1/1
Mr. Lau Ka Ho, Robert	1/1

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. 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 value 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 associates is involved in deciding his 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 2016, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

Name of Members	**Remuneration Committee Meeting Attended/ Eligible to attend**
Directors	
Mr. Lo Peter	1/1
Mr. Jen Shek Voon	1/1
Mr. Wang Jincheng	1/1
Mr. Wong Hin Sun, Eugene#	0/0

Mr. Wong Hin Sun, Eugene resigned as Director on 22 February 2016.

The Remuneration Committee discussed and reviewed the remuneration policy and packages for Directors and senior management during the meeting.

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band	**Number of Individual(s)**
HK$nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	–
HK$2,500,001 to HK$3,000,000	–
Over HK$3,000,000	–

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. 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 re-appointment 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.

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 2016, the Nomination Committee convened one committee meeting and had assessed the independence of INEDs, considered the re-appointment of the retired Directors and discussed matters relating to procedure of nomination of director candidate by shareholders, Directors' evaluation and succession plan etc. Attendance of each Nomination Committee member at the Nomination Committee meeting is set out below:

Name of Members	**Nomination Committee Meeting Attended/ Eligible to attend**
Directors	
Mr. Wong Jincheng	1/1
Mr. Lo Peter	1/1
Mr. Jen Shek Voon	1/1
Mr. Wong Hin Sun, Eugene#	0/0

Mr. Wong Hin Sun, Eugene resigned as Director on 22 February 2016.

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. 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. 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 2016, 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 Meeting Attended/ Eligible to attend**
Directors	
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	2/2
Mr. Wang Jincheng	2/2
Mr. Wong Hin Sun, Eugene#	0/0

\# Mr. Wong Hin Sun, Eugene resigned as Director on 22 February 2016.

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2017, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2016 and annual results for the year ended 31 December 2016 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.

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 an internal control structure of the Company is 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.

During the reporting period, 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 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 controller's 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; and

- 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.

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 of an effective internal audit function. The Board has accepted the recommendations of the Audit Committee.

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's relation, 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 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, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Company. 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, 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 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) made 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.

On the basis of the aforesaid, 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 controls 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, the system of internal controls maintained by the Group throughout the year ended 31 December 2016, 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, had reviewed the effectiveness and the adequacy of the internal control system 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 2016, 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 50 to 55 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 2016 was approximately as follows:

Type of Services	**Amount** (RMB'000)
Audit	2,500
Non-audit services *(Note)*	693
Total:	3,193

Note: Non-audit services include 2016 interim review.

Company Secretary

Mr. Lau Ka Ho, Robert, our company secretary, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

During the year ended 31 December 2016, Mr. Lau 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 2016 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 2016 AGM held on 18 May 2016 to answer shareholders' questions. The Company's forthcoming AGM will be held on 24 May 2017 (the "2017 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, announcement, 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 a website at 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. Lau Ka Ho, Robert.

Closure of register of members

In order to determine the shareholders who are entitled to attend the 2017 AGM, the register of members of the Company will be closed from 19 May 2017 to 24 May 2017 (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 2016, the register of members of the Company will be closed from 31 May 2017 to 5 June 2017 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the 2017 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 2017 and 29 May 2017 respectively.

Shareholders' Rights

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

All resolutions put forward at shareholder 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 shareholder meeting. At the 2016 AGM, all resolutions were passed by poll by the shareholders of the Company.

Pursuant to article 64 of the articles of association of the Company, 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.

Change in Constitutional Documents

During the year ended 31 December 2016, there is no significant change in constitutional documents of the Company

Looking Forward

The Company will timely review its corporate governance practices 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 recognise the importance of contributing to the communities in which we operate, we provide necessary support and opportunities to beneficiary groups in contributing to the community.

The Group actively fulfilled its social responsibility and took an active part in various public benefit activities, thus set a good enterprise social image. In 2016, the Group recruited a total of 137 disabled people in Shanghai, Beijing and Tianjin to solve their survival problem and help them walk out of their home to join the big family "Ajisen Ramen" and then integrate into the society, offering them a way to realise their value of life. In addition, the restaurants proactively held a series of public benefit activities. The Ajisen Ramen Kangqiao Restaurant in Shanghai, paired up with Zhoupu Community. In March 2016, the activity themed by "Birthday Party of Zhoupu Sunshine Home at Kangqiao" was held at Kangqiao Restaurant to celebrate the birthday of the elderly whose birthday was in that month. On the Christmas day, the staff of Kangqiao Restaurant went to Zhoupu Sunshine Home to celebrate the Christmas with the elderly. Wanli Restaurant in Shanghai organised the activity themed by "Care for the Elderly on the Double Ninth Festival", in which the staff went to Wanlimingxuan Community of Wanli Sub-district to present rich programs for the elderly aged 70-80, and brought the healthy and delicious noodles of Ajisen Ramen to celebrate the Double Ninth Festival with the elderly, to carry forward the traditional virtue of respecting the elderly of the PRC. Our Hong Kong branches responded to the Chinese Manufacturers' Association of Hong Kong on participating in the Job Fair for Rehabilitated Offenders for persons in custody, offering them an opportunity to reintegrate into society quickly. In addition, our Hong Kong branches held Kumamoto Earthquake disaster relief and donation activity in May 2016, and participated in the "Left Behind Children Programme" in December 2016 to subsidize the Mainland China to build schools for students through donation. As a part of the Group, our Hong Kong branches actively performed its corporate responsibility and made a positive contribution to social development.

Together with seven famous brands such as Xibei, Grandma's Diet, Bifengtang, Yichayizuo, etc., Ajisen Group launched the second national competition called "Good Restaurant of China (中國好餐廳)", aiming at building a "win-win ecosphere" in the catering industry and advocating study, growth and creation of a better future together, following the "four good" principles, i.e. "good customers, good staff, good operation and good society". The competition allows the society to have a better understanding of the catering industry and practitioners in the industry, so as to build an ecosphere for co-existence and common prosperity, and is committed to enhancement of operation and sustainable development of the industry. It intends to let practitioners in the industry make self-improvement, let customers to enjoy a more wonderful life brought about by catering and let the world see the beauty of China in good restaurants!

As a responsible enterprise, our Hong Kong branches devoted positive contribution to the society, which have performed certain social community activities during the year and gained well recognition from the community.

After over 20 years of operation on the brand of Ajisen Ramen from the first restaurant established in Shenzhen in 1996 to the present 650 restaurants as well as operation rights of the brand of Ajisen Ramen in over 8,000 airports in the world in 2016, Ms. Poon Wai, the Chairman and Chief Executive Officer has accumulated a rich experience in the industry and has a profound knowledge of the way to better serve customers with catering. Subsequent to her election as the vice chairman of China Hotel Association in 2015, Ms. Poon Wai was re-elected to assume the post in 2016.

Food and Occupational Safety

In implementation of the overall development strategy, the Group strictly 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 complied with the Listing Rules and the requirements on information disclosure by listed companies. In respect of operation of restaurants, we strictly observed the 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 subsidiary in Hong Kong strictly followed the Food Safety Ordinance. The Group organized employees to study the relevant laws and regulations, and further standardized and optimized the management process to do the business in compliance with regulations.

The Group's ERP system was connected with the traceability system of Food and Drug Administration. The materials registered in the system can be traced back to the 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, and the large scale direct purchase, standardized operation and intensive production, together with the cold-chain production and delivery technology centered on central kitchens, can improve the production efficiency, ensure consistency of product taste, and guarantee 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.

In order to standardize the service management, the Group further optimized 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 Company constantly perfected the system construction, and launched a 7S management system to the staffs, equipment, materials, operating methods and environment, etc. respectively, specified the work network and responsible officers on field management to realize a post responsibility system.

The Group values the occupation safety of staff and provides 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 2016, the trainings involved 35 types of machinery and equipment and trained 239 employees 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 conduct business in compliance with all applicable laws and regulations and integrate industry best practices into our central kitchens and stores, we increase energy efficiency, conserve water, minimise waste generation and emissions, and promote awareness of environmental protection in our supply chain and adoption of practicable technologies in production machineries to increase energy efficiency.

The Group stresses the protection of environment and resources and proactively sparkplugs the idea of green and low carbon. The central kitchens and stores have participated in the waste oil recycling scheme, under which qualified recyclers will collect waste oil and then convert it into renewable energy. 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 utilization and waste paper recycling, to make full use of each sheet of paper and protect forest resources.

All stores have installed lampblack electrostatic processor in the process of decoration. Oil and gas and solid particles will be disposed before discharging. In addition to a total of more than 10 stores in certain regions use gas equipment, other kitchen equipment are all equipped with electrical equipment, so that no sulfide or nitride emissions. The Company has formulated a "Manual on Energy Conservation and Emission Reduction" in respect of the energy conservation and emission reduction management system; as for water saving, water used for cleaning the restaurant will be used for mopping; as for energy saving, we use energy-efficient LED lamps and LED lighting signboards; as for energy saving and emission reduction equipment, we use the all-purpose steaming oven instead of the ordinary oven, baked stove and wok. The used water in all stores and central kitchens will be discharged into the municipal pipelines after satisfied the processing standards.

Ajisen Ramen, a fast casual restaurant brand of the Group, won the honorary title of "Green Restaurant" in the rating of "Green Restaurant" organized 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 honorary title granted to "Ajisen Ramen" is the affirmation and praise for the Group's stress on environmental protection and initiative for green and low carbon.

Our Hong Kong branches actively responded to the call of the Hong Kong SAR Government, and actively responded to and abided by the "Charter on External Lighting" by making positive efforts in environmental protection, for example, all lighting fixtures used for decoration, publicity or advertisement purpose that have an adverse impact on the environment were turned off during the period between 23:00 pm to 7:00 am.

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 certificates 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 as and when required. 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 engaged 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 normally will update our stores manual twice a year to give consumers fresh products and innovative ideas. Our customer service hotline was able to send the feedback to the management immediately and the same could be handled promptly. At the beginning of the year, we introduced the "Zhangbei" Smart Store System (掌貝智能店鋪系統) and established a customer relationship management system to further enhance 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.

Protection of Personal Data

Data collected from our customers from time to time may consist of personal information. In this regard, the Group complies with the relevant provisions of the personal data privacy ordinance to ensure that the personal data collected will be treated confidentially and only for specific purposes.

Product responsibility

The Group's shooting, production and playback on advertisements are strictly compliance with the relevant laws and regulations in China and Hong Kong. The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the reporting period.

Relationship with Employees

The Group has always upheld the idea that employees are a key element to the success of our business. With the aim of safeguarding the basic interests of employees, we strictly comply with the Contract Law of the People's Republic of China and Hong Kong Employment Ordinance, and proactively implements minimum wages, gender equality, statutory holidays, the prohibition of child labor or forced labour, fair dismissal policy, as well as enforcing anticorruption practices. 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 2016, the Group has 10,026 employees.

The Group has made effective manpower allocation in accordance with annual manpower planning to ensure that staff and talents are identified from both internal and external sources of the Company and provide suitable career paths and opportunities for its employees. The personnel policies have been 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 Company also maintains good employee relations through conducting anniversary celebrations and other outdoor activities, such as outdoor barbecue, wild hiking and singing party during Christmas to enrich staff's spare time life and let staff feel the wonderful Ajisen, wonderful work and wonderful life in the Group.

Anti-corruption

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 Group is not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group during the reporting period.

Executive Directors

Poon Wai (潘慰), aged 61, 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. Ms. Poon is an experienced entrepreneur who has over 10 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in 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.

Poon Ka Man, Jason (潘嘉聞), aged 60, is the chief marketing officer and an executive Director of the Company. He has been an executive Director of the Company 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 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.

Non-executive Director

Katsuaki Shigemitsu (重光克昭), aged 48, has been a non-executive Director of the Company 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 70, is an independent non-executive Director of the Company. 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, SAR. 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 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 61, has been an independent non-executive Director of the Company since 8 March 2007. Mr. Lo is a director of China Enterprise Capital Limited. Mr. Lo is the chairman and an executive director of China Outfitters Holdings Limited (stock code: 1146) and resigned as the chairman and non-executive director of Sino Distillery Group 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 62, has been an independent non-executive Director of the Company 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.

Senior Management

Lau Ka Ho, Robert (劉家豪), aged 42, is the Chief Financial Officer, the Company Secretary and the Qualified Accountant of the Company. Mr. Lau is an independent non-executive Director of Huscoke Resources Holdings Limited (stock code: 0704). Mr. Lau has over 15 years' experience in audit, finance and business advisory, during which he worked for Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from Hong Kong Polytechnic University with a bachelor degree in Accountancy. He is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2016.

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 2016, 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 29 to 32 of this annual report.

Results and appropriations

The results and appropriations of the Group are set out in page 56 and page 101 of the consolidated financial statements.

Dividend

The Board recommended the payment of a final dividend of RMB0.08 (HK9.30 cents) per ordinary share for the financial year ended 31 December 2016.

Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 30 and 31 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group are set out in page 59 to page 61 of the consolidated financial statements.

