AJISEN RAMEN
味千拉麵

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

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

Stock Code 股份代號：538

2023
ANNUAL REPORT 年報

大骨熬湯五十年

創立于一九六八

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

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As a renowned brand in the Food and Beverage ("F&B") industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. As at 31 December 2023, the Group's nationwide retail network comprises 562 restaurants, Ajisen restaurants have entered over 144 cities and 22 provinces and municipalities of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 101, followed by 82 in Guangdong and 68 in Jiangsu, together with the remaining 288 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 21 chain restaurants with its chain network covering all major business areas of the city. The Group also operates 2 restaurants in Europe. Moreover, the restaurant network is supported by the Group's Shanghai, Chengdu, Tianjin, Wuhan and Dongguan production bases.

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

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

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

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

Contents

2 Corporate Information
4 Financial Highlights
5 Chairman's Statement
7 Management Discussion and Analysis
15 Corporate Governance Report
36 Environmental, Social and Governance Report
58 Directors
60 Report of the Directors
78 Independent Auditor's Report
83 Consolidated Statement of Profit or Loss and Other Comprehensive Income
85 Consolidated Statement of Financial Position
87 Consolidated Statement of Changes In Equity
90 Consolidated Statement of Cash Flows
92 Notes to the Consolidated Financial Statements
185 Properties Held for Investment
188 Financial Summary

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Ho Pak Chuen Brian (appointed on 5 April 2024)
Mr. Wang Jincheng (resigned on 5 January 2024)

Audit Committee

Mr. Jen Shek Voon *(Chairman)*
Mr. Lo Peter
Mr. Ho Pak Chuen Brian (appointed on 5 April 2024)
Mr. Wang Jincheng (resigned on 5 January 2024)

Remuneration Committee

Mr. Lo Peter *(Chairman)*
Mr. Jen Shek Voon
Mr. Ho Pak Chuen Brian (appointed on 5 April 2024)
Mr. Wang Jincheng (resigned on 5 January 2024)

Nomination Committee

Mr. Ho Pak Chuen Brian *(Chairman)*
(appointed on 5 April 2024)
Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Wang Jincheng (resigned on 5 January 2024)

Authorised Representatives

Mr. Poon Ka Man, Jason
Ms. Cheung Lai Ha (appointed on 31 July 2023)
Ms. Leung Wai Han (resigned on 31 July 2023)

Company Secretary

Ms. Cheung Lai Ha (appointed on 31 July 2023)
Ms. Leung Wai Han (resigned on 31 July 2023)

Head Office and Principal Place of Business in Hong Kong

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Block B
24-26 Sze Shan Street
Yau Tong, Kowloon
Hong Kong

Registered Office

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Hong Kong Legal Adviser

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

Wonderful Sky Financial Group

Investor Relations Contact

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Company Websites

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Stock Code

538

Financial Highlights

	2023	2022	Change
Turnover (RMB'000)	**1,815,406**	1,429,792	+27.0%
Sales from restaurant operation (RMB'000)	**1,734,200**	1,339,611	+29.5%
Gross profit (RMB'000)	**1,373,330**	1,054,959	+30.2%
Profit (loss) before taxation (RMB'000)	**247,875**	(176,765)	N/A
Profit (loss) attributable to owners of the Company (RMB'000)	**181,188**	(143,906)	N/A
Basic earnings (loss) per share (RMB)	**0.17**	(0.13)	N/A
Recommended final dividend per share (RMB)	**0.08**	0.06	+33.3%
Total number of restaurants (as at 31 December)	**562**	597	-5.9%
Total assets (RMB million)	**3,961.5**	3,868.6	+2.4%
Net assets (RMB million)	**3,057.8**	2,921.3	+4.7%
Bank balances and cash (RMB million)	**1,607.6**	1,465.1	+9.7%
Inventory turnover (days)	**63.0**	96.7	-33.7 days
Trade payable turnover (days)	**79.0**	90.6	-11.6 days
Net gross profit margin	**75.6%**	73.8%	+1.8 percentage point
Net profit (loss) margin	**10.6%**	-10.9%	+21.5 percentage points
Current ratio	**4.1**	3.2	+0.9 percentage point
Return on equity	**6.3%**	-5.4%	+11.7 percentage points
Gearing ratio	**0.9%**	1.0%	-0.1 percentage point

As at 31 December 2023, the Group's turnover increased by 27.0% as compared with the corresponding period last year, operating profit margin increased to 7.0% from -8.0%, cost of food ingredients decreased to 24.4% from 26.2%; labour costs decreased to 26.2% from 29.8%; and other operating costs decreased to 25.0% from 26.3%.

As at 31 December 2023, the Group operated a total of 562 restaurants, a decrease of 35 from 597 in the corresponding period last year, which was mainly due to the Group strategically shutting down underperforming stores to improve overall profitability. Particularly, a total of 30 restaurants including 29 in Mainland China and 1 in Hong Kong were newly opened; while a total of 65 restaurants including 63 in Mainland China and 2 in Hong Kong were closed.

The online and offline dual model has become a mainstream trend for catering enterprises to operate business, which helps enterprises better integrate online and offline resources to enhance brand influence and competitiveness. In order to adapt to market trends, during the period, the Group optimized and upgraded the POS system of stores across the country, and completed the integration of online and offline business, effectively improving the operational efficiency of stores. On this basis, on the one hand, the Group continued to intensify its online promotion efforts, and at the same time, it also strengthened cooperation with third-party food delivery platforms. The Group's takeaway turnover increased by approximately 5.8% to RMB346 million as at the end of 2023 from RMB327 million as at the end of 2022, and takeaway business contributed 25.9% of takeaway restaurant turnover.

As an important step to increase operating income and enhance customer experience, membership marketing is of great significance to the development of catering enterprises because an effective membership marketing strategy can help enterprises establish a stable customer base, promote sales growth, and enhance customer loyalty and brand value, thereby enhancing the competitive advantage and profitability of enterprises. During the period, the Group continued to optimize its membership marketing strategy, membership levels and benefits, conducted more membership marketing activities, and opened a points and rewards mall to increase customer stickiness, promote the increase of member repurchase rate and improve the ability of attracting new members. As at 31 December 2023, the number of Ajisen members reached 31,696,000 and the amount of member spending reached RMB880 million.

In terms of labour costs, in order to achieve process control of labour costs, the Group has commenced the digital reform of human resources since 2023 by establishing a digital organizational structure, improving online digital scheduling and working hour management, and implementing online payroll management, which has effectively optimized the human resources structure of the Group, improved the efficiency of human resources and saved human resource costs. During the period, the Group's labour costs decreased to 26.2% from 29.8%. The Group's labour costs will be put under effective control in the long run.

In terms of cost of food ingredients, the percentage of raw materials to turnover decreased to 24.4% as at 31 December 2023 from 26.2% in 2022. The Group has striven to increase the proportion of direct procurement of food ingredients to reduce the cost of food ingredients, which has reached 78.39% currently. In addition, the Group has constantly enhanced the quantity and quality of domestic and foreign suppliers to provide consumers with reasonably priced, premium and tasty foods. In China, the Group has maintained its close partnership with COFCO Corporation, Sunner Food and other large suppliers. At abroad, the Group has actively established cooperative relationships with large international suppliers to ensure the high quality and competitive price of supplies.