Distributable reserves

As at 31 December 2016, the Company has no reserve available for distribution.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 40 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 29 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 of the Company (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 3.3% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 4.3% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 16.3% 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 45 to page 46 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 make RMB630,036 charitable and other donations during the year under review (2015: RMB135,933).

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 2016.

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 148 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

Non-executive Directors:

Mr. Wong Hin Sun, Eugene
(resigned on 22 February 2016)
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 and Mr. Wang Jincheng who was appointed on 9 September 2008.

The biographical details of the Directors and senior management are set out under the section "Directors and Senior Management" of this Annual Report.

In accordance with Article 108 of the Articles of Association, Mr. Poon Ka Man, Jason 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 to be 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, and will continue thereafter for successive terms of one year until terminated by not less than three months notice in writing served by either party on the other.

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, have entered into a letter of appointment with the Company for a period of two years 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 of the Company, 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 corporation

As at 31 December 2016, 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")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, 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 shares (L)	43.99%
	beneficial owner	35,512,347 shares (L)	3.25%
Mr. Poon Ka Man, Jason	beneficial owner	2,500,000 shares (L)	0.23%
Mr. Katsuaki Shigemitsu	beneficial owner	950,000 shares (L)	0.09%
	interest of controlled corporation *(Note 3)*	31,425,380 shares (L)	2.88%
Mr. Wong Hin Sun, Eugene *(Note 4)*	beneficial owner	100,000 shares (L)	0.01%
	interest of spouse *(Note 4)*	500,000 shares (L)	0.05%
Mr. Jen Shek Voon	beneficial owner	95,000 shares (L)	0.01%
Mr. Lo Peter	beneficial owner	75,000 shares (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 Chief Executive Officer of the Company.

3. The 10,604,251 shares held by Shigemitsu Industry Co. Ltd., and the 20,821,129 shares held by Wealth Corner Limited are respectively owned as to approximately 69.89% and 100% by Mr. Katsuaki Shigemitsu, a non-executive Director.

4. The 500,000 shares were held by Mr. Wong Hin Sun, Eugene's wife, Ms. Chin May Yee, Emily. Mr. Wong Hin Sun, Eugene resigned as a non-executive Director with effect from 22 February 2016.

(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)*	200,000 (L)
Mr. Lo Peter	beneficial owner	share option *(Note 2)*	100,000 (L)
Mr. Wang Jincheng	beneficial owner	share option *(Note 2)*	137,500 (L)
Mr. Wong Hin Sun, Eugene *(Note 3)*	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 securities.
2. The share options were granted under the share option scheme of the Company.
3. Mr. Wong Hin Sun, Eugene resigned as a non-executive Director with effect from 22 February 2016.

(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 *(Note)*	1 *(Note)*	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 *(Note)*	10,000 *(Note)*	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 2016, 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 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 2016, 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 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	Capacity and Nature of Interest	Number of Shares	Approximate% of Shareholding
Favor Choice *(Note 2)*	beneficial owner	480,123,041 (L)	43.99%
Anmi Holding *(Notes 2 and 3)*	interest of controlled corporation	480,123,041 (L)	43.99%
HSBC International Trustee Limited *(Note 3)*	trustee (other than a bare trustee)	500,523,720 (L)	45.85%
Invesco Hong Kong Limited	investment manager	107,442,000 (L)	9.84%

Notes:

1. The letters "L" and "S" denote the substantial Shareholder's long position and short position in such shares respectively.

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 Chief Executive Officer of the Company.

3. Among the 500,523,720 shares, HSBC International Trustee Limited (in its capacity as the trustee) is the legal owner of the entire issued share capital of Anmi Holding and Royal Century. Anmi Holding wholly owned Favor Choice which held 476,625,041 Shares and Royal Century wholly owned Brilinda Hilltop Inc. which held 23,898,679 Shares.

Save as disclosed herein, as at 31 December 2016, 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 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" and "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 advisers, 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 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).

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 28 of this Annual Report.

Share option scheme

The Company conditionally adopted its share option scheme (the "Share Option Scheme") on 8 March 2007 for a period of ten years. The purpose of the 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 Share Option Scheme, 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 amount payable by a participant upon acceptance of a grant of options is HK$1.00. The Share Option Scheme expired on 7 March 2017.

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 twelve-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in 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 at the date of approval of the Share Option Scheme i.e. a total of 100,000,000 shares.

The subscription price in respect of an 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 five business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

At 31 December 2016, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 18,411,500 shares (2015: 21,786,000 shares), representing approximately 1.69% of the shares of the Company in issue as at 31 December 2016 (2015: 1.99%).

Total number of shares available for issue under the Share Option Scheme was 18,411,500 shares as at the date of this Annual Report, representing approximately 1.69% of the shares of the Company in issue.

Details of the share options granted under the Share Option Scheme contained in note 31 to the consolidated financial statements and the movement during 2016 are as follows:

Grantee	Date of Grant	Outstanding as at 1 January 2016	Number of share options				Outstanding as at 31 December 2016
			Granted	Exercised	Cancelled	Lapsed	
Employees (in aggregate)	25 June 2008	40,000	–	–	–	–	40,000
	31 December 2008	70,000	–	–	–	(7,500)	62,500
	3 July 2009	27,500	–	–	–	–	27,500
	2 July 2010	673,000	–	–	–	(230,000)	443,000
	26 August 2011	10,988,000	–	–	–	(1,987,000)	9,001,000
	15 October 2012	400,000	–	–	–	–	400,000
	2 July 2013	600,000	–	–	–	–	600,000
	27 August 2013	1,210,000	–	–	–	–	1,210,000
	25 October 2013	1,050,000	–	–	–	–	1,050,000
	19 December 2013	50,000	–	–	–	(50,000)	–
	14 April 2014	200,000	–	–	–	(200,000)	–
	30 June 2014	300,000	–	–	–	(150,000)	150,000
	25 September 2014	100,000	–	–	–	–	100,000
	8 January 2015	250,000	–	–	–	(100,000)	150,000
	2 April 2015	100,000	–	–	–	(100,000)	–
	17 April 2015	2,200,000	–	–	–	–	2,200,000
	2 July 2015	2,890,000	–	–	–	(450,000)	2,440,000
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
Mr. Wong Hin Sun, Eugene (resigned on 22 February 2016)	15 October 2012	100,000	–	–	–	(100,000)	–
		21,786,000	–	–	–	(3,374,500)	18,411,500

Pre-IPO share option scheme

The Company conditionally adopted its pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 8 March 2007. The purpose and the principal terms of the Pre-IPO Share Option Scheme are similar to those of the Share Option Scheme, save as:

(i) the exercise price per share is 85% of the final offer price per share upon listing of the Company;

(ii) no option granted under the Pre-IPO Share Option Scheme will be exercisable within twelve months from the listing date; and

(iii) no further option will be offered or granted under the Pre-IPO Share Option Scheme after the listing of the Company.

Total number of shares available for issue under the Pre-IPO Share Option Schemes was 386,000 shares as at the date of this Annual Report, representing approximately 0.04% of the shares of the Company in issue.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Grantees	Number of Options Granted on 8 March 2007 *(Notes 1 & 3)*	Number of Options: Outstanding up to 1 January 2016	Exercised During the Year *(Note 4)*	Forfeited During the Year	Lapsed During the Year	Outstanding up to 31 December 2016
(1) Directors						
Ms. Poon Wai *(Note 2)*	8,485,000	–	–	–	–	–
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	–	–	–	–	–
Mr. Yin Yibing *(Note 2)*	2,500,000	–	–	–	–	–
(2) Employees and others	6,515,000	388,500	–	–	(2,500)	386,000
	20,000,000	388,500	–	–	(2,500)	386,000

Notes:

(1) All options under the Pre-IPO Share Option Scheme granted on 8 March 2007 can be exercised at a price of HK$4.6495 per share.

(2) Ms. Poon Wai and Mr. Poon Ka Man, Jason who are the executive Directors and Mr. Yin Yibing, a former Director of the Company who resigned on 18 July 2013, have formed Center Goal Holdings Limited to hold the options. Center Goal Holdings Limited is owned as to approximately 62.92% by Ms. Poon Wai, as to approximately 18.54% by Mr. Poon Ka Man, Jason and as to approximately 18.54% by Mr. Yin Yibing.

(3) All holders of options granted under the Pre-IPO Share Option Scheme may only exercise their options in the following manner:

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

(4) During the year ended 31 December 2016, 2,500 (2015: Nil) share options granted to employees of the Group lapsed due to departure of the employees.

As at 31 December 2016, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 386,000 (2015: 388,500) share options, representing approximately 0.04% (2015: 0.04%) of the shares of the Company in issue as at 31 December 2016.

(5) The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Pre-IPO 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 general meeting.

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 Corporation", "Share Option Scheme" and "Pre-IPO 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 38 to the consolidated financial statements.

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2016 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 of the Company, 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 2016 is RMB39,124,936 (HK$45,171,347). The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2016 is approximately RMB26,535,430.

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 parties 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"). 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)"). 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 2016 is RMB67,634,345 (HK$78,081,631). The actual amount payable for the year is approximately RMB33,880,225.

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)"), pursuant to which Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried union 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 2016 is RMB806,869 (HK$931,563). The actual amount received for the year is approximately RMB599,979.

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. He is also an executive Director of the Company.

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"), pursuant to which 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 2016 is RMB7,516,879 (HK$8,678,546). The actual amount payable for the year is approximately RMB1,871,298.

The independent non-executive Directors 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 auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2016 and state 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 39 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 39 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 2016, the Group also entered into certain transactions which constituted connected transactions under the Listing Rules. Details are set out as below:

1. Share purchase agreement

On 4 August 2016, Ajisen Investments Limited ("Ajisen Investments") (an indirect wholly-owned subsidiary of the Company), Apple & Orange Investment Limited ("A&O"), together with the other Series B Investors (as defined in the Company's announcement dated 4 August 2016, the "Announcement"), Yunnex Inc. ("Yunnex"), the Founder Parties (as defined in the Announcement), and the Major Subsidiaries (as defined in the Announcement), entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which Yunnex agreed to allot and issue, and Ajisen Investments and A&O agreed to purchase 7,147,945 and 5,003,561 series B preferred shares in Yunnex at a cash consideration of US$10,000,000 and US$7,000,000, respectively. Yunnex group is principally engaged in the design, distribution, sale and/or operation of the software and hardware products of artificial intelligence and commercial service platform for offline merchants; and the design, distribution, sale and/or operation of the membership cards, membership system and commercial service platform for offline merchants in the PRC.

As a condition precedent to completion of the Share Purchase Agreement, a shareholders' agreement (the "Shareholders' Agreement") would be entered into by Yunnex, the Founder Parties, the Series A Investors (as defined in the Announcement), the Series B Investors (including Ajisen Investments and A&O) and the Major Subsidiaries to govern the conduct of affairs of Yunnex.

As A&O is a company wholly and beneficially owned by Mr. Poon Ka Man, Jason, an executive Director, A&O is a connected person of the Company under the Listing Rules. For details, please refer to the Announcement.

2. Joint venture agreement and Trademark licence agreement

On 29 September 2016, AJ Europe Limited ("AJ Europe") (an indirect wholly-owned subsidiary of the Company), Ajisen Overseas Franchising Company Limited ("Ajisen Overseas") and Ajisen International Limited (the "JV Company") entered into a joint venture agreement (the "Joint Venture Agreement"), pursuant to which, among others,

(a) AJ Europe agreed to subscribe for 799 shares in the JV Company at the subscription price of US$2,000,000; and Ajisen Overseas agreed to subscribe for 200 shares in the JV Company at the subscription price of US$500,000;

(b) Ajisen Overseas agreed to enter into a trademark licence agreement (the "Trademark License Agreement") with the JV Company, which will provide, among others, the grant of an irrevocable sub-license to the JV Company for use of certain trademarks and know-how in the territory as defined in the Trademark Licence Agreement, and the right to further sub-license such trademarks and know-how and grant the franchise right to other third parties for operation of the business under such trademarks and know-how, subject to and upon the terms and conditions contained in the Trademark Licence Agreement.

After the allotment and issue of the shares of the JV Company, the JV Company is owned by AJ Europe and Ajisen Overseas as to 80% and 20% respectively.

Mr. Katsuaki Shigemitsu (a non-executive Director) owns 99% of the issued shares in Ajisen Overseas. Hence Ajisen Overseas is a connected person of the Company under the Listing Rules. For detailed terms of the Joint Venture Agreement and the Trademarks Licence Agreement, please refer to the Company's announcement dated 30 September 2016.

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

Employee's remuneration and policy

As at 31 December 2016, the Group employed 10,026 persons (31 December 2015: 11,224 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 2016 was approximately RMB561,516,000 (31 December 2015: RMB598,087,000).

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 2016 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 their re-appointment as auditor for the ensuing year will be proposed at the forthcoming AGM.