In terms of branding activities, the Group regularly launches promotions during holidays and for new product introductions. In addition, the Group launches the "Ajisen Members' Day" promotion on the 22nd day of each month to give back to consumers. In order to celebrate the 55th anniversary of the Ajisen brand, Ajisen Ramen held a nationwide free noodle eating event for five consecutive years in November 2023, which attracted widespread attention and praise online and offline, and improved brand reputation and influence.

Finally, I would like to express my sincere gratitude to all shareholders and customers for their continuous support and persistent collaboration with the Group during the past year, as well as the members of the Board, the management and all staff for their efforts and dedication to the Group's development. With the recovery of consumption in the catering industry, in 2024, the Group will actively expand and optimize the distribution of its store network, and proactively promote continuous digital transformation and upgrading. The Group will also control food safety more strictly and continue to focus on developing new products that cater to consumer tastes. Ajisen (China) will firmly adapt to the development trend of the consumer industry to pursue growth and create greater value for shareholders, customers and employees.

Industry Review

During the year ended 31 December 2023 (the "Period"), facing the complex and severe international environment and the tasks of reform, development and stabilization at home, all regions and departments in China adhered to the general working guideline of pursuing progress while maintaining stability, implemented the new development concept in a complete, accurate and comprehensive manner, accelerated the construction of a new development pattern, comprehensively deepened reform and opening up, strengthened macroeconomic control, and focused on expanding domestic demand, optimizing structure, boosting confidence, and preventing and defusing risks. Therefore, the national economy rebounded, and supply and demand improved steadily. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) amounted to RMB126,058.2 billion, representing a year-on-year increase of 5.2% (same period in 2022: 3.0%); the total retail sales of social consumer goods amounted to RMB47,149.5 billion, representing a year-on-year increase of 7.2%; the national per capita disposable income amounted to RMB39,218, representing a real growth of 6.1% over the same period last year; and the national consumer price index (CPI) increased by 0.2% year on year.

In 2023, with the orderly resumption of production and living and the continuous effectiveness of consumption promotion policies, the demand for catering consumption was significantly released, which promoted the rapid recovery of the catering industry and further boosted the development confidence, completely demonstrating the characteristics of strong resilience, great potential and full vitality of the catering economy. According to the National Bureau of Statistics of China, the national revenue of the catering industry for the Period was RMB5,289 billion, representing a year-on-year increase of 20.4%. According to iiMedia Research, as at 30 June 2023, the number of takeaway users reached 535 million, and the takeaway revenue contributed 21.4% of the total revenue of catering industry. The integrative development of online and offline operations has accelerated, the takeaway and dine-in business have achieved positive synergy, and the "dual model" layout has become the consensus of most catering enterprises.

Digital technology empowering the high-quality transformation and upgrading of the catering industry has become the main theme of the industry. The catering industry has begun its transformation from the digitalization of services, management and marketing to the digitalization of the entire industry chain. Under the new situation, the catering industry is accelerating the integration with digital technology, and digital acceleration has become an effective way to transform the business methods and operation patterns of enterprises and continuously improve anti-risk capability and core competitiveness, which will further promote digital growth to become an important barrier to the competition of catering enterprises.

In 2024, the catering industry will gradually return to normal operations, and market consumption will further recover. The Group will continue to conduct lean management, strictly control food quality and safety, continuously expand its restaurant network, actively promote internal change to accelerate digital upgrading, firmly grasp the dividends generated from the recovery of the industry, and capture new opportunities, so as to bring better return on investment to shareholders.

Business Review

During the Period, the Group's turnover was approximately RMB1,815 million, representing an increase of approximately 27.0% from approximately RMB1,430 million for the corresponding period in 2022.

During the Period, the Group's catering business gradually recovered from the pandemic, but due to the impact of the economic slowdown and global inflation, and the catering industry still encountered difficulties. The Group has continuously adjusted its operating strategy with an aim to pursue stable and sustainable operation.

During the past three years of the pandemic, the Group had actively streamlined its stores by shutting down those performing unsatisfactorily. The Group prudently evaluates the location of new stores and adopts a stable operation and store opening strategy, which allows us to focus our resources and efforts on the stores with higher profitability, and further optimize the operational efficiency of existing stores to improve overall profitability. Under inflationary pressure, the proportion of food cost and labor cost of the Group both recorded a decrease as a result of the Group's concerted efforts. In terms of food ingredients, the Group continuously optimized its supply chain and sought quality suppliers around the world to supply raw materials at stable prices. The Group has also maintained five major production bases in Mainland China, including those in Shanghai, Chengdu, Tianjin, Wuhan and Dongguan, which guaranteed the food quality, food safety and stable supply of the Group's restaurants. In terms of manpower, the Group continuously optimized the operational processes of the frontline and back offices to reduce manpower without compromising service quality.

The effective operation of the existing 562 restaurants of the Group would not be achieved without our efficient management and intensive staff training. The Group also strengthened the guidance and training for restaurant managers and regional supervisors, and enhanced the operational efficiency of each restaurant through constant improvement of the management ability of frontline employees.

The Group will closely monitor market conditions, respond quickly to market changes, and identify new opportunities while maintaining stability, so as to achieve the Group's objective of sustainable operation.

Retail Chain Restaurants

In 2023, 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 RMB1,734,200,000 (2022: RMB1,339,611,000), accounted for approximately 95.5% (2022: 93.7%) of the Group's total revenue.

As at 31 December 2023, the Group's restaurant portfolio consisted of 562 chain restaurants, comprising the following:

	31 December 2023	31 December 2022	+/–
By provinces/cities			
Shanghai	**101**	104	-3
Beijing	**31**	33	-2
Tianjin	**2**	2	–
Guangdong (excluding Shenzhen)	**61**	61	–
Shenzhen	**21**	19	+2
Jiangsu	**68**	71	-3
Zhejiang	**58**	61	-3
Sichuan	**11**	12	-1
Chongqing	**11**	10	+1
Fujian	**12**	10	+2
Hunan	**13**	13	–
Hubei	**12**	11	+1
Liaoning	**5**	12	-7
Shandong	**30**	37	-7
Guangxi	**16**	16	–
Guizhou	**3**	2	+1
Jiangxi	**13**	13	–
Shaanxi	**9**	10	-1
Yunnan	**10**	10	–
Henan	**5**	6	-1
Hebei	**9**	11	-2
Anhui	**12**	15	-3
Xinjiang	**2**	2	–
Hainan	**2**	3	-1
Shanxi	**3**	4	-1
Neimenggu	**3**	4	-1
Heilongjiang	**9**	11	-2
Ningxia	**1**	1	–
Jilin	**6**	8	-2
Gansu	**–**	1	-1
Hong Kong	**21**	22	-1
Rome	**1**	1	–
Finland	**1**	1	–
Total	**562**	597	-35

	31 December 2023	31 December 2022	+/–
By geographical region			
Northern China	**95**	118	-23
Eastern China	**239**	251	-12
Southern China	**146**	144	+2
Central China	**80**	82	-2
Europe	**2**	2	–
Total	**562**	597	-35

Financial Review

Turnover

For the year ended 31 December 2023, the Group's turnover increased by approximately 27.0%, or approximately RMB385,614,000 to approximately RMB1,815,406,000 from approximately RMB1,429,792,000 for the corresponding period in 2022. Although the number of stores decreased during the period, with the gradual decline in the impact of the COVID-19 pandemic, the stores no longer needed to suspend operations for pandemic control measures, the stores resumed normal operations, leading to an increase in revenue.