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

Hong Kong, 21 March 2017

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 56 to 144, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 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
Valuation of financial asset designated as at fair value through profit or loss ("FVTPL")	
We identified the measurement of the Group's investment in the takeout business of Baidu, Inc. known as "Baidu Takeout Delivery" (百度外賣) in the PRC ("Project BW") as included in financial asset designated as at FVTPL as a key audit matter due to its significance in the context of the Group's consolidated financial statements, combined with the management judgments involved in the fair value determination of such financial assets. As disclosed in Note 21 to the consolidated financial statements, as at 31 December 2016, the carrying amount of the investment in Project BW as included in financial asset designated as at FVTPL amounted to approximately RMB1,152,521,000. In estimating its fair value, the Group engaged an independent qualified professional valuer to assist the management to determine the appropriate valuation approach and the inputs for the fair value measurement. During the year ended 31 December 2016, the Group recognised a fair value gain of RMB646,090,000 on this investment in the consolidated profit or loss statement. As stated in Note 21, the fair value of this investment was determined with reference to the issue price for recently issued series B preferred shares of Project BW that were subscribed by other independent third party investors. Changes in the key inputs and assumptions on which the fair value of the asset is based could significantly affect the Group's assessment resulting in a fair value loss being recognised.	Our procedures in relation to the valuation of financial asset designated as at FVTPL included: • Obtaining an understanding of management controls over the valuation of the investment in Project BW; • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer assisting the management in the fair value determination; • Obtaining an understanding of the valuation processes and significant assumptions from the management of the Group and the independent qualified professional valuer and utilizing internal valuation experts in assessing if the valuation approach meets the requirement of HKFRSs and industry norms; • Obtaining the information upon which the valuation were based and utilizing internal valuation experts in assessing the suitability of this information as the basis for valuation, including but not limited to, obtaining the sale and purchase agreement; and the size and the background of the third party investors relating to the recently issued series B preferred shares in ascertaining whether the issue price of series B preferred shares can be relied upon the determination of value of BW.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business acquisitions	
We identified the impairment assessment of goodwill arising from acquisition of certain restaurants in Hong Kong ("Hong Kong Restaurants CGU") as a key audit matter due to the judgments involved in management's impairment assessment of goodwill. As disclosed in Note 18 to the consolidated financial statements, as at 31 December 2016, the goodwill before impairment allocated to Hong Kong Restaurants CGU amounted to approximately RMB31,875,000. As disclosed in Note 3 to the consolidated financial statements, a cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit might be impaired. As set out in Note 18 to the consolidated financial statements, the Group engaged an independent qualified professional valuer to assist the management in performing the impairment assessment and the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve management's judgments, including the calculation of value in use of the Hong Kong Restaurants CGU to which goodwill has been allocated. This requires the Group to estimate the future cash flows expected to arise from the Hong Kong Restaurants CGU and a suitable discount rate in order to calculate its present value. Where the actual future cash flows are less than the expected, a material impairment loss may arise. During the year ended 31 December 2016, the Group recognised an impairment loss of RMB25,118,000 on the goodwill allocated to Hong Kong Restaurants CGU and details of the management's process for goodwill impairment assessment and key inputs used in the valuation are disclosed in Note 18 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Obtaining an understanding of management controls over the impairment assessment of goodwill; • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer assisting the management in the impairment assessment; • Examining the determination of recoverable amounts which are the value in use of the Hong Kong Restaurants CGU to which goodwill has been allocated and obtaining an understanding of financial positions and future prospects of the Hong Kong Restaurants CGU; • Assessing the reasonableness of key inputs and assumptions used by management in estimations of value in use, including projections of cash flows, growth rates and weighted average cost of capital (discount rate) applied; • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of the Hong Kong Restaurants CGU, as well as our knowledge of the business; • Comparing the growth rates used to historical growth rates for business of the Hong Kong Restaurants CGU; • Involving internal valuation experts in reviewing the reasonableness of the weighted average cost of capital and checking the mathematical accuracy of the weighted average cost of capital and the free cash flows applied in the calculation of value in use by the independent qualified professional valuer; • Assessing the appropriateness of management's impairment assessment of goodwill in accordance with the requirements of the relevant Hong Kong Accounting Standard ("HKAS") 36 Impairment of Assets.

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 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 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 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 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.

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.

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

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 Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Revenue	6	2,379,096	2,545,055
Other income	7	84,922	88,038
Other gains and losses	8	612,645	(2,564)
Cost of inventories consumed		(666,603)	(774,072)
Staff costs		(561,516)	(598,087)
Depreciation and amortisation		(163,417)	(165,643)
Property rentals and related expenses		(388,087)	(406,475)
Other operating expenses		(357,718)	(386,699)
Share of results of associates		(2,849)	125
Finance costs	9	(9,628)	(4,075)
Profit before taxation	10	926,845	295,603
Taxation	12	(156,662)	(90,322)
Profit for the year		770,183	205,281
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment on transfer of investments properties		4,533	12,241
Deferred tax liability on recognition of revaluation of property, plant and equipment on transfer of investment properties		(2,744)	(7,000)
		1,789	5,241
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale investments		2,168	–
Deferred tax liability on recognition of revaluation of available-for-sale investments		(542)	–
Exchange differences arising on translation of foreign operation		87,110	50,754
		88,736	50,754
Other comprehensive income for the year, net of income tax		90,525	55,995
Total comprehensive income for the year		860,708	261,276
Profit for the year attributable to:			
Owners of the Company		665,292	184,558
Non-controlling interests		104,891	20,723
		770,183	205,281
Total comprehensive income attributable to:			
Owners of the Company		748,836	238,922
Non-controlling interests		111,872	22,354
		860,708	261,276
		RMB	RMB
Earnings per share	14		
– Basic		0.61	0.17
– Diluted		0.61	0.17

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets			
Investment properties	15	474,228	436,501
Property, plant and equipment	16	849,173	920,573
Prepaid lease payments	17	75,603	79,788
Intangible assets		5,725	5,362
Interest in associates	22	94,014	1,330
Loan to an associate		1,337	1,252
Rental deposits		82,748	81,207
Goodwill	18	7,277	31,111
Deferred tax assets	19	1,712	1,609
Available-for-sale investments	20	52,428	50,710
Financial assets designated as at FVTPL	21	1,272,943	454,496
		2,917,188	2,063,939
Current assets			
Inventories	23	82,356	95,111
Trade and other receivables	24	101,024	97,889
Amount due from a related party	25	12	12
Taxation recoverable		1,261	1,088
Pledged bank deposits	26	380	303,337
Bank balances and cash	26	1,313,304	1,335,062
		1,498,337	1,832,499
Current liabilities			
Trade and other payables	27	274,550	275,008
Amounts due to related companies	28	5,168	5,901
Amounts due to directors	28	471	531
Amount due to a shareholder	28	27,564	27,204
Amounts due to non-controlling interests	28	13,943	13,058
Amount due to an associate	28	4,602	–
Dividend payable		26	22
Taxation payable		46,703	43,346
Bank loans	29	237,552	500,551
		610,579	865,621

(Continued)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Net current assets		**887,758**	966,878
Total assets less current liabilities		**3,804,946**	3,030,817
Non-current liabilities			
Long-term bank loans	*29*	**57,388**	56,734
Deferred tax liabilities	*19*	**128,505**	54,909
		185,893	111,643
Net assets		**3,619,053**	2,919,174
Capital and reserves			
Share capital	*30*	**108,404**	108,404
Reserves		**3,239,384**	2,643,747
Equity attributable to owners of the Company		**3,347,788**	2,752,151
Non-controlling interests		**271,265**	167,023
Total equity		**3,619,053**	2,919,174

The consolidated financial statements on pages 56 to 144 were approved and authorised for issue by the Board of Directors on 21 March 2017 and are signed on its behalf by:

Poon Wai
DIRECTOR

Poon Ka Man, Jason
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016 (Restated)	108,404	1,887,197	(234,729)	75,087	1,159	36,673	–	(233,701)	111,499	1,000,562	2,752,151	167,023	2,919,174
Profit for the year	–	–	–	–	–	–	–	–	–	665,292	665,292	104,891	770,183
Other comprehensive income for the year	–	–	–	–	–	1,789	1,626	80,129	–	–	83,544	6,981	90,525
Total comprehensive income for the year	–	–	–	–	–	1,789	1,626	80,129	–	665,292	748,836	111,872	860,708
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	–	(159,778)	(159,778)	–	(159,778)
Recognition of equity-settled share based payments	–	–	–	6,579	–	–	–	–	–	–	6,579	–	6,579
Transfer on forfeiture of share options	–	–	–	(8,006)	–	–	–	–	–	8,006	–	–	–
Transfer	–	–	–	–	–	–	–	–	18,418	(18,418)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,370	1,370
At 31 December 2016	108,404	1,887,197	(234,729)	73,660	1,159	38,462	1,626	(153,572)	129,917	1,495,664	3,347,788	271,265	3,619,053

(Continued)

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015 (Restated)	108,403	1,887,140	(234,729)	66,665	1,159	31,432	(282,824)	105,154	979,489	2,661,889	89,178	2,751,067
Profit for the year	–	–	–	–	–	–	–	–	184,558	184,558	20,723	205,281
Other comprehensive income for the year	–	–	–	–	–	5,241	49,123	–	–	54,364	1,631	55,995
Total comprehensive income for the year	–	–	–	–	–	5,241	49,123	–	184,558	238,922	22,354	261,276
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	(157,140)	(157,140)	–	(157,140)
Recognition of equity-settled share based payments	–	–	–	8,441	–	–	–	–	–	8,441	–	8,441
Shares issued upon exercise of share options	1	57	–	(19)	–	–	–	–	–	39	–	39
Transfer	–	–	–	–	–	–	–	6,345	(6,345)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	64,491	64,491
At 31 December 2015 (Restated)	108,404	1,887,197	(234,729)	75,087	1,159	36,673	(233,701)	111,499	1,000,562	2,752,151	167,023	2,919,174

The special reserve mainly represents the aggregate of:

(a) An amount of approximately RMB41 million (equivalent to HK$41 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 (equivalent to HK$45 million), being the difference between (i) the share premium which resulted from the issue of shares of the Ajisen International, of RMB219 million (equivalent to HK$221 million) to acquire additional interests in subsidiaries (which resulted in a goodwill of approximately RMB36 million (equivalent to HK$36 million)) and (ii) an amount of approximately RMB174 million (equivalent to HK$176 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 (equivalent to HK$363 million), being the difference between (i) the consideration which comprised cash consideration of RMB184 million (equivalent to HK$208 million) and share consideration of RMB137 million (equivalent to HK$155 million) of the acquisition of Luck Right Limited ("Luck Right") and its subsidiaries from Ms. Poon Wai in 2008 and (ii) the share capital of Luck Right.

Share options 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.

Investment revaluation reserve represents gain or loss on revaluation of available-for-sale investments.

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 2016

	2016 RMB'000	2015 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	926,845	295,603
Adjustments for:		
Fair value gain on financial assets designated as at FVTPL	(646,090)	–
Fair value gain on investment properties	(11,446)	(21,385)
Depreciation of property, plant and equipment	161,007	161,337
Finance costs	9,628	4,075
Bank interest income	(23,943)	(31,946)
Dividend income from available-for-sale investments	–	(977)
Loss on disposal of property, plant and equipment	11,290	12,454
Impairment loss on available-for-sale investments	465	10,573
Impairment loss on goodwill	25,118	–
Operating lease rentals in respect of prepaid lease payments	2,410	4,306
Share-based payment expenses	6,579	8,441
Share of results of associates	2,849	(125)
Operating cash flows before movements in working capital	464,712	442,356
Increase in rental deposits	(1,541)	(13,264)
Decrease (increase) in inventories	12,755	(8,260)
Decrease in prepaid lease payments	3,534	–
(Increase) decrease in trade and other receivables	(3,888)	7,728
Increase (decrease) in trade and other payables	17,867	(11,482)
Decrease in amounts due from related parties	–	217
Cash generated from operations	493,439	417,295
Income tax paid	(86,491)	(81,723)
NET CASH FROM OPERATING ACTIVITIES	406,948	335,572

(Continued)

	2016 RMB'000	2015 RMB'000 (Restated)
INVESTING ACTIVITIES		
Interest received	23,943	31,946
Dividend income from available-for-sale investments	–	977
Proceeds on disposal of property, plant and equipment	3,693	657
Acquisition of investment in associates	(92,563)	(1,200)
Purchase of property, plant and equipment	(114,119)	(123,184)
Purchase of available-for-sale investments	–	(50,260)
Purchase of financial assets designated as at FVTPL	(120,422)	(454,496)
Placement of pledged bank deposits	–	(302,958)
Withdrawal of pledged bank deposits	302,958	5,680
Purchase of structured deposits	–	(105,000)
Withdrawal of structured deposits	–	105,000
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES	3,490	(892,838)
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	39
Repayment to related companies	(733)	(1,266)
Advance from a shareholder	360	2,341
Repayment to directors	(60)	(54)
Advance from an associate	4,602	–
Contribution from non-controlling interests	1,370	64,491
Bank loans raised	10,734	447,355
Repayment of bank loans	(310,815)	(2,870)
Interest paid	(9,628)	(4,075)
Dividends paid	(165,008)	(161,861)
Dividends paid to non-controlling interests	(9,000)	(9,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(478,178)	335,100
Net decrease in cash and cash equivalents	(67,740)	(222,166)
Cash and cash equivalents at 1 January	1,335,062	1,523,896
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	45,982	33,332
Cash and cash equivalents at 31 December, representing bank balances and cash	1,313,304	1,335,062

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 Chairman 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 principle activities of the Group is operation of restaurants, manufacture and sales of noodles and related products.

The functional currency of the Company and the PRC operating subsidiaries of the Company is Renminbi ("RMB"). 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 40.

In 2016, the Company changed the presentation currency in the consolidated financial statements from HK$ to RMB. Details of the presentation currency change are set out in note 4.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

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

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*

The application of the 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 disclosure set out in these consolidated financial statements.

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
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 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[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 2017.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments *(continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit of loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standards introduces a 5-step approach to revenue recognition:

- Step 1: Identity the contract(s) with a customer
- Step 2: Identity the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 16 Leases *(continued)*

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB794,729,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as described above, the directors of the Company anticipate that the application of other amendment to HKFRSs in issue but not effective will have no material effect on the Group's consolidated financial statements in 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 ("CO").

3. Significant Accounting Policies *(continued)*

The consolidated financial statements have 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 within the scope of HKAS 17 *Leases*, 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.

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holding of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Significant Accounting Policies *(continued)*

Changes in the Group's ownership interests in existing subsidiaries *(continued)*

When the Group loses control of a subsidiary, 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 HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies *(continued)*

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.

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).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

Investment in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates 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 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

3. Significant Accounting Policies *(continued)*

Investment in associates *(continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* 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 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, 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 and the retained interest is a financial asset within the scope of HKAS 39, 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 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. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate 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) when the equity method is discontinued.

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 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 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 recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and the other similar allowance.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalty income

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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.

The Group as lessor

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. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

3. Significant Accounting Policies *(continued)*

Leasing *(continued)*

The Group as lessee

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

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).

3. Significant Accounting Policies *(continued)*

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

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.

Share-based payment arrangements

Equity-settled share based payment transactions

3. Significant Accounting Policies *(continued)*

Share-based payment arrangements *(continued)*

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 31 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments 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 options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. 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 options 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 options 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 options reserve will be transferred to retained earnings.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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.

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 liabilities or deferred tax assets 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.

Current and deferred tax for the year

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 is 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.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land 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.

3. Significant Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

If an item of property, plant and equipment 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 prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. 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.*

3. Significant Accounting Policies *(continued)*

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 (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

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.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 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. 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. 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. An impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies *(continued)*

Intangible assets *(continued)*

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

Financial assets and financial liabilities are initially measured at fair value. 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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL, or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for 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.

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of 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 asset 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 HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVPTL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 33.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and pledged bank deposit, amount due from a related party and loan to an associate) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale investments

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivable. (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets are relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimate future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities including bank loans, trade and other payables, amounts due to related companies/directors/a shareholder/non-controlling interests/an associate and dividend payable are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its remained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. CHANGES IN ACCOUNTING POLICIES

Change in presentation currency

In 2016, despite the fact that the functional currency of the Company and the respective group entities remain unchanged, the Company has changed the presentation currency in respect of its consolidated financial statements for the year ended 31 December 2016 from HK$ to RMB.

As the group's major business activities are operated in the PRC with the group adopting more focused strategies in its development and continuing to expand the restaurant network and deepened the density in mature markets, the directors of the Company believe that RMB financial reporting provides more relevant presentation of the Group's consolidated financial position and its consolidated financial performance and consolidated cash flows as the management mainly controls and monitors the performance and financial position of the Group based on RMB.

As the change in the presentation currency is a change in accounting policy, in the consolidated financial statements for the year ended 31 December 2016, it was applied retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. A retrospective change in presentation currency to RMB gives the same result as if the presentation currency had always been RMB. This is achieved by applying the following rates of exchange:

- for the assets and liabilities as at 31 December 2015, the closing exchange rate at that date;
- for the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015, the average rate for the year; and
- for the opening equity as at 1 January 2015, the historical rate.

The effects of above change in presentation currency in the consolidated financial statements from HK$ to RMB were recognised in translation reserve and the comparative information has been restated in the consolidated financial statements. No detailed summary of the effect of change in presentation currency for each financial statement line item is disclosed as in the opinion of the director of the Company, the summary is not meaningful in view of the fact that there is no financial impact for the underlying balances, transactions and cash flows recorded based on the functional currencies of the respective group entities.

5. Critical Accounting Judgements and Key Source of Estimation Uncertainty

In the application of the Group's accounting policies which are described in note 3 of the consolidated financial statements, the management has made various estimates based on past experience, expectations of the future and other information. The critical judgements and key source of estimation uncertainty at the end of the report period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Critical judgements in applying accounting policies

Deferred taxation on investment properties in the PRC and in Hong Kong

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 in the PRC and in Hong Kong 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 in the PRC and in Hong Kong, 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.

Key source of estimation uncertainty

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation approaches and inputs for fair value measurements.

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 engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer 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. Note 15 and 33 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. Critical Accounting Judgements and Key Source of Estimation Uncertainty *(continued)*

Key source of estimation uncertainty *(continued)*

Estimated impairment of goodwill acquired through business acquisitions

Determining whether goodwill through business combinations are impaired requires an estimation of the value in use of the cash generating units to which the relevant goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. The Group engaged an independent qualified professional valuer to perform the impairment assessment. As at 31 December 2016, the carrying amount of a goodwill of the Group arising from acquisition of certain restaurants in Hong Kong was approximately RMB7,277,000 (2015: RMB31,111,000), net of an impairment loss of RMB25,118,000 (2015: Nil) recognised during the year ended 31 December 2016. Details of the recoverable amount calculations are disclosed note 18.

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 2016, the carrying amount of property, plant and equipment amounted to approximately RMB849,173,000 (2015: RMB920,573,000).

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 the PRC
	–	operation of restaurants in Hong Kong
Manufacture and sales of noodles and related products	–	manufacture and sales of packaged noodles and related products in the PRC
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 2016

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC	Hong Kong	Total					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
– external sales	2,009,126	210,104	2,219,230	159,866	–	2,379,096	–	2,379,096
– inter-segment sales	–	–	–	585,128	–	585,128	(585,128)	–
	2,009,126	210,104	2,219,230	744,994	–	2,964,224	(585,128)	2,379,096
Segment profits (loss)	313,954	(17,756)*	296,198	12,278	676,050	984,526	–	984,526
Unallocated income								23,943
Unallocated expenses								(71,996)
Finance costs								(9,628)
Profit before taxation								926,845
Taxation								(156,662)
Profit for the year								770,183

* Included impairment loss of RMB25,118,000 on the goodwill allocated to cash generating unit of certain restaurants operated in Hong Kong for the year ended 31 December 2016 (2015: Nil).

6. Segment Information *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2015 (Restated)

	Operation of restaurants			Manufacture and sales of noodles and related	Investment	Segment		
	PRC	Hong Kong	Total	products	holding	total	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
– external sales	2,229,410	201,241	2,430,651	114,404	–	2,545,055	–	2,545,055
– inter-segment sales	–	–	–	601,827	–	601,827	(601,827)	–
	2,229,410	201,241	2,430,651	716,231	–	3,146,882	(601,827)	2,545,055
Segment profits	300,174	8,105	308,279	6,207	31,906	346,392	–	346,392
Unallocated income								31,946
Unallocated expenses								(78,660)
Finance costs								(4,075)
Profit before taxation								295,603
Taxation								(90,322)
Profit for the year								205,281

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 central administrative costs and directors' salaries 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 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 of the Group's business activities.

6. Segment Information *(continued)*

Other information

All of the Group's non-current assets other than financial assets designated as at FVTPL, available-for-sale investments, loan to an associate, interest in associates and deferred tax assets, including investment properties, property, plant and equipment, prepaid lease payments, intangible assets, goodwill and rental deposits, are located in the Group entities' countries of domicile, the PRC and Hong Kong, at the end of each reporting period.

The following is an analysis of the Group's non-current assets other than financial assets designated as at FVTPL, available-for-sale investments, loan to an associate, interest in associates and deferred tax assets by geographical location of assets:

	2016 RMB'000	2015 RMB'000 (Restated)
The PRC	**1,108,706**	1,165,392
Hong Kong	**386,048**	389,150
	1,494,754	1,554,542

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the years ended 31 December 2016 and 31 December 2015.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2016 and 31 December 2015.

7. Other Income

	2016 RMB'000	2015 RMB'000 (Restated)
Royalty income from sub-franchisee	**15,805**	8,191
Government grant *(note)*	**16,607**	19,513
Bank interest income	**23,943**	31,946
Property rental income, net of direct outgoings	**21,829**	19,992
Compensation received from landlord for early termination of operating leases of restaurants	**672**	1,359
Dividend income from available-for-sale investments	**–**	977
Others	**6,066**	6,060
	84,922	88,038

Note: 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.

8. Other Gains and Losses

	2016	2015
	RMB'000	RMB'000
		(Restated)
Fair value gain on financial assets designated as at FVTPL	**646,090**	–
Fair value gain on investment properties	**11,446**	21,385
Loss on disposal of property, plant and equipment	**(11,290)**	(12,454)
Impairment loss on goodwill	**(25,118)**	–
Impairment loss on available-for-sale investments	**(465)**	(10,573)
Net foreign exchange losses	**(8,018)**	(922)
	612,645	(2,564)

9. Finance Costs

	2016	2015
	RMB'000	RMB'000
		(Restated)
Interest on bank loans	**9,628**	4,075

10. Profit Before Taxation

	2016 RMB'000	2015 RMB'000 (Restated)
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	666,603	774,072
Directors' remuneration *(Note 11)*	3,395	3,364
Other staff's salaries, wages and other benefits	488,615	520,117
Other staff's retirement benefits scheme contributions	62,945	66,261
Other staff's share-based payment expenses	6,561	8,345
Total staff costs	561,516	598,087
Advertising and promotion expenses	48,821	74,029
Auditor's remuneration	2,500	2,468
Non-audit services	693	651
	3,193	3,119
Fuel and utility expenses	115,168	128,005
Operating lease rentals in respect of		
– land lease	2,410	4,306
– rented premises *(note b)*	337,891	354,542
	340,301	358,848

Notes:

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

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately RMB242,261,000 (2015: RMB204,856,000) and contingent rent of approximately RMB95,630,000 (2015: RMB149,686,000).

11. Directors', Chief Executive's and Employees' Remuneration

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

	2016						2015 (Restated)					
	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	–	1,772	123	–	16	1,911	–	1,683	115	–	15	1,813
Mr. Poon Ka Man Jason	–	764	64	–	16	844	–	717	60	–	15	792
Non-executive directors												
Mr. Wong Hin Sin, Eugene	24	–	–	–	–	24	149	–	–	19	–	168
Mr. Katsuaki Shigemitsu	106	–	–	4.5	–	110.5	91	–	–	19	–	110
Independent non-executive directors												
Mr. Peter Lo	173	–	–	4.5	–	177.5	149	–	–	19	–	168
Mr. Jen Shek Voon	173	–	–	4.5	–	177.5	149	–	–	19	–	168
Mr. Wang Jincheng	146	–	–	4.5	–	150.5	126	–	–	19	–	145
	622	2,536	187	18	32	3,395	664	2,400	175	95	30	3,364

Note: The performance related incentive bonuses for the years ended 31 December 2016 and 31 December 2015 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.

Mr. Wong Hin Sun, Eugene resigned as the non-executive director of the Company with effect from 22 February 2016.

The executive directors' emoluments shown above were mainly 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.

11. Directors', Chief Executive's and Employees' Remuneration *(continued)*

Of the five individuals with the highest emoluments in the Group, two (2015: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2015: three) individuals were as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Employees		
– Salaries and other benefits	2,755	2,679
– Performance related incentive bonuses	233	385
– Share-based payment expenses	483	567
– Retirement benefits scheme contributions	98	84
	3,569	3,715

Their emoluments were within the following bands:

	No. of employees	
	2016	2015
HK$1,000,001 to HK$1,500,000	2	2
HK$2,000,001 to HK$2,500,000	1	1
	3	3

During the years ended 31 December 2016 and 31 December 2015, 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 2016 and 31 December 2015.

12. Taxation

	2016	2015
	RMB'000	RMB'000
		(Restated)
Hong Kong Profits Tax		
– Current year	**3,039**	3,055
– Under provision in prior years	**–**	309
	3,039	3,364
PRC income tax		
– Current year	**87,377**	75,507
– Over provision in prior years	**(6,578)**	(5,558)
	80,799	69,949
Deferred taxation *(note 19)*	**72,824**	17,009
	156,662	90,322

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2016 and 31 December 2015.

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 & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian"), which is located in Chongqing, China, 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 the Company and approved year by year. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian and reduced the income tax liability only after obtaining the written approval.

During the year ended 31 December 2016, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2015, the Company reduced the income tax liability of approximately RMB4,211,000 which was previously recognised in the year 2015.

During the year ended 31 December 2015, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2014, the Company reduced the income tax liability of approximately RMB5,447,000 which was previously recognised in the year 2014.