Cost of inventories consumed

For the year ended 31 December 2023, the Group's cost of inventories increased by approximately 17.9%, or approximately RMB67,243,000 to approximately RMB442,076,000 from approximately RMB374,833,000 for the corresponding period in 2022.

During the year, the ratio of inventories cost to turnover was approximately 24.4%, which decreased by 1.8 percentage point from approximately 26.2% for the corresponding period in 2022 mainly due to the decline in the market prices of the main raw material, pork, compared to last year.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2023 increased by approximately 30.2%, or approximately RMB318,371,000 to approximately RMB1,373,330,000 from approximately RMB1,054,959,000 for the corresponding period in 2022.

Gross profit margin of the Group also increased to 75.6% from approximately 73.8% for the corresponding period in 2022.

Staff costs

For the year ended 31 December 2023, staff costs of the Group increased by approximately 11.9% or approximately RMB50,420,000 to approximately RMB475,830,000 from approximately RMB425,410,000 for the corresponding period in 2022.

Staff costs as a proportion to turnover decreased by 3.6 percentage points to 26.2% from approximately 29.8% for the corresponding period in 2022. The staff costs to turnover ratio decreased is mainly due to the increase in revenue, which improved the operating efficiency.

Depreciation

For the year ended 31 December 2023, depreciation of the Group decreased by approximately 13.8% to approximately RMB316,692,000 from approximately RMB367,489,000 for the corresponding period in 2022.

Both depreciation of right-of-use assets and depreciation of property, plant and equipment decreased during the year.

Depreciation of right-of-use assets decreased as a result of the decrease in the number of shops; depreciation of property, plant and equipment decreased due to the decrease in capital expenditure in recent years as a result of the COVID-19 pandemic, which slowed down the pace of store openings.

Other operating expenses

For the year ended 31 December 2023, other operating expenses increased by approximately 20.7% to approximately RMB453,966,000 from approximately RMB376,144,000.

The increase in other operating expenses is consistent with the growth in sales. After the pandemic, extending business hours has led to an increase in utilities and maintenances costs. The increase in takeaway orders has led to an increase in service charges for delivery platforms.

Set out below is the breakdown of the main operating expenses for the years ended 31 December 2023 and 2022.

	2023 **RMB million**	2022 RMB million	% +/–
Utilities	**82.4**	73.5	+12.1
Store and factory management fee	**62.4**	66.3	-5.9
Service charges for delivery platforms	**57.6**	52.2	+10.3
Consumables & utensils	**42.0**	41.2	+1.9
Rental expenses under short-term lease	**29.1**	16.5	+76.4
Rental expenses under variable lease payment	**27.2**	17.9	+52.0
Logistics expenses	**26.4**	24.4	+8.2
Franchise expenses	**22.2**	23.7	-6.3
Advertising and promotions	**13.6**	11.6	+17.2
Travelling expenses	**6.8**	4.6	+47.8
Repairment and maintenance expenses	**5.2**	3.5	+48.6
Bank charges on credit card payment	**4.8**	3.3	+45.5
Auditors' remuneration	**3.1**	3.3	-6.1
Cleaning expenses	**2.5**	2.3	+8.7
Consultancy fee	**2.0**	1.0	+100

Other income

For the year ended 31 December 2023, other income of the Group increased by approximately 25.7% to approximately RMB109,842,000 from approximately RMB87,408,000 for the corresponding period in 2022.

The increase in other income is mainly due to the increase in gross rental income from investment properties as a result of the increase in occupancy rate. Interest income increased as deposit rate rise. The gross rental income from investment properties and bank interest income recognised during the year amounted to RMB41,525,000 (2022: RMB33,186,000) and RMB31,425,000 (2022: RMB20,473,000) respectively.

Other gains and losses

For the year ended 31 December 2023, the Group recognised other gains of approximately RMB37,236,000 (2022: losses of approximately RMB78,519,000). The other gains and losses turned from loss to gain mainly due to the fair value gain on financial assets at FVTPL.

Fair value gain of approximately RMB23,935,000 (2022: loss of approximately RMB63,876,000) on financial assets at FVTPL was recognised for the year ended 31 December 2023. The investees recorded better performance due to the improved economic environment compared to the same period last year, resulting in an increase in the valuation.

Finance costs

For the year ended 31 December 2023, finance costs decreased by approximately 26.3% to approximately RMB19,178,000 from approximately RMB26,017,000 for the corresponding period in 2022. Both the interest on lease liabilities and interest on borrowings decreased during the year.

The interest on lease liabilities decreased due to the decrease in number of shop; The interest on borrowings decreased as a result of the decrease in loan balance during the year.

Profit (loss) before tax

Being affected by the factors referred to above, the Group recorded a profit before tax of approximately RMB247,875,000 for the year ended 31 December 2023 (31 December 2022: loss of approximately RMB176,765,000).

Profit (loss) attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately RMB181,188,000 (31 December 2022: loss of approximately RMB143,906,000).

Investments

The Group maintained an investment portfolio, the portfolio can be divided into three categories depends on its accounting treatment:

Financial assets at fair value through profit or loss ("FVTPL"), interests in associates and interest in a joint venture.

The following table shows the breakdown of the major investments:

Financial assets at FVTPL, net of financial liabilities at FVTPL

	31 December 2023	31 December 2022	Initial investment cost
	RMB'000	RMB'000	RMB'000
Hezhi	**75,509**	27,440	99,120
Wealth management product	**25,031**	–	25,031
Jialan Jiahua Fund	**20,000**	–	20,000
Jiahua Anyuan Fund	**13,254**	60,243	50,000
Yunxi	**3,834**	17,274	60,000
Others	**11,143**	13,413	16,907
	148,771	118,370	271,058

Financial assets at FVTPL represented the unlisted equity investments and fund investments.

The Group engaged an independent qualified professional valuer to access the valuation.

Interests in associates

	31 December 2023 RMB'000	31 December 2022 RMB'000	Initial investment cost RMB'000
Jiangsu Hong Xuan Ecological Agriculture Company Limited	–	–	43,354
Yunnex Inc.	–	987	64,791
Others	**43,110**	44,993	53,196
	43,110	45,980	161,341

Interest in a joint venture

	31 December 2023 RMB'000	31 December 2022 RMB'000	Initial investment cost RMB'000
Beijing Feicui Jinghua & Restaurant Management Co., Ltd	**7,820**	6,761	12,858

The increase in the value of joint venture mainly represented the share of post-acquisition results of the joint venture.