12. Taxation *(continued)*

During the year ended 31 December 2016, included in deferred tax charge is the deferred tax effect in respect of temporary differences attributable to the fair value change of the financial assets designated as at FVTPL amounting to RMB64,609,000 (for the year ended 31 December 2015: Nil). According to the PRC EIT Law, 10% withholding tax shall be imposed to any gain arising from the transfer of the PRC established equity investments by the entities incorporated elsewhere other than the PRC which are deemed as non-resident enterprises.

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 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 for based on the anticipated dividends to be distributed by the PRC entities.

12. Taxation *(continued)*

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

	Hong Kong				PRC				Total			
	2016		2015 (Restated)		2016		2015 (Restated)		2016		2015 (Restated)	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/ (Loss) before taxation	587,407		(17,206)		339,438		312,809		926,845		295,603	
Tax at the applicable income tax rate	96,922	16.5	(2,839)	16.5	84,859	25.0	78,202	25.0	181,781	19.6	75,363	25.5
Tax effect of expenses not deductible for tax purposes	4,417	0.8	–	–	477	0.1	365	0.1	4,894	0.5	365	0.1
Tax effect of income not taxable for tax purpose	(1,672)	(0.3)	(2,671)	15.5	(273)	(0.1)	(252)	(0.1)	(1,945)	(0.2)	(2,923)	(1.0)
Tax effect of tax losses not recognised	11,631	2.0	9,922	(57.7)	1,887	0.6	438	0.1	13,518	1.5	10,360	3.5
Tax effect of utilisation of tax losses previously not recognised	(395)	(0.1)	–	–	(198)	(0.1)	(2,507)	(0.8)	(593)	(0.1)	(2,507)	(0.8)
Effect of different tax rate on fair value change on financial assets designated as at FVTPL*	(41,996)	(7.1)	–	–	–	–	–	–	(41,996)	(4.5)	–	–
Withholding tax on dividends from PRC subsidiaries	–	–	–	–	6,929	2.0	12,647	4.0	6,929	0.7	12,647	4.3
(Over)under provision in prior years	–	–	309	(1.8)	(6,578)	(1.9)	(5,558)	(1.8)	(6,578)	(0.7)	(5,249)	(1.8)
Others	(77)	(0.0)	(74)	0.4	(227)	(0.1)	(457)	(0.1)	(304)	0.0	(531)	(0.2)
Land appreciation tax effect	–	–	–	–	956	0.3	2,797	0.9	956	0.1	2,797	0.9
Tax charge and effective rate for the year	68,830	11.7	4,647	(27.0)	87,832	25.9	85,675	27.4	156,662	16.9	90,322	30.6

* Amount represents the withholding tax provision on financial assets designated as at FVTPL.

13. Dividends

	2016 RMB'000	2015 RMB'000 (Restated)
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.04 (HK4.90 cents) per share for 2016 (2015: paid – RMB0.04 (HK4.70 cents) per share for 2015)	46,326	41,727
Final, paid – RMB0.10 (HK12.00 cents) per share for 2015 (2015: paid – RMB0.11 (HK13.00 cents) per share for 2014)	113,452	115,413
	159,778	157,140

A final dividend of RMB0.08 (HK9.30 cents) per ordinary share (2015: a final dividend of RMB0.10 (HK12.00 cents) per share), in an aggregate amount of RMB87,323,000 (HK$101,513,000) 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	2016 RMB'000	2015 RMB'000 (Restated)
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	665,292	184,558

14. Earnings Per Share *(continued)*

Number of shares	2016	2015
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,538,820**	1,091,533,375
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	–	34,427
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,538,820**	1,091,567,802

All (31 December 2015: certain) 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 2016 because the exercise prices of these options were higher than the average market prices of the Company's shares during the year.

15. Investment Properties

	RMB'000
FAIR VALUE	
At 1 January 2015 (Restated)	343,877
Exchange alignment	14,739
Transfer from property, plant and equipment	56,500
Net increase in fair value recognised in profit or loss	21,385
At 31 December 2015 (Restated)	436,501
Exchange alignment	17,991
Transfer from property, plant and equipment	8,290
Net increase in fair value recognised in profit or loss	11,446
At 31 December 2016	474,228

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.

15. Investment Properties *(continued)*

The fair values of the Group's investment properties were valued by Crowe Horwath (HK) Consulting &Valuation Limited, an independent qualified professional valuer not related to the Group, on 1 January 2016, 1 March 2016, 1 April 2016, 1 May 2016 (dates of change of intention of the use of the property interests) and 31 December 2016 (2015: 1 January 2015, 1 May 2015, 1 July 2015 (dates of change of intention of the use of the property interests) and 31 December 2015).

In determining the fair value of the relevant properties, the directors of the Company has set up a valuation team, which is headed by the Chief Financial Officer of the Company, to determine the appropriate valuation approaches and inputs for fair value measurements. There has been no change from the valuation approach used in the prior year.

During the year ended 31 December 2016, the Group transferred certain of its property interests held under operating leases with carrying values of approximately RMB3,700,000 (2015: RMB43,772,000) from property, plant and equipment, and 57,000 (2015: RMB487,000) from prepaid lease payments to investment properties. The resulting revaluation surplus of approximately 4,533,000 (2015: RMB12,241,000) 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 and information about the fair value hierarchy as at 31 December 2016 are as follows:

	31/12/2016 **RMB'000**	31/12/2015 RMB'000 (Restated)
Commercial property units located in Hong Kong	**288,928**	260,801
Commercial property units located in PRC	**185,300**	175,700
	474,228	436,501

15. Investment Properties *(continued)*

The following table gives information about how the fair values of these investment properties as at 31 December 2016 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.

Carrying Value of Investment Properties Held by the Group in the Consolidated Statements of Financial Positions	**Fair Value Hierarchy**	**Valuation technique(s)**	**Significant unobservable input(s)**	**Range**
Completed Investment properties in the PRC RMB184,806,000 (2015: RMB175,304,000)	Level 3	A combination of following approach: Direct comparison approach	Price per square meter[1]	RMB1,800 to RMB61,082 (2015: RMB3,200 to RMB61,100)
Car parking spaces in the PRC RMB494,000 (2015: RMB396,000)		Income capitalization approach Direct comparison approach	Market rent per square meter per month[1] Capitalisation rate[2] Price per unit[1]	RMB5.2 to RMB63.1 (2015: RMB5.2 to RMB35.5) 5.5% to 11.0% (2015: 5.5% to 10.0%) RMB175,000 to RMB312,000 (2015: RMB175,000 to RMB225,000)
Completed investment properties in HK RMB279,460,000 (2015: RMB252,507,000) Car parking spaces in HK RMB9,468,000 (2015: RMB8,294,000)	Level 3	Direct comparison approach Direct comparison approach	Price per square foot[1] Price per unit[1]	RMB2,589 to RMB37,133 (2015: RMB2,277 to RMB30,500) RMB914,106 to RMB1,296,765 (2015: RMB723,859 to RMB1,207,788)

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

2 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 2016, the Group pledged certain of its investment properties to secure general banking facilities granted to the Group. Details are set out in note 36.

16. Property, Plant and Equipment

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2015 (Restated)	636,909	670,967	71,527	9,483	297,553	141,815	1,828,254
Exchange alignment	9,928	3,275	304	82	1,301	–	14,890
Additions	159	54,729	7,662	464	20,563	29,892	113,469
Transfer to investment properties	(52,017)	–	–	–	–	–	(52,017)
Disposals	(157)	(21,932)	(5,129)	(1,341)	(16,236)	–	(44,795)
Transfer	68,555	15,673	3,003	–	4,051	(91,282)	–
At 31 December 2015 (Restated)	663,377	722,712	77,367	8,688	307,232	80,425	1,859,801
Exchange alignment	11,436	3,766	306	100	1,600	–	17,208
Additions	380	52,658	13,032	17	15,494	14,213	95,794
Transfer to investment properties	(6,107)	–	–	–	–	–	(6,107)
Disposals	(6,242)	(20,830)	(13,041)	(1,609)	(10,923)	–	(52,645)
Transfer	1,313	9,443	1,206	–	–	(11,962)	–
At 31 December 2016	664,157	767,749	78,870	7,196	313,403	82,676	1,914,051

16. Property, Plant and Equipment *(continued)*

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION							
At 1 January 2015 (Restated)	104,516	446,267	47,637	8,814	207,278	–	814,512
Exchange alignment	717	1,549	199	68	775	–	3,308
Provided for the year	28,311	84,690	12,456	383	35,497	–	161,337
Transfer to investment properties	(8,245)	–	–	–	–	–	(8,245)
Eliminated on disposals	(9)	(10,327)	(4,613)	(1,246)	(15,489)	–	(31,684)
At 31 December 2015 (Restated)	125,290	522,179	55,679	8,019	228,061	–	939,228
Exchange alignment	1,120	2,216	214	72	1,089	–	4,711
Provided for the year	27,975	90,949	17,470	145	24,469	–	161,008
Transfer to investment properties	(2,407)	–	–	–	–	–	(2,407)
Eliminated on disposals	(3,455)	(11,127)	(12,274)	(1,603)	(9,203)	–	(37,662)
At 31 December 2016	148,523	604,217	61,089	6,633	244,416	–	1,064,878
CARRYING VALUES							
At 31 December 2016	515,634	163,532	17,781	563	68,987	82,676	849,173
At 31 December 2015 (Restated)	538,087	200,533	21,688	669	79,171	80,425	920,573

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	20 years
Leasehold improvements	Over the shorter of the period of the respective lease or 10 years
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.

At 31 December 2016 and 31 December 2015, 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 36.

17. Prepaid Lease Payments

	2016 RMB'000	2015 RMB'000 (Restated)
CARRYING VALUES		
At 1 January	82,574	86,421
Exchange alignment	1,064	946
Refund receivable from landlord for early termination of operating leases of restaurants	(3,534)	–
Transfer to investment properties during the year	(57)	(487)
Charged to profit or loss	(2,410)	(4,306)
At 31 December	77,637	82,574
Less: Amount to be amortised within one year included in trade and other receivables	(2,034)	(2,786)
Non-current portion	75,603	79,788
Prepaid lease payments comprises:		
Land use rights situated in the PRC under medium-term lease	61,131	62,691
Leasehold land situated in Hong Kong under medium-term lease	16,506	15,957
Property rentals paid in advance for rental of restaurant premises	–	3,926
	77,637	82,574

At 31 December 2016 and 31 December 2015, the Group pledged certain of its leasehold land to secure the general banking facilities granted to the Group. Details are set out in note 36.

18. Goodwill

	RMB'000
COST	
At 1 January 2015 (Restated)	29,294
Exchange alignment	1,817
At 31 December 2015 (Restated)	31,111
Exchange alignment	2,106
At 31 December 2016	33,217
IMPAIRMENT	
At 1 January 2015 and 31 December 2015 (Restated)	–
Exchange alignment	822
Addition	25,118
At 31 December 2016	25,940
CARRYING VALUES	
At 31 December 2016	7,277
At 31 December 2015 (Restated)	31,111

As at 31 December 2016, a goodwill before impairment amounting RMB31,875,000 is allocated to the cash generating unit of certain restaurants operated in Hong Kong ("Hong Kong Restaurants CGU") and a goodwill amounting RMB1,342,000 is allocated to the cash generating unit of certain restaurants operated in the PRC ("the PRC Restaurants CGU").

During the year ended 31 December 2016, the Group recognised an impairment loss of RMB25,118,000 (2015: Nil) in relation to goodwill on Hong Kong Restaurants CGU.

The recoverable amounts of the Hong Kong Restaurants CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecase period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Hong Kong Restaurants CGU. The growth rates are referenced to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

18. Goodwill *(continued)*

During the year ended 31 December 2016, the Group engaged an independent qualified professional valuer to assist in performing impairment review for goodwill of the Hong Kong Restaurant CGU based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using a discount rate of 13.71% (2015: 13.91%) which reflects current market assessments of the time value of money and the risks specific to the Hong Kong Restaurants CGU. The cash flows beyond the next five years are extrapolated using a growth rate of 3.0% (2015: 3.0%) per annum. The growth rates are by reference to industry growth forecasts.

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 *(Note)* RMB'000	Withholding tax on fair value change of financial assets designated as at FVTPL RMB'000	Withholding tax on undistributed dividends RMB'000	Revaluation of available-for-sale investments RMB'000	Difference in depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015 (Restated)	(13,447)	(17,774)	–	(7,008)	–	1,124	(4,092)	(41,197)
Exchange alignment	(42)	–	–	(337)	–	55	–	(324)
Charge to profit or loss	(1,300)	(2,797)	–	(12,647)	–	(265)	–	(17,009)
Reversal on payment of withholding tax	–	–	–	12,230	–	–	–	12,230
Charge to equity	(1,747)	(5,253)	–	–	–	–	–	(7,000)
At 31 December 2015 (Restated)	(16,536)	(25,824)	–	(7,762)	–	914	(4,092)	(53,300)
Exchange alignment	(45)	–	(3,010)	(227)	–	62	–	(3,220)
Charge to profit or loss	(330)	(956)	(64,609)	(6,929)	–	–	–	(72,824)
Reversal on payment of withholding tax	–	–	–	5,837	–	–	–	5,837
Charge to equity	(597)	(2,147)	–	–	(542)	–	–	(3,286)
At 31 December 2016	(17,508)	(28,927)	(67,619)	(9,081)	(542)	976	(4,092)	(126,793)

Note: As the Group's investment properties loacted 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 equity) 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) in the consolidated statement of profit or loss and other comprehensive income.

19. Deferred Taxation *(continued)*

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 RMB'000	2015 RMB'000 (Restated)
Deferred tax assets	1,712	1,609
Deferred tax liabilities	(128,505)	(54,909)
	(126,793)	(53,300)

As at 31 December 2016, the Group has unutilised tax losses of approximately RMB290,038,000 (2015: RMB204,019,000) 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:

	2016 RMB'000	2015 RMB'000 (Restated)
Year of expiry		
2016	–	1,139
2017	862	1,655
2018	5,674	5,674
2019	4,070	4,070
2020	1,752	1,752
2021	7,643	–
	20,001	14,290

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by 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 RMB181,620,000 (2015: RMB155,240,000), 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 2016 amounting to approximately RMB1,105,893,000 (2015: RMB925,963,000) 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. Available-For-Sale Investments

	2016 RMB'000	2015 RMB'000 (Restated)
Unlisted equity investments, at fair value *(note 1)*	**45,522**	43,354
Unlisted equity investments, at cost *(note 2)*	**25,278**	24,112
Less: provision for impairment	**18,372**	16,756
	6,906	7,356
	52,428	50,710

Note 1: The movement of unlisted equity investments measured at fair value is disclosed as below:

	RMB'000
Unlisted equity investments, at fair value	
At 1 January 2015 and 31 December 2015 (Restated)	43,354
Gain on fair value change	2,168
At 31 December 2016	45,522

Included in the balances as at 31 December 2016 is a cash capital contribution of RMB43,354,000 in 2015 by Lingchi Food Development (Shanghai) Co., Ltd. ("Lingchi Food"), a wholly owned subsidiary of the Company, representing approximately 9.44% of total capital contribution into an agriculture company, an independence third party established in the PRC, pursuant to a capital increase and share expansion agreement with the agriculture company. During the year, certain other investors have agreed to subscribe for newly issued shares of the agriculture company and as such the equity interest held by the Group was diluted to approximately 8.33%. Pursuant to the relevant agreement, Lingchi Food has the right to ask the controlling shareholders to purchase all of the shares held by the Group. The purchase price of the shares will include the following: (i) the proportionate investment amounts (the "Proportionate Investment"), which is calculated based on Lingchi Food's total investment amounts multiplied by the percentage of shares to be purchased to the total shares held by Lingchi Food; (ii) interest on the Proportionate Investment at the rate of 12% per annum; and (iii) the accumulated undistributed profit of the agriculture company payable to Lingchi Food in respect of the shares to be purchased when certain conditions are met. The directors of the Company consider that the fair value of this put option is insignificant on initial recognition, 31 December 2015 and 31 December 2016.

The Group has engaged an independent qualified professional valuer to assist the management of the Company in determining the fair value of above investment measured at fair value as at 31 December 2016. As this investment is not publicly traded, the key inputs for the valuation of fair value are the prices paid by other investors in recent funding rounds for the shares of the agriculture company.

Based on such valuation, the directors of the Company determined that the fair value of the investment as at 31 December 2016 is RMB45,522,000 and therefore the Group has recognised a fair value gain on available-for-sale investments measured at fair value of approximately RMB2,168,000 in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil). Details of fair value disclosure are set out in note 33.

20. Available-For-Sale Investments *(continued)*

Note 2: The movement of unlisted equity investments measured at cost is disclosed as below:

	RMB'000
COST	
At 1 January 2015 (Restated)	16,202
Exchange alignment	1,004
Addition	6,906
At 31 December 2015 (Restated)	24,112
Exchange alignment	1,166
At 31 December 2016	25,278
IMPAIRMENT	
At 1 January 2015 (Restated)	5,502
Exchange alignment	681
Recognised during the year	10,573
At 31 December 2015 (Restated)	16,756
Exchange alignment	1,151
Recognised during the year	465
At 31 December 2016	18,372
CARRYING VALUES	
At 31 December 2016	7,356
At 31 December 2015 (Restated)	6,906

The above investments are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair values cannot be measured reliably. As at 31 December 2016, an impairment loss of RMB465,000 (2015: RMB10,573,000) has been made on the Group's unlisted equity investment measured at cost based on the estimated future cash flow.

21. Financial Assets Designated as at FVTPL

	RMB'000
At 1 January 2015 (Restated)	–
Addition	454,496
At 31 December 2015 (Restated)	454,496
Exchange alignment	51,935
Addition	120,422
Gain on fair value change	646,090
At 31 December 2016	1,272,943

Included in the balances as at 31 December 2016 is an original investment cost of RMB454,496,000 (US$70,000,000) in the takeout business of Baidu, Inc. known as "Baidu Takeout Delivery" (百度外賣) in the PRC ("Project BW"), in which the Group took up less than 10% equity interest, through the 86% equity investment in Hina Group Fund III Limited Partnership of the Group towards the end of 2015.

During the year ended 31 December 2016, the Group has additionally invested in the following investments:

a. On 15 August 2016, Shanghai Lead Food & Restaurant Management Co., Ltd. ("Shanghai Lead Food"), a wholly-owned subsidiary of the Company, as the limited partner, and Shanghai Hanxin Jinghong Investment & Management Co., Ltd., an independent third party to the Company, as the general partner, entered into a limited partnership agreement in relation to the admission and management of Shanghai JingJing Investment Center (Limited Partnership) ("JingJing"). The total capital contribution of JingJing was RMB50,010,000, and Shanghai Lead Food invested an amount of RMB50,000,000, which took up approximately 99.9% equity interest. JingJing is operated for a predetermined purpose. As Shanghai Lead Food can control over JingJing, the financial statements of the partnership were consolidated in the consolidated financial statements of the Group for the year ended 31 December 2016.

   The purpose of JingJing is to participate in the investment of a smart building application project developed by Guangzhou Yunxi Information Technology Co., Ltd. ("Yunxi") established in the PRC. In 2016, JingJing invested RMB50,000,000 into Yunxi, which represents approximately 4.5% equity interest. As JingJing has no control, joint control nor significant influence in Yunxi and this investment is managed and its performance is evaluated on a fair value basis, it was designated by the Group upon initial recognition and presented as a financial asset designated as at FVTPL in the consolidated statement of financial position of the Group as at 31 December 2016. Pursuant to the relevant agreement, Shanghai Lead Food has the right to ask the controlling shareholders to purchase all of the shares held by the Group. The purchase price of the shares will include the following: (i) the proportionate investment amounts (the "Proportionate Investment"), which is calculated based on Shanghai Lead Food's total investment amounts multiplied by the percentage of shares to be purchased to the total shares held by Shanghai Lead Food; (ii) interest on the Proportionate Investment at an agreed rate per annum when certain conditions are met. The directors of the Company consider that the fair value of this put option is insignificant on initial recognition and on 31 December 2016.

21. Financial Asset Designated as at FVTPL *(continued)*

b. On 19 August 2016, Shanghai Lead Food, as the limited partner, and Jiahua Yufeng (Tianjin) Share Investment & Management Partnership (Limited Partnership), an independent third party to the Company, as the general partner, entered into a limited partnership agreement in relation to the admission and management of Jiahua Mingde (Tianjin) Enterprise Management and Consulting Partnership (Limited Partnership) ("Jiahua Mingde"). The total capital contribution of Jiahua Mingde was RMB100,010,000 and Shanghai Lead Food took up approximately 99.9% equity interest. As at 31 December 2016, Shanghai Lead Food invested an amount of RMB50,000,000 in Jiahua Mingde and the remaining RMB50,000,000 has not been invested into the partnership. Jiahua Mingde is operated for a predetermined purpose. As Shanghai Lead Food can control over Jiahua Mingde, the financial statements of Jiahua Mingde were consolidated in the consolidated financial statements of the Group for the year ended 31 December 2016.

   The purpose of Jiahua Mingde is to participate in the investment into a fund company in the PRC and to develop potential investment target through the fund company. In 2016, Jiahua Mingde invested RMB70,422,000 into the funding company, which represents approximately 23% equity interest. As Jiahua Mingde has no right to appoint any member in the investment committee in the fund company, it has no control, joint control nor significant influence in the fund company as at 31 December 2016, and as this investment is managed and its performance is evaluated on a fair value basis, it was designated by the Group upon initial recognition and presented as a financial asset designated as at FVTPL in the consolidated statement of financial position of the Group as at 31 December 2016.

The Group has engaged an independent qualified professional valuer to assist the management of the Company in determining the fair value of these investments as at 31 December 2016. As these investments are not publicly traded, for Project BW the key input is for the valuation of fair value is the price paid by other third investors in recent funding rounds for a share of Project BW. For other investments, the fair value valuation is made with reference to the respective recent investment costs of these investments on initial recognition.

Based on these valuation, the directors of the Company determined that the fair value of the investment in Project BW as at 31 December 2016 is RMB1,152,521,000 (US$166,250,000) and therefore the Group has recognised a fair value gain on financial asset designated as at FVTPL of approximately RMB646,090,000 in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil). For other investments, the directors of the Company consider that the carrying amounts of the investment costs approximate their fair values and as such no fair value change was recognised during 2016. Details of fair value disclosure are set out in note 33.

22. Interest in Associates

	31/12/2016 RMB'000	31/12/2015 RMB'000 (Restated)
Cost of investment in associates	96,734	1,200
Share of post-acquisition results and other comprehensive (expense)/income	(2,720)	130
	94,014	1,330

On 4 August 2016, the Group, together with Apple & Orange Investment Limited, wholly and benefically owned by the director of the Company, entered into a share purchase agreement in relation to the investment in 7,147,945 series B preferred shares in Yunnex Inc, an independent third party incorporated in the PRC, which is also its principal of business, for a cash consideration of RMB69,300,000 (US$10,000,000). Yunnex Inc. is principally engaged in the design, distribution, sale and/or operation of the software and hardware products. The major product of Yunnex Inc. is code-scanning POS equipment. The equity interest of Yunnex Inc. held by the Group is less than 20%. However, the Group has the right to appoint one director in the board of directors of Yunnex Inc., and thus the Group has significant influence over Yunnex Inc. As such, the Group has accounted for Yunnex Inc. as an investment in an associate.

On 12 December 2016, the Group made a cash capital contribution of RMB26,200,000, representing 29% of total capital contribution in the entity namely Hubei Jupeng Kitchen Equipment Co., Ltd. ("Hubei Jupeng"), an independent third party incorporated in the PRC, which is also its principal place of business. Hubei Jupeng is principally engaged in the manufacturing and sale of kitchen equipment. As the Group has the right to appoint one director into Hubei Jupeng, the Group has significant influence over Hubei Jupeng. As such, the Group has accounted for Hubei Jupeng as an investment in an associate.

23. Inventories

	2016 RMB'000	2015 RMB'000 (Restated)
Raw materials and consumables	70,475	80,736
Work in progress	407	398
Finished goods	11,474	13,977
	82,356	95,111

24. Trade and Other Receivables

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables		
– a related company	1,075	936
– others	17,803	19,129
	18,878	20,065
Rental and utility deposits	12,805	17,663
Property rentals paid in advance for restaurants	22,000	20,455
Advance to suppliers	16,795	20,318
Other receivables and prepayments	30,546	19,388
	101,024	97,889

The related company is a company in which Ms. Poon has controlling interests.

Customers including both independent third parties and related company of noodles and related products are normally granted 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. The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016 RMB'000	2015 RMB'000 (Restated)
Ageing		
0 to 30 days	15,040	14,948
31 to 60 days	739	1,760
61 to 90 days	9	434
91 to 180 days	91	305
181 to 365 days	1	916
Over 365 days	2,998	1,702
	18,878	20,065

24. Trade and Other Receivables *(continued)*

No interest is charged on the trade receivables. Major debtors comprising the Group's trade receivables that are neither past due nor impaired at 31 December 2016 and 31 December 2015 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately RMB2,999,000 (2015: RMB2,618,000) which are past due for over 180 days as at 31 December 2016 for which the Group has not provided for impairment loss as these balances are mainly due from related parties and certain group-buying companies with good credit. The Group does not hold any collateral over the balances.

In determining the recoverability of the trade receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. After reassessment, the directors of the Company believe that no allowance is required.

As at 31 December 2016 and 31 December 2015, other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

25. Amount Due from a Related Party

Details of the amounts due from a related party are as follows:

Name of the related party	**2016**	2015	Maximum amount outstanding during the year
	RMB'000	RMB'000 (Restated)	RMB'000
Well Keen International Ltd., a company in which Ms. Poon Wai has controlling interests	**12**	12	12

The amount is unsecured, non-trade related, interest-free and repayable on demand.

As at 31 December 2016 and 31 December 2015, amount due from a related party of the Group are neither past due nor impaired as it has no default history and continuous subsequent settlement. The Group does not hold collateral over the balance.