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2023 remained healthy and strong, with bank balances amounting to approximately RMB1,607,635,000 (31 December 2022: RMB1,465,111,000) and a current ratio of 4.1 (31 December 2022: 3.2).

As at 31 December 2023, the Group had bank borrowings of approximately RMB37,484,000 (31 December 2022: approximately RMB40,417,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 0.9% (31 December 2022: 1.0%).

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 2023 and 31 December 2022 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Interest rate risk

As the Group has no significant interest-bearing assets (other than 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 and bank balances and cash, 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. As of 31 December 2023 and 31 December 2022, all of the bank balances were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in Mainland China and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

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

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

Contingent liabilities

As of 31 December 2023, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,434,727,000 (2022: RMB1,186,121,000) and the current ratio was 4.1 as at 31 December 2023 (31 December 2022: 3.2). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Cash generated from operations for the year ended 31 December 2023 was approximately RMB503,177,000, while profit before taxation for the same period in 2022 was approximately RMB247,875,000. The difference was due to the non-cash items, mainly fair value movements on the investment properties and financial assets and financial liabilities at FVTPL, depreciation of property, plant and equipment and right-of use assets and the finance interest on lease liabilities.

Capital expenditure

For the year ended 31 December 2023, the Group's capital expenditure was approximately RMB65,566,000 (2022: RMB55,056,000). Capital expenditures is similar to last year. During the year, although the impact of the pandemic is gradually fading, the economy has not fully recovered. The Group has adopted a similarly cautious store opening strategy as last year.

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. The Board believes that good corporate governance principles ensuring ethical business integrity, sustainable economic, environmental, and social development will enable the Group's stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs, enhance corporate value as well as formulate its business strategies & policies. In this regard, the Board emphasizes on transparency, accountability and independence in order to enhance our long-term shareholders' return.

Corporate Governance Practices

The Company has, throughout the year ended 31 December 2023, adopted the Corporate Governance Code (the "Code") as set out in Appendix C1 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 C.2.1 of the Code. Under the code provision C.2.1, the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e. the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the Management given the appropriate delegation of the power of the Board and the effective functions of the Independent Non-executive Directors (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.

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 C3 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 2023.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirements under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors of the Company are authorised to communicate with parties outside the Group.

Anti-corruption

At the employees' level as well as the suppliers' level, the Group strictly complies with the state laws and regulations and has formulated internal anti-corruption guidelines. For details, please refer to the Environmental, Social and Governance Report on page 47 of this annual report.

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

The Board of Directors

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

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

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

As regards the code provision of C1.5 of the Code, requiring the Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Composition

The Board currently consists of seven Directors as follows:

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

Non-executive Directors
Mr. Katsuaki Shigemitsu
Mr. Yew Yat On

Independent non-executive Directors
Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Ho Pak Chuen Brian

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

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

During the reporting period, 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 INEDs and one of them has accounting professional qualification. More than one-third of the members of the Board are INEDs, which brings a fairly strong independence element in its composition.

Independent Non-Executive Directors

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 (the "Shareholders") as a whole, and to advise strategically the development of the Company.

Notwithstanding that the INEDs have served the Board for more than nine years, the Nomination Committee considers and satisfies itself that the length of his/her tenure has not affected his/her independence having regard to his/her actual contributions, impartiality and ability to continue to demonstrate effective oversight of management of the Company. The Nomination Committee is confident that the wealth of skills, knowledge and experience of each of INEDs enables each to continue to contribute meaningfully and objectively to the deliberations of the Board. Save as disclosed herein, none of the INEDs has any material business with or significant financial interests in the Company or its subsidiaries and therefore all the INEDs continue to be considered by the Company to be independent. The Board considers that the long serving INEDs' independence from management has not been diminished by their years of service.

Pursuant to code provision B.2.4 of the Code, the Company appointed Mr. Ho Pak Chuen Brian, a new INED on the Board with effective on 5 April 2024 and shall be hold office until the forthcoming AGM and being eligible, shall offer himself for re-election at the forthcoming AGM.

The Company has received an annual confirmation from each of the INEDs, namely Mr. Lo Peter and Mr. Jen Shek Vook in respect of his independence in accordance with Rule 3.13 of the Listing Rules. Mr. Ho Pak Chuen Brian appointed on 5 April 2024 has also confirmed to the Company of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers each of them are independent.

Board Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board or enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board to ensure their effectiveness.

At Board meetings, the Directors are free to express their views and important decisions are subject to detailed discussion before they are made. If the Directors consider it necessary to seek advice from an independent professional institution, they may engage an independent professional institution in accordance with the procedures and at the expense of the Company. If a Director has an interest in a matter proposed by the Board, the relevant Director must withdraw from the discussion of the relevant proposal and abstain from voting, and the Director will not be counted in the quorum for voting on the resolution. In addition, the independent non-executive Directors should also express an objective and impartial independent opinion on matters discussed by the Company. The independent non-executive Directors of the Company do not hold any position in the Company other than that of a Director, do not have any relationship with the Company and the Company's major shareholders that might influence their independent and objective judgement, and do not have any business or financial interests in the Company or the Company's subsidiaries. During the Reporting Period, the participation of independent non-executive Directors therefore effectively ensures that there is a strong and sufficient element of independence on the Board. The Board will review the implementation and effectiveness of the above mechanism annually.

Delegation by the Board

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

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

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

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

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

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

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

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

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

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

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

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

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

Corporate Governance Function

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

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

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

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

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

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

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

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

Chairman and Chief Executive Officer ("CEO")

Under the code provision C.2.1 of the Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Ms. Poon Wai is the Chairman of the Board and the CEO. With her extensive experience in the industry, the Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and the CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon Wai distinctly. Ms. Poon, as the Chairman, always encourage Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interest of the Company. She also encourage directors with different views voice their concerns and allow sufficient time for Directors to discuss for any issue arising, as well as ensure that Board decisions fairly reflect Board consensus. It is also considered that the current structure does not impair the balance of power and authority between the Board and the Management given the appropriate delegation of the power of the Board and the effective functions of the INEDs (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Pursuant to code provision B.2.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 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 to three years subject to the rotation requirement. In accordance with the Company's articles of association (the "Articles of Association"), at each annual general meeting of the Company (the "AGM"), one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next first AGM after his appointment and shall then be eligible for re-election.

Ms. Poon Wai, Mr. Poon Ka Man, Jason, Mr. Katsuaki Shigemitsu and Mr. Ho Pak Chuen Brian shall retire or hold office until the forthcoming AGM and being eligible, shall offer themselves for re-election at the forthcoming AGM.

Induction and Continuing Professional Development of Directors

Each newly appointed Director shall receive formal, comprehensive and tailored induction on the first occasion of his/her 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.

Mr. Ho Pak Chuen Brian, who is appointed as Independent Non-Executive Directors effective on 5 April 2024, at which an external legal adviser provided legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as director of a listed company, his obligations as Director, and the possible consequences of making false declarations or giving false information to the SFC. He has confirmed his understanding of the information provided by the legal adviser.

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2023 is as follows:

Name of Directors	Nature of continuous professional development programmes
Executive Directors	
Ms. Poon Wai	A
Mr. Poon Ka Man, Jason	A
Ms. Ng Minna	A
Non-Executive Directors	
Mr. Katsuaki Shigemitsu	A
Mr. Yew Yat On	A
INEDs	
Mr. Lo Peter	A
Mr. Jen Shek Voon	A
Mr. Wang Jincheng (resigned on 5 January 2024)	A

Note:

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

Supply of and Access to Information

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

Board Meetings

The Board meets regularly, and at least four times a year, in person or by means of electronic communication. The Chairman also meets with the INEDs at least once a year without the presence of other Directors. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board and Board committee meetings, reasonable notice is generally given. All notices, agendas, schedules and the relevant information of each Board and Board committee meeting are generally made available to Directors or Board committee members in advance. For regular board meetings, an agenda and accompanying board papers should be sent, in full, to Directors at least 3 days before the board or board committee meeting. The Board is to ensure each director is given an opportunity to include matter(s) in the agenda for before the meeting. The Board and each Director also have separate and independent access to the Management whenever necessary.

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

During the year ended 31 December 2023, 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 7 June 2023 (the "2023 AGM") is set out below:

Name of Directors	Board Meetings Attended/Eligible to Attend	2023 AGM Attended/ Number of meeting(s) held
Executive Directors		
Ms. Poon Wai	4/4	1/1
Mr. Poon Ka Man, Jason	4/4	1/1
Ms. Ng Minna	4/4	1/1
Non-Executive Directors		
Mr. Katsuaki Shigemitsu	4/4	1/1
*Mr. Yew Yat On	2/2	0/1
INEDs		
Mr. Lo Peter	4/4	1/1
Mr. Jen Shek Voon	4/4	1/1
Mr. Wang Jincheng (resigned on 5 January 2024)	4/4	1/1

* Mr. Yew Yat On was appointed on 7 June 2023.

Independent Board Committee

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

Board Committees

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

Executive Committee

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

Currently, the Executive Committee comprises three members as follows:

Ms. Poon Wai *(Chairman and CEO)*, an executive Director
Mr. Poon Ka Man, Jason *(Chief Marketing Officer)*, an executive Director
Ms. Ng Minna *(Director of New Business Department and Operating Officer of Hong Kong and Macau Businesses)*, an executive Director

There were two Executive Committee meetings held during the year ended 31 December 2023. Attendance of each Executive Committee member at the Executive Committee Meetings is set out below:

Name of Members	**Executive Committee Meeting Attended/ Number of meeting(s) held**
Ms. Poon Wai	2/2
Mr. Poon Ka Man, Jason	2/2
Ms. Ng Minna	2/2

Remuneration Committee

The Remuneration Committee was set up on 8 March 2007 in compliance with Appendix C1 of the Listing Rules. Details of the authorities and duties of the Remuneration Committee are set out in its terms of reference, which are available on the websites of the Company and the Stock Exchange. The main purpose for establishing the Remuneration Committee is to ensure that the Company can recruit, retain and motivate suitably qualified staff in order to reinforce the success of the Company and create return for our shareholders. The terms of reference of the Remuneration Committee are summarized as follows:

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

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

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

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

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

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

(vii) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and

(viii) to review and/or approve matters relating to share schemes under chapter 17 of the Listing Rules.

Currently, the Remuneration Committee comprises three members as follows:

Mr. Lo Peter *(Chairman)*, an INED
Mr. Jen Shek Voon, an INED
Mr. Ho Pak Chuen Brian, an INED (appointed on 5 April 2024)
Mr. Wang Jincheng, an INED (resigned on 5 January 2024)

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 2023, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

Name of Members	Remuneration Committee Meeting Attended/ Number of meeting(s) held
Mr. Lo Peter	1/1
Mr. Jen Shek Voon	1/1
Mr. Wang Jincheng (resigned on 5 January 2024)	1/1

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.

Nomination Committee

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

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

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

(iii) to assess the independence of INEDs; and

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

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

Nomination Policy

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

Selection Criteria

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

(a) reputation for integrity;

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

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

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

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

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

Nomination Procedures

A. Appointment of New Director

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

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

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

B. Re-election of Director

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

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

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

Disclosure of the Policy

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

Review of the Policy

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

Currently, the Nomination Committee comprises three members as follows:

Mr. Ho Pak Chuen Brian *(Chairman)*, an INED
(appointed on 5 April 2024)
Mr. Lo Peter, an INED
Mr. Jen Shek Voon, an INED
Mr. Wang Jincheng, *(Chairman)*, an INED
(resigned on 5 January 2024)

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 2023, 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. We have conducted board evaluation annually. A board range of areas have been assessed including board composition, succession planning, sufficiency and effectiveness of the board committees, board effectiveness to ensure independent views and input are available to the Board.

The Board is committed to review its own performance and effectiveness at regular in intervals. The last evaluation was conducted in 27 March 2024.

Attendance of each Nomination Committee member at the Nomination Committee meeting is set out below:

Name of Members	Nomination Committee Meeting Attended/ Number of meeting(s) held
Mr. Lo Peter	1/1
Mr. Jen Shek Voon	1/1
Mr. Wang Jincheng (resigned on 5 January 2024)	1/1

Board Diversity Policy

On 2 December 2014, the Board adopted a board diversity policy (the "Board Diversity Policy") to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, length of service, skills, knowledge and industry experience. The selection of potential candidate will be based on the potential contributions that the potential candidate can bring to the Board, having due regard to the benefits of diversity on the Board without focusing on a single diversity aspect. As at the date of this annual report, the Board consists of two female and five male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory. The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. As at 31 December 2023, among the eight directors of the Group, two are female.

As at 31 December 2023, approximately 63% of total workforce of the Group are female and 37% of the total workforce of the Group are male, The gender ratio of female to male in the workforce of the Group including senior management and other employees was approximately 63:37.

Audit Committee

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

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

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

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

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

(v) to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements 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;

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

(x) to review the Group's Internal Audit Function.

As at the end of the Reporting Period, the Audit Committee comprise of three INEDs as follows:

1. Mr. Jen Shek Voon (Chairman)
2. Mr. Lo Peter
3. Mr. Wang Jincheng (resigned on 5 January 2024)

After the reporting period, Mr. Wang Jincheng resigned as the INED of the Company with effect from 5 January 2024 due to his other business commitments. Subsequent to the resignation of Mr. Wang Jincheng, the Audit Committee consisted of two members, namely Mr. Jen Shek Voon and Mr. Lo Peter with Mr. Jen Shek Voon as the chairman of the Audit Committee. Notwithstanding the limited number of members, the remaining members of the Audit Committee continued to perform the functions of the Audit Committee. Mr. Ho Pak Chuen Brian ("Mr. Ho") has been appointed as an INED with effect on 5 April 2024.

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 2023, the Audit Committee convened two committee meetings. Attendance of each Audit Committee member at the Audit Committee meetings is set out below:

Name of Members	**Audit Committee Meetings Attended/ Number of meeting(s) held**
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	2/2
Mr. Wang Jincheng (resigned on 5 January 2024)	2/2

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor for the year 2024, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2023 and annual results for the year ended 31 December 2023 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 and not absolute assurance against material misstatement, loss or fraud.

During the reporting period, the Audit Committee Meeting held on 25 August 2023, the following proposals were made and approved by the Audit Committee:

1. Adoption of an updated Term of Reference of the Audit Committee ("AC TOR"); and

2. Engagement of an independent contractor and the subsequent formation of Internal Audit Functions ("IAF").

At subsequent Audit Committee Meetings, the following authorities of the IAF were approved and granted:

1. to submit regular IAF reports to the Audit Committee on its work and to make relevant recommendations to the Audit Committee and the Board;

2. to co-ordinate with the external auditors and the Audit Committee;

3. to discuss with the Audit Committee to ensure that the independent contractor has performed its duty to have effective systems, including the adequacy of resources and the budget;

4. to permit all expenses incurred during its performance to be chargeable to ACHL without the approval of the Board;

5. the use of an IAF Internal Audit Methodology ("IAM");

6. the adoption of a "Three-year IAF Trimester Plan" for the years 2024 to 2026 as to cover major aspects as required by the AC TOR; and

7. the implementation of the annual IAF Budget for 2024.

Since its establishment, the IAF has submitted a number of IAF Reports to the Audit Committee and the senior management on the following:

1. the evaluations on the external auditors' work quality and the recommendations on their annual audit fee;

2. the proposals on the call off of non-audit services from the external auditing firm;

3. the utilization of factories of ACHL;

4. the assessment of senior management's judgmental matters on business developments;

5. the summary of information that have been uploaded to the Company's website;

6. the recommendations on having better consultation with the external auditors in improving the ESG disclosures in the annual report of ACHL;

7. the review of internal control procedures of the Hong Kong office after the departure of the ex-chief financial officer; and

8. the proposals and adoption of a Whistle Blowing Policy for employees and those who deal with the Group to report any wrong doings independently to the chairman of the Audit Committee and the IAF officer.

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. Since the establishment of the IAF, and under the first trimester of the IAF, the review has prioritised the coverage of significant, material controls, including financial, operational and compliance controls, as required under the revised AC TOR, and made the appropriate reports to the Audit Committee.

The senior management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and the IAF provides independent assurance to the Board, the Audit Committee and the senior management concerning the effectiveness of risk management and internal control systems.

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

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

(1) Risk Identification: by heads of major operation units or departments;

(2) Risk Mitigation and Control: by heads of major operation units or departments in accordance with the internal guidelines approved by the Board and the Audit Committee;

(3) Risk Reporting: during the financial year, the heads of major operation units or departments have received IAF Report in which they have implemented the recommendation after due consideration and in consultation with the Chairman and CEO.

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 to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

- the Management, together with the finance department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- the Management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the Management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; 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. The internal audit reports that were submitted to the Audit Committee, and the internal audit process, have been reviewed and the external professional firm attended meetings of the Audit Committee to present and explain their findings. The Audit Committee reviewed the draft reports submitted by the external professional firm and has made the necessary recommendations to the Board to put in place the mechanism for implementing an effective internal audit function. The Board has accepted the recommendations of the Audit Committee.

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

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

During the Reporting Period, 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 the Management's ongoing monitoring of the risks management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) provision of recommendations to the Board and the Management on the scope and quality of the Management's ongoing monitoring of the risk management and internal control systems.

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 control of the Company.

Whistle-Blowing Policy

The Whistle-Blowing Policy (the "WBP") was set up on 17 April 2009 and updated on 27 March 2024. 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. For details, please refer to the Environmental, Social and Governance Report on page 48 of this annual report.

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 2023 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.

During the Reporting Period, the Audit Committee reviewed, discussed with the independent contractor and considered the recommendations in the IAF reports. The Audit Committee has made the necessary recommendations to the Heads of Divisions and the Chairman and CEO who have after due consideration in place the mechanism for implementing an effective internal audit function. The Board has accepted the recommendations of the Audit Committee.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively and adequately. 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 2023, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgements 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 81 to 82 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 2023 was approximately as follows:

Type of Services	**Fee paid/payable** *(RMB'000)*
Audit	3,100
Non-audit services *(Note)*	400
Total:	3,500

Note: The non-audit services mainly include tax services.

Company Secretary

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Cheung Lai Ha, a representative of Computershare Hong Kong Investor Services Limited (a company secretarial services provider), as the company secretary of the Company. Her primary contact person at the Company is Mr. Poon Ka Man, Jason, the executive Director.

During the year ended 31 December 2023, Ms. Cheung Lai Ha 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 2023 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 2023 AGM held on 7 June 2023 to answer Shareholders' questions. The Company's forthcoming AGM will be held on 13 June 2024 (the "2024 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 two websites at www.ajisen.com.hk and www.ajisen.com.cn where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The Board regularly reviews the existing channels of communication with Shareholders and investors to make sure they remain effective and provide recommendations for improvements when needed. The Board considers the current practices were all well-implemented throughout the year and achieved satisfactory.

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

Closure of register of members

In order to determine the Shareholders who are entitled to attend the 2024 AGM, the register of members of the Company will be closed from 7 June 2024 to 13 June 2024 (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 2023, the register of members of the Company will be closed from 20 June 2024 to 24 June 2024 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the 2024 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 6 June 2024 and 19 June 2024 respectively.

Shareholders' Rights

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

All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholders' meeting. At the 2023 AGM, all resolutions were passed by poll by the Shareholders of the Company.

Convening an extraordinary general meeting by Shareholders

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

Change of Constitutional Documents

The Company has adopted the Third amended and restated memorandum and articles of association of the Company by way of a special resolution passed at the annual general meeting on 7 June 2023. The latest version of constitutional documents is available on the websites of the Company and the Stock Exchange.

Dividend Policy

Pursuant to code provision F.1.1 of the Code, the Company has formulated and adopted a dividend policy (the "Dividend Policy") which aims to set out the principles and guidelines in recommending or declaring dividends to the Shareholders.

The Company is pursuing a healthy and sustainable business development and attaches great importance to generating reasonable investment returns to the Shareholders by declaring and distributing dividends to the Shareholders conservatively, even facing of the financial turndown during the Covid 19 pandemic.

Principles and Guidelines

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

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

3. Currently, no fixed payment ratio has been set. The Board shall take into account the following factors of the Group when considering the declaration or recommendation of dividends:

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

4. The Company in each AGM may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

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

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

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

8. Any unclaimed dividend shall be forfeited by the Board and shall revert to the Company in accordance with the Articles of Association and the laws of the Cayman Islands. No dividends shall be declared or payable except out of the Company's profits and reserves lawfully available for distribution.

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

10. Dividends declared in the past may not be indicative of the Company's future dividend policy.

Looking Forward

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

Environmental, Social and Governance Report

ABOUT THE REPORT

Ajisen (China) Holdings Limited ("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 ("Mainland China") and the Hong Kong Special Administrative Region ("Hong Kong"). We are committed to protecting the environment, promoting social progress and maintaining good governance, and are pleased to publish the 2023 environmental, social and governance (ESG) report (the "Report"), which aims to disclose the Group's ESG policies, initiatives and performance.