26. Bank Balance And Cash/Pledged Bank Deposits

As at 31 December 2016, pledged bank deposits held by the Group amounting to RMB380,000 (2015: RMB303,307,000) represents deposits pledged to banks to secure advances on construction, which is classified as current assets. Details are set out in Note 36.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of one year or less which carry interest at market rates ranging from 0.35% to 4.00% (2015: 0.35% to 2.75%) 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:

	2016 **RMB'000**	2015 RMB'000 (Restated)
– US$	**68,448**	105,002
– HK$	**50,330**	102,395
– Others	**21,450**	11,389
	140,228	218,786

Certain bank balances and cash of approximately RMB1,173,076,000 (2015: RMB1,116,276,000) 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

	2016 RMB'000	2015 RMB'000 (Restated)
Trade payables		
– related companies	5,336	4,706
– others	88,715	97,072
	94,051	101,778
Payroll and welfare payables	38,969	41,866
Customers' deposits received	10,190	10,530
Payable for acquisition of property, plant and equipment	28,687	46,777
Payable for property rentals	30,540	26,235
Other taxes payable	25,308	27,794
Others*	46,805	20,028
	274,550	275,008

* Included in the balance as at 31 December 2016 was a loan with a principal amount of RMB20,422,000 borrowed by Jiahua Mingde during the year from an independent third party to fund its investment in the fund company as disclosed in note 21. The loan is unsecured, non-trade related, interest-free and repayable on demand.

The related companies are companies in which Mr. Katsuaki Shigemitsu, who is a director and shareholder of the Company, has controlling interests.

27. Trade and Other Payables *(continued)*

The average credit period for purchase of goods is 60 days (31 December 2015: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

Ageing	**2016** **RMB'000**	2015 RMB'000 (Restated)
0 to 30 days	**61,956**	61,391
31 to 60 days	**23,133**	29,721
61 to 90 days	**1,072**	3,955
91 to 180 days	**4,532**	3,850
Over 180 days	**3,358**	2,861
	94,051	101,778

28. Amount(s) due to Related Companies/Directors/a Shareholder/Non-Controlling Interests/an Associate

The amount(s) due to related companies/directors/a shareholder/non-controlling interests/an associate 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.

29. Bank Loans

	2016 **RMB'000**	2015 RMB'000 (Restated)
Secured bank loans with carrying amounts repayable:		
Within one year	**237,552**	500,551
In more than one year but not more than two years	**3,256**	2,988
In more than two years but not more than five years	**10,170**	9,335
In more than five years	**43,962**	44,411
	294,940	557,285
Less: amounts shown as non-current liabilities	**(57,388)**	(56,734)
Amounts shown as current liabilities	**237,552**	500,551

29. Bank Loans *(continued)*

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

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

Denominated in	**Interest rate**	**2016 RMB'000**	2015 RMB'000 (Restated)
HK$	Hong Kong Interbank Offered Rate ("HIBOR") plus 1.30% (2015: HIBOR plus 1.35%)	**169,957**	159,178
HK$	HIBOR plus 1.35% (2015: HIBOR plus 1.35%)	**53,671**	50,267
HK$	Prime rate of the counterparty bank minus 3.25% (2015: prime rate of the counterparty bank minus 3.25%)	**54,716**	53,903
HK$	HIBOR plus 2.0% (2015: Nil)	**10,734**	–
HK$	Prime rate of the counterparty bank minus 2.80% (2015: prime rate of the counterparty bank minus 2.80%)	**5,862**	5,760
US$	London Interbank Offered Rate ("LIBOR") plus 1.3% (2015: LIBOR plus 1.3%)	**–**	288,177
		294,940	557,285

As at 31 December 2016, the weighted average effective interest rate on the bank loans was 1.92% (31 December 2015: 1.58%), and are further analysed as follows:

	2016	2015
Denominated in HK$	1.77%	1.65%
Denominated in US$	2.07%	1.51%

Detail of the assets of the Group as at 31 December 2016 and 2015 that have been pledged as collateral to secure the general bank facilities of the Group are set out in note 36.

30. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2015 (Restated)	1,091,526,320	108,403
Exercise of share options	12,500	1
At 31 December 2015 (Restated) and 31 December 2016	1,091,538,820	108,404

All shares issued during the years ended 31 December 2016 and 31 December 2015 ranked pari passu in all respects with all shares then in issue.

31. 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 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.

The following table disclosed movements of the Company's shares options under the Share Option Schedule during the years ended 31 December 2016 and 31 December 2015.

31. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

For the year ended 31 December 2016

Grant date	Exercise price HK$	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2016
Employees						
25 June 2008	3.726	40,000	–	–	–	40,000
31 December 2008	3.726	70,000	–	–	(7,500)	62,500
3 July 2009	4.938	27,500	–	–	–	27,500
2 July 2010	8.884	673,000	–	–	(230,000)	443,000
26 August 2011	5.530	10,988,000	–	–	(1,987,000)	9,001,000
15 October 2012	5.530	400,000	–	–	–	400,000
2 July 2013	6.310	600,000	–	–	–	600,000
27 August 2013	8.740	1,210,000	–	–	–	1,210,000
25 October 2013	8.350	1,050,000	–	–	–	1,050,000
19 December 2013	7.690	50,000	–	–	(50,000)	–
14 April 2014	7.050	200,000	–	–	(200,000)	–
30 June 2014	6.020	300,000	–	–	(150,000)	150,000
25 September 2014	6.450	100,000	–	–	–	100,000
8 January 2015	5.900	250,000	–	–	(100,000)	150,000
2 April 2015	4.700	100,000	–	–	(100,000)	–
17 April 2015	5.060	2,200,000	–	–	–	2,200,000
2 July 2015	4.104	2,890,000	–	–	(450,000)	2,440,000
		21,148,500	–	–	(3,274,500)	17,874,000
Directors						
22 January 2009	3.308	137,500	–	–	–	137,500
15 October 2012	5.530	500,000	–	–	(100,000)	400,000
		637,500	–	–	(100,000)	537,500
		21,786,000	–	–	(3,374,500)	18,411,500
Exercisable at the end of the year		11,455,700				13,772,750
Weighted average exercise price (HK$)		5.50	–	–	5.16	5.56

31. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

For the year ended 31 December 2015

Grant date	Exercise price HK$	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2015
Employees						
25 June 2008	3.726	40,000	–	–	–	40,000
31 December 2008	3.726	82,500	–	(12,500)	–	70,000
3 July 2009	4.938	27,500	–	–	–	27,500
2 July 2010	8.884	693,000	–	–	(20,000)	673,000
26 August 2011	5.530	11,661,000	–	–	(673,000)	10,988,000
15 October 2012	5.530	400,000	–	–	–	400,000
2 July 2013	6.310	600,000	–	–	–	600,000
27 August 2013	8.740	1,210,000	–	–	–	1,210,000
25 October 2013	8.350	1,050,000	–	–	–	1,050,000
19 December 2013	7.690	50,000	–	–	–	50,000
14 April 2014	7.050	200,000	–	–	–	200,000
30 June 2014	6.020	300,000	–	–	–	300,000
25 September 2014	6.450	100,000	–	–	–	100,000
8 January 2015	5.900	–	250,000	–	–	250,000
2 April 2015	4.700	–	100,000	–	–	100,000
17 April 2015	5.060	–	2,200,000	–	–	2,200,000
2 July 2015	4.104	–	2,890,000	–	–	2,890,000
		16,414,000	5,440,000	(12,500)	(693,000)	21,148,500
Directors						
22 January 2009	3.308	137,500	–	–	–	137,500
15 October 2012	5.530	500,000	–	–	–	500,000
		637,500	–	–	–	637,500
		17,051,500	5,440,000	(12,500)	(693,000)	21,786,000
Exercisable at the end of the year		8,999,100				11,455,700
Weighted average exercise price (HK$)		5.78	4.58	3.73	5.40	5.50

31. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted from 2008 to 2015 are set out in note 30 to the consolidated financial statement for the year ended 31 December 2015.

No share options were granted during the year ended 31 December 2016.

The Group recognised the total expense of RMB6,579,000 (2015: RMB10,894,000) for the year ended 31 December 2016 in relation to share options granted by the Company under the Share Option Scheme. And the Group transferred the expense of RMB8,006,000 (2015: RMB2,453,000) which was previously recognised to retained earnings because the share options were forfeited after the vesting date.

(b) Pre-IPO Share Option Scheme

The purpose and the principal terms of the Pre-IPO Share Option Scheme, save as:

(i) the exercise price per share is 85% of the final offer price per share upon listing of the Company;

(ii) no option granted under the Pre-IPO Share Option Scheme will be exercisable within twelve months from the listing date; and

(iii) no further option will be offered or granted under the Pre-IPO Share Option Scheme after the listing of the Company.

The details of the outstanding options granted under the Pre-IPO Share Option Scheme are set out below:

	Number of Options								
Grantees	Outstanding at 1 January 2015	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31 December 2015	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31 December 2016
Employees	388,500	–	–	–	388,500	–	(2,500)	–	386,000

32. Information of the Statement of Financial Position of the Company

	2016	2015
	RMB'000	RMB'000
		(Restated)
Non-current assets		
Interests in a subsidiary	**60,506**	60,506
Amount due from subsidiaries	**452,177**	536,266
	512,683	596,772
Current assets		
Amounts due from subsidiaries	**163,663**	194,099
Bank balances and cash	**567**	514
	164,230	194,613
Current liabilities		
Other payables	**2,822**	3,178
Dividend payable	**26**	22
	2,848	3,200
Net current assets	**161,382**	191,413
Total assets less current liabilities	**674,065**	788,185
Capital and reserves		
Share capital	**108,404**	108,404
Reserves *(note i)*	**565,661**	679,781
Total equity	**674,065**	788,185

32. Information of the Statement of Financial Position of the Company *(continued)*

Note i: Reserves

	Share premium RMB'000	Share options reserve RMB'000	Share reserve RMB'000 *(note)*	Special Accumulated losses RMB'000	Total RMB'000
At 1 January 2015 (Restated)	1,887,140	66,665	(320,594)	(847,647)	785,564
Loss and total comprehensive income for the year	–	–	–	42,878	42,878
Share issued upon exercise of share options	57	(19)	–	–	38
Recognition of equity-settled share-based payments	–	8,441	–	–	8,441
Dividends recognised as distribution *(note 13)*	–	–	–	(157,140)	(157,140)
At 31 December 2015 (Restated)	1,887,197	75,087	(320,594)	(961,909)	679,781
Loss and total comprehensive income for the year	–	–	–	39,079	39,079
Share issued upon exercise of share options	–	–	–	–	–
Recognition of equity-settled share-based payments	–	6,579	–	–	6,579
Transfer on forfeiture of share options	–	(8,006)	–	8,006	–
Dividends recognised as distribution *(note 13)*	–	–	–	(159,778)	(159,778)
At 31 December 2016	1,887,197	73,660	(320,594)	(1,074,602)	565,661

Note: A debit amount of approximately RMB321 million (HK$363 million) represents the aggregate amount of the consideration which was settled by the Company with (i) cash consideration of approximately RMB184 million (HK$208 million) and (ii) share consideration of approximately RMB137 million (HK$155 million) for the acquisition of Luck Right and its subsidiaries from Ms. Poon Wai in 2008.

33. Financial Instruments

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000 (Restated)
Financial assets		
Loans and receivables	**1,346,717**	1,677,392
Available-for-sale investments	**52,428**	50,711
Financial assets designated as at FVTPL	**1,272,943**	454,496
	2,672,088	2,182,599
Financial liabilities		
Liabilities measured at amortised costs	**563,542**	827,435

33. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets designated as at FVTPL, available-for-sale investments, loan to an associate, 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 shareholder/an associate, dividend payable and bank loans. 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, interest rate risk and other price 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 and inter-company balances of certain Hong Kong operating subsidiaries which are denominated in foreign currencies of the relevant group entities. Except for the bank balances and inter-company 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 2016 and 31 December 2015 are approximately RMB68,448,000 and RMB105,002,000, respectively.

The carrying amounts of inter-company balances of certain Hong Kong operating subsidiaries that are denominated in foreign currency of group entities, representing RMB, as at 31 December 2016 and 31 December 2015 are approximately RMB301,000,000 and RMB301,000,000, respectively.

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.

33. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Currency risk

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in each relevant foreign currency against functional currency, 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.

	2016 RMB'000	2015 RMB'000 (Restated)
US$ impact *(note)*		
– US$ strengthens against RMB by 5%	2,235	3,495
– US$ weakens against RMB by 5%	(2,235)	(3,495)

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$.

The Group has no outstanding foreign currency forward contracts as at 31 December 2016 and 31 December 2015.

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.

Interest rate risk

As at 31 December 2016 and 31 December 2015, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank loans (see notes 26 and 29 for details of these balances). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

33. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing financial instruments at the end of each reporting period assuming the financial instruments existed at the end of each reporting period were outstanding for the whole year.

A 15 basis point increase or decrease in interest rate for variable-rate bank balances outstanding as at 31 December 2016 and 2015 and 50 basis point increase or decrease in interest rate for variable bank loans for the year ended 31 December 2016 represents management's assessment of the reasonably possible change in interest rates. If the interest rate on bank balances had been 15 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would increase or decrease approximately RMB1,119,000 (2015: RMB1,821,000).