Reporting Scope

The Report covers the Group's business operations in Mainland China and Hong Kong from 1 January 2023 to 31 December 2023 (the "Reporting Period" or "2023"), including operation of restaurants, and manufacture and sales of noodles and related products. Disclosure of ESG policies, practices and relevant laws and regulations is made on the Group-wide basis, while the environmental key performance indicators (KPIs) cover offices in Mainland China and Hong Kong, as well as production bases in Shanghai, Chengdu, Tianjin, Wuhan and Dongguan. The Group will continue to improve its data collection system and review and adjust the scope of disclosure in a timely manner.

Reporting Principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and follows the four reporting principles as set out in the Guide, including materiality, quantitative, balance and consistency.

Reporting principles	Definitions	Application
Materiality	The reporting shall be focused on disclosure of ESG issues that have a significant impact on the Group and its stakeholders.	The Board members of the Group are responsible for identifying material ESG issues as key disclosures in the Report. For details, please refer to "Stakeholder Communication and Materiality Assessment".
Quantitative	The reported KPIs and related data shall be measurable, and historical data shall be provided where appropriate for comparison and assessment of the effectiveness of ESG policies and management systems.	The Group commissioned independent professional advisors to conduct carbon assessments to ensure the accuracy of environmental KPI data. Where practicable, the Group records, calculates and quantifiably discloses relevant KPIs.
Balance	The Report should provide an unbiased picture of ESG performance so that readers can objectively assess the Group's overall performance.	The Group has complied with the principle of impartiality in preparing the Report to avoid the dissemination of biased information.
Consistency	The disclosures in the Report should use consistent methodologies to allow for meaningful comparisons of relevant data in the future.	Unless otherwise stated, the Group has adopted consistent methodologies for statistics and disclosures to ensure comparability.

Information Source

All information cited in the Report is derived from the Group's official documents and relevant statistics. The Group has established mechanisms to collect, manage and apply relevant information to ensure the accuracy and reliability of the contents of the Report. The Report has been confirmed and approved by the Board on 27 March 2024.

Feedback

The valuable feedback of stakeholders may help the Group to make continuous progress. If you have any enquiries, comments or suggestions about our ESG performance or the Report, please feel free to contact us by email (richard.liu@ajisen.net).

ESG MANAGEMENT

The Board of the Group recognises the importance of regulating and promoting ESG issues, which are not only related to corporate image and reputation, but also directly affect the long-term development and sustainability of the Group. The Board is at the core of the corporate governance structure and is responsible for implementing the Group's sustainability commitments and mitigating current and potential risks in business operations through regular assessment, management and review of ESG-related policies, practices and performance.

In addition, the Board is responsible for identifying ESG issues that have a significant impact on the Group as key disclosures in the Report to enhance transparency. The Board will work with different functional departments to assess the Group's ESG performance and take a series of management measures. In order to direct employees, partners and stakeholders in fulfilling their respective environmental and social responsibilities, the Board will also maintain communication and exchange with various stakeholders, and make adjustments and improvements based on their views and suggestions to ensure that the Group's ESG performance meets the expectations of stakeholders.

Looking ahead, the Group pledges to continue to regard ESG issues as one of its core regulatory priorities, improve the relevant governance structure and policies, and gradually formulate strategies and objectives to promote its own ESG performance.

Risk and Compliance Management

The Board is responsible for overseeing the risk management and internal control systems of the Group on an on-going basis and to reviewing the effectiveness of the systems annually. The audit committee assists the Board in reviewing the systems and management is responsible for ensuring that appropriate measures are taken against the major risks affecting the Group's business and operations. Heads of major operating units or departments are required to identify risks and mitigate identified risks in accordance with internal guidelines. During the Reporting Period, the Board has reviewed the effectiveness and adequacy of the Group's risk management and internal control systems through the audit by the audit committee and considers that the systems has been effectively implemented. In order to effectively address ESG risks and seize related opportunities, the Group will further improve such systems by taking into account ESG considerations. For details of internal control and risk management, please refer to the "Corporate Governance Report".

As a responsible corporate citizen, the Group strictly abides by the laws and regulations of the countries and regions in which it operates, and is fully aware that any violation of laws and regulations may result in risks such as penalties, enforcement actions and litigation, which may affect the Group's operations, performance and reputation. We have established a series of internal policies and systems for compliance operations and internal control, and require all staff to comply with such guidelines. During the Reporting Period, the Group did not have any major ESG related violations and irregularities, nor did it have any corruption cases filed and concluded against the Group and its employees.

Scope	Topic	Major laws and regulations (including but not limited to)	Compliance
Environmental	Emissions	Mainland China Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015) Discharge Standards for Water Pollutants for Meat Packing Industry (GB13457-92) Emission Standards for Air Pollutants from Boilers (DB31/387-2014) Integrated Emission Standards for Air Pollutants (DB31/933-2015) Emission Standards for Kitchen Fumes in Catering Industry (Trial) (GB18483-2001) Standards for Noise Emission at the Plant Boundary Environment of the Industrial Enterprises (GB12348-2008)	The Group had no relevant material violations of laws and regulations
	The Environment and Natural Resources		The Group had no relevant material violations of laws and regulations
Social	Employment and Labour Standards	Mainland China Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Hong Kong Employment Ordinance of Hong Kong Special Administrative Region	The Group had no relevant material violations of laws and regulations
	Health and Safety	Mainland China Regulation on Work Injury Insurance	The Group had no relevant material violations of laws and regulations
	Product Responsibility	Mainland China Consumer Protection Law Food Safety Law of the People's Republic of China Advertisements Law of the People's Republic of China Measures for the Management of Food Business License Hong Kong Food Safety Ordinance of the Hong Kong Special Administrative Region	The Group had no relevant material violations of laws and regulations
	Anti-corruption	Mainland China Company Law of the People's Republic of China Law Against Unfair Competition of the People's Republic of China Anti-money Laundering Law of the People's Republic of China	The Group had no relevant material violations of laws and regulations, nor did it have any corruption cases filed and concluded against the Group and its employees

STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT

Stakeholder engagement is essential to the sustainable development of the Group. The Group maintains close communication with its stakeholders through diversified means to understand their expectations and needs of the Group.

Major stakeholders	Major communication methods
The Board, management and staff	Board meetings, internal meetings, training, internal communications, emails and social media
Investors and shareholders	General meetings and events, financial reports and announcements, meetings, group communications and websites
Customers	Meetings, questionnaire surveys, interviews, phone calls, emails and social media
Suppliers and business partners	Audits and assessments, site visits, meetings
Community	Community activities

To better understand material ESG topics, we have identified 21 ESG-related topics of the Group through independent advisors during the Reporting Period, and have conducted a questionnaire survey with the Board to determine the materiality of these topics The Board has identified and determined the following topics as the most important topics for the Group in respect of the impact of the topics on the corporate value of the Group and the impact of the topics on the economy, environment and society:

Most important topics	Sections
Occupational Health and Safety	People-oriented
Business Ethics	Responsible Operations
Product and Service Liability	

The Group plans to expand the questionnaire survey to other internal and external stakeholders in the future, to more closely analyse and understand the ESG topics that are important to the Group and its stakeholders, and to help us review the relevant expectations and needs, as well as the risks and opportunities involved, so as to lay a solid foundation for addressing the challenges of sustainable development in the future.

ENVIRONMENTAL PROTECTION

The Group is aware of the potential impact of its business operations on the environment and natural resources, and is committed to actively reducing the environmental impact of its operations through practicing green and low-carbon production and office. We comply with various environmental laws and regulations, prevent and reduce any form of pollution and emissions, and minimise the consumption of natural resources and maximise the efficiency of resources used in our operations. In addition to requiring all employees to comply with the environmental protection measures set by the Group, we also advocate environmental awareness among our employees, partners, suppliers and customers. We also conduct regular environmental assessments to assess material environmental issues and relevant laws and regulations that may have a material impact on our business operations.

We plan to measure and disclose our environmental performance on a regular basis to identify opportunities to improve our environmental performance and to progressively set environmental[1] targets in the future to promote sustainable development. For information on the Group's environmental performance during the Reporting Period, please refer to the "Environmental Performance" in the Appendix. Our restaurant brand "Ajisen Ramen" has been awarded the "Green Restaurant" honor by the Shanghai Restaurants Cuisine Association in recognition of our emphasis on environmental protection and advocating green and low-carbon.

[1] The number of employees and revenue used in intensity data calculation are consistent with the scope of environmental KPIs.

Emissions Management

Air pollutants and greenhouse gas emissions

The Group is committed to managing and reducing air pollutants and greenhouse gas emissions from its business operations through following methods:

- Implementing regional lighting in Shanghai headquarters, Hong Kong branches, production bases and stores to reduce energy waste;
- Encouraging employees to cherish and make good use of various resources;
- Promoting paperless office, double-sided paper utilisation and waste paper reuse in the office;
- Using energy-saving and environmentally friendly electrical appliances and cooking equipment;
- Kitchen ventilators are equipped with automatic degreasing functions for oil fume purifying equipment;
- The fume and exhaust gas produced during the baking process is purified and treated with the fume purification device,
- The boilers at the production bases use lightweight diesel as fuel; and
- Encouraging employees to make full use of communication systems to avoid unnecessary travel.

During the Reporting Period, the Group emitted 813.04 kilograms of nitrogen oxides, 0.37 kilograms of sulphur oxides and 74.39 kilograms of respirable suspended particulate matter, respectively, which were mainly generated from motor vehicles. At the same time, the total greenhouse gas emissions generated in the Group's business activities were 14,631.83 tonnes of CO_2 equivalent, and the greenhouse gas emission intensity was 1.98 tonnes of CO_2 equivalent per employee.

Hazardous and non-hazardous wastes

The Group actively seeks opportunities to reduce the generation and disposal of wastes, adopts 4R principles (Reduction, Reuse, Replacement and Recycling) in its daily operations, and collects and disposes of hazardous and non-hazardous wastes in accordance with relevant laws and regulations. The production bases have participated in the waste oil recycling scheme, under which waste oil is collected by qualified recyclers and converted into renewable energy.

During the Reporting Period, the Group generated a total of zero tonnes of hazardous wastes and 387.23 tonnes of non-hazardous wastes. The relevant hazardous wastes mainly include kitchen waste oils and fats and waste activated carbon, and such hazardous wastes are disposed of by qualified third parties in strict compliance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. In addition, the non-hazardous wastes generated by the Group mainly include general solid wastes, such as kitchen waste, scrap metal, cardboard, plastic drums, foam, flour bags and general sludge, which are collected and treated by qualified third parties.

Wastewater

In order to ensure the sustainability of water resources, the Group strictly complies with the " Wastewater Quality Standards for Discharge to Municipal Sewers" (GB/T31962-2015), the "Discharge Standards for Water Pollutants for Meat Packing Industry" (GB13457-92) and other standards. The Group first uses its own sewage treatment devices to initially treat the raw material cleaning water, filter pressing water, equipment cleaning water, floor cleaning water and other sewage generated, and ensure the satisfaction of discharge standards before discharging wastewater to the municipal water pipe network together with domestic sewage for further centralised treatment. During the Reporting Period, the Group discharged a total of 45,517.50 tonnes of sewage.

Use of Resources

In its operations, the Group attaches importance to the efficient use of resources and waste reduction to reduce the impact of enterprises on the environment. All employees must comply with the environmental protection measures established by the Group to ensure the rational use of resources at each operating point. Please refer to the "Emissions Management" section for details.

Energy

During the Reporting Period, the Group's total energy consumption was 17,564.94 MWh, and energy consumption intensity was 2.38 MWh per employee. Direct energy mainly includes petrol, petroleum gas and natural gas, and indirect energy includes purchased electricity.

Water

The Group's business requires a large amount of water, which is mainly from municipal supply, and there is no problem in obtaining water sources. Cooling water recovery systems have been installed in the workshops of production bases to reuse the water used for product cooling.

During the Reporting Period, the Group's total water consumption was 131,992.80 cubic meters and water consumption intensity was 17.89 cubic meters per employee. Data are not available because no separate water meters are installed in Hong Kong office. The Group encourages its employees to cherish water, and pledges to continue to strengthen water resources management and develop measures to further reduce water consumption and improve water efficiency to ensure the sustainable development of water resources.

Packaging materials

During the Reporting Period, the total amount of packaging materials used by the Group in the production of packaged noodles was 1,548.00 tonnes, and the packaging material consumption intensity was 0.85 tonnes per RMB million revenue, mainly including plastic bags, cartons, tableware, takeaway bags and drink cups.

In view of the impact of the Group's business activities on the environment and natural resources, the Group will continue to promote the concept of green and low-carbon operations, review and regularly update technology and equipment, strengthen emission management and resource use efficiency, and explore and implement more environmental protection policies and measures according to the results of relevant environmental assessment, so as to achieve a balance between economic development and environmental protection. For example, optimising recycling and reuse programs, promoting the use of more environmentally friendly products, and actively participating in activities to promote environmental protection. Additionally, we will work together with various stakeholders to achieve green goals, including promoting green supply chain management and providing more environmentally friendly products and services to customers, so as to effectively fulfill our social responsibility and commitment to sustainable development.

Climate Change

The Group is deeply concerned about the impact of climate change on the global economy and business operations, and is committed to reducing the negative impact on climate change by taking various measures. In addition to reducing greenhouse gas emissions, we also implement energy-saving and emission-reduction measures, including optimising production processes, improving energy use efficiency, implementing waste reduction, classification and recycling, etc.

With the growing concern of the wider community on corporate climate risk management, the Group is committed to formulating climate change-related policies and conducting risk assessments to identify and respond to major climate-related risks and opportunities, strengthen its climate resilience, and contribute to climate change mitigation.

PEOPLE-ORIENTED

Employment Management

As a responsible employer, the Group emphasises the benefits and rights of our employees. In order to provide the best working environment, we have established appropriate employment management policies, such as the Human Resources Policy and the Employee Handbook. We are committed to protecting our employees' rights and interests in compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and other benefits. We