For the year ended 31 December 2016 if interest rates of bank loans had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would decrease or increase approximately RMB992,000 (2015: RMB2,090,000).

Other price risk

The Group's equity price risk is mainly concentrated on the investment in Project BW as included in financial assets designated as at FVTPL. The Group has appointed a special team to closely monitor the price risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of each reporting date.

If the prices of the respective equity instruments had been 5% (2015:5%) higher/lower: the post-tax profit for the year ended 31 December 2016 would increase/decrease by 51,863,000 (2015: increase/decrease by RMB20,452,000) as a result of the changes in fair value of the investment in Project BW as included in financial assets designated as at FVTPL.

Credit risk

As at 31 December 2016, the Group's principal financial assets are available-for-sale investments, financial assets designated as at FVTPL, trade and other receivables, amount due from a related party, pledged bank deposits, and bank balances and cash. 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.

33. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk (continued)

The Group's credit risk is primarily attributable to its trade and other receivables. As at 31 December 2016, the five largest trade receivables, including four (2015: four) based in the PRC and one (2015: one) based in Hong Kong who are engaged in sales of consumer products accounted for approximately 39.3% (2015: 56%) of total trade receivables (net of allowance). The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group reviews the recoverable amount of each individual material trade debtor and related party at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

Also, there is concentration of credit risk on financial assets designated as at FVTPL and available-for-sale investments for the Company as at 31 December 2016 and 31 December 2015. The Group reviewed financial positions of those investments and appointed a team responsible for assessing the fair value at the end of each reporting period. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

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.

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 table include both interest and principal cash flows.

33. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk management (continued)

	Weighted average effective interest rate	Less than six months	Six months to one year	One year to five years	Over five years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016							
Financial liabilities							
Trade and other payables		216,828	–	–	–	216,828	216,828
Amounts due to related companies		5,168	–	–	–	5,168	5,168
Amounts due to directors		471	–	–	–	471	471
Amount due to a shareholder		27,564	–	–	–	27,564	27,564
Amounts due to non-controlling interests		13,943	–	–	–	13,943	13,943
Amount due to an associate		4,602	–	–	–	4,602	4,602
Dividend payable		26	–	–	–	26	26
Bank loans-variable interest rate	1.92%	4,758	239,120	17,538	49,171	310,587	294,940
		273,360	239,120	17,538	49,171	579,189	563,542
At 31 December 2015 (Restated)							
Financial liabilities							
Trade and other payables		223,434	–	–	–	223,434	223,434
Amounts due to related companies		5,901	–	–	–	5,901	5,901
Amounts due to directors		531	–	–	–	531	531
Amount due to a shareholder		27,204	–	–	–	27,204	27,204
Amounts due to non-controlling interests		13,058	–	–	–	13,058	13,058
Dividend payable		22	–	–	–	22	22
Bank loans-variable interest rate	1.58%	7,135	504,757	16,426	50,159	578,477	557,285
		277,285	504,757	16,426	50,159	848,627	827,435

33. 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 assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**
	31/12/2016	31/12/2015 (Restated)			
Available-for-sale investments, at fair value	**RMB45,522,000**	RMB43,354,000	Level 3	Market approach-a valuation technique that uses prices and other relevant information obtained from market transactions.	These investments are not publicly traded in an open market. Therefore, the fair value of these investments were determined with reference to the issue prices for recently issued shares of each investment, taking into consideration any adjustment factors for the period since the date of recent issuance up to 31 December 2016. A slightly increase in the issue prices would result in a significant increase in the fair value measurement of these investments, and vice versa.
Financial assets designated as at FVTPL	**RMB1,272,943,000**	RMB454,496,000			

(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 approximate their fair values.

33. Financial Instruments *(continued)*

(c) Fair value measurements of financial instruments *(continued)*

(iii) Reconciliation of Level 3 fair value measurements

	Available-for-sale investments, at fair value	**Financial assets designated as at FVTPL**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2015 (Restated)	–	–	–
Addition	43,354	454,496	497,850
At 31 December 2015 (Restated)	43,354	454,496	497,850
Exchange alignment	–	51,935	51,935
Addition	–	120,422	120,422
Gain on fair value change	2,168	646,090	648,258
At 31 December 2016	45,522	1,272,943	1,318,465

34. 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 loans as detailed in note 29 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.

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 loans.

35. Capital Commitments

	2016 **RMB'000**	2015 RMB'000 (Restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	**128,377**	15,745

36. Pledge Of Assets

	2016 **RMB'000**	2015 RMB'000 (Restated)
Investment properties	**288,926**	260,800
Property, plant and equipment	**17,201**	16,988
Prepaid lease payments	**16,506**	15,957
Pledged bank deposits	**380**	303,337
	323,013	597,082

37. Operating Lease Commitments

The Group as lessee

At the end of each reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Within one year	**278,158**	249,332
In the second to fifth year inclusive	**487,390**	538,025
Over five years	**29,181**	56,171
	794,729	843,528

The leases are negotiated for terms from two to ten years.

In respect of certain leases, the Group is committed to pay a minimum fixed rental payment plus additional rent on certain percentage of sales whenever the Group's sales achieved prescribed amounts as specified in relevant rental agreements.

The Group as lessor

The Group's properties with carrying amounts of approximately RMB474,228,000 (2015: RMB436,501,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 4.6% (2015: 4.7%) on 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:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Within one year	**18,208**	17,817
In the second to fifth year inclusive	**40,177**	41,876
Over five years	**38,131**	44,315
	96,516	104,008

38. 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 RMB62,976,000 (2015: RMB66,290,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately RMB689,000 (2015: RMB633,000).

39. Related Party Transactions

(a) During the year, the Group has the following significant transactions with related parties:

Relationship with related party	**Nature of transaction**	**2016 RMB'000**	2015 RMB'000 (restated)
Shigemitsu Industry Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Sales of noodles and related products	**600**	346
	Purchases of raw materials	**33,880**	36,641
	Franchise Commission paid		
	– for restaurants operating in Hong Kong	**1,116**	1,030
	– for restaurants operating in the PRC	**24,860**	25,029
	Technical fee paid	**559**	614
Ms. Poon	Property rentals paid	**1,991**	1,991
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Decoration expenses paid	**1,871**	2,222
Japan Foods Holding Ltd., non-controlling shareholder of a subsidiary of Ajisen (China) Holdings Limited	Franchise commission paid	**1,455**	1,296

39. Related Party Transactions *(continued)*

(b) The remuneration of directors and other members of key management during the year was as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Short-term employee benefits	6,334	6,302
Retirement benefits scheme contributions	129	113
Share-based payment	501	664
	6,964	7,079

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.

(c) During the year, in addition to those disclosed above, the Group entered into the following transactions with related parties:

During the year, AJ Europe Limited, an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement, with Ajisen Overseas Franchising Company Limited ("Ajisen Overseas"), controlling interests held by the shareholder of the Company, to establish Ajisen International Limited.

The purpose of the establishment was to have the right to operate sub-franchise restaurants. Details of this connected transaction has been disclosed in the Company's announcement dated 30 September 2016.

40. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2016 and 31 December 2015 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 2016	2015	Principal activities
Ajisen International *(note 1)*	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

40. 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 2016	2015	Principal activities
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
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 *(note 2)*	Hong Kong	US$1,000	80%	–	Operating an Ajisen sub-franchisee restaurants in Europe
Colour Rise Limited *(note 2)*	Hong Kong	HK$10,000	80%	–	Operating an Ajisen sub-franchisee restaurants in Europe
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

40. 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 2016	2015	Principal activities
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
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 Hanzhou Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	RMB20,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing, 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	55%	55%	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
重慶味千餐飲管理有限公司 Chongqing Weiqian Food & Restaurant 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

40. 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 2016	2015	Principal activities
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
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（上海）有限公司 Qingdao Lingchi Food Co., Ltd. *(note 2)*	PRC wholly foreign owned enterprise	RMB$3,000,000	100%	–	Operating a noodle factory in Shandong, the PRC
Hina Group Fund III, Limited Partnership	Cayman Islands	US$70,000,000	86%	86%	Investment holding

40. 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		Principal activities
			2016	2015	
Shanghai JingJing Investment Center (Limited Partnership) *(note 3)*	PRC limited partnership	RMB50,010,000	99.9%	–	Investment holding
Jiahua Mingde (Tianjin) Enterprise Management and Consulting partnership (Limited Partnership) *(note 3)*	PRC limited partnership	RMB100,010,000	99.9%	–	Investment holding

Note 1: This company was directly held by the Company.

Note 2: These companies were newly established by the Group during the year.

Note 3: These companies were invested by the Company during the year.

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.

Properties Held for Investment

Name/Location		Type	Carrying values in existing state at 31 December 2016 RMB'000	Lease term
1.	Units 903 to 908, Block A Xinian Centre, Tairanjiu Road Futian District, Shenzhen City, Guangdong Province, the PRC	C	15,100	Medium-term lease
2.	Workshops 1 to 24 on 10th Floor and a car packing space 1 on Level 3 Wah Yiu Industrial Centre, Nos., 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	88,915	Medium-term lease
3.	Storage B on Base Floor, Storages/ Workshops B on Ground Floor and 1st Floor and Workshops B on 2nd Floor, Nos. 24-26 Sze Shan Street, Yau Tong, Kowloon, Hong Kong	C	112,530	Medium-term lease
4.	Limit 2110 to 2116, 2118, 2121, 2214 and 2 underground car packing spaces, No. 1399, Haining Road, Zhabei District, Shanghai City, the PRC	C	9,700	Medium-term lease
5.	31/F, Golden Bell Plaza, No. 98 Huaihai Middle Road, Luwan District, Shanghai, the PRC	C	46,800	Medium-term lease
6.	Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 3 Tongyan Road New District, Xi'an City Shaanxi Province, the PRC	C	5,800	Medium-term lease

	Name/Location	Type	Carrying values in existing state at 31 December 2016 RMB'000	Lease term
7.	Unit 2602, 22/F, Full Town No. 9 Dongsanmian Zhong Road, Chaoyang District Beijing City, the PRC	C	12,300	Medium-term lease
8.	Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong	C	7,335	Medium-term lease
9.	9/F, Tower 2, Ever Gain Plaza, No. 88 Container Road, Kwai Chung, New Territories, Hong Kong	C	80,148	Medium-term lease
10.	An Industry Property located in Zhongguo Chuancai Chanyehua Yuan, Pi Country, Chengdu City, Sichuan Province, The PRC	C	4,700	Medium-term lease
11.	No. 2, Block D, No. 951 Xinfei Road, Songjiang District, Shanghai City, The PRC	C	18,300	Medium-term lease
12.	Units B-614, A-1216 and A-1217, Tai'an Court, Tairan Nineth Road, Futian District, Shengzhen City, Guangdong Province, The PRC	C	8,200	Medium-term lease
13	Unit 4206-4207, No. 67 Zhujiang Road, Xuanwu District, Nanjiang City, Jiangsu Province, the PRC	C	14,600	Medium-term lease

Name/Location		Type	Carrying values in existing state at 31 December 2016 RMB'000	Lease term
14	Unit B of Block 11, No. 951 Xinfei Road Songjiang District, Shanghai City, The PRC	C	12,300	Medium-term lease
15	Parcels of vacant land and an industrial property located at No. 2285 Jiangchun Road, Minhang District, Shanghai City, the PRC	C	20,000	Medium-term lease
16	Shop 2, Level 2, Block A and Shop 4 Level 2, Block C, Huaye Commercial and Residential Estate, No. 65 Meijiang 2nd Road, Jiangnan District, Meijiang District, Guangdong Province, the PRC,	C	17,500	Medium-term lease

Type of properties: C- commercial

Note: These property interests are 100% attributable to the Group.

Financial Summary

	Year ended 31 December				
	2012	**2013**	**2014**	**2015**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	2,467,320	2,587,789	2,614,896	2,545,055	**2,379,096**
Profit before taxation	191,739	295,601	329,802	295,603	**926,845**
Taxation	(57,811)	(64,207)	(94,571)	(90,322)	**(156,662)**
Profit for the year	133,928	231,395	235,232	205,281	**770,183**
Attributable to:					
– owners of the Company	125,046	216,962	217,021	184,558	**665,292**
– non-controlling interests	8,882	14,433	18,211	20,723	**104,891**
	133,928	231,395	235,232	205,281	**770,183**
ASSETS AND LIABILITIES					
Total assets	2,925,189	3,178,440	3,282,056	3,896,438	**4,415,525**
Total liabilities	(442,357)	(535,350)	(530,988)	(977,264)	**(796,472)**
Net assets	2,482,832	2,643,090	2,751,067	2,919,174	**3,619,053**

这一碗
让心里好满

“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。

JAPAN	PHILIPPINE
KUMAMOTO	VIETNAM
CHINA	USA
AUSTRALIA	MALAYSIA
SINGAPORE	CANADA
THAILAND	CAMBODIA

Designed & Produced by HeterMedia Services Limited
設計及製作由軒達資訊服務有限公司提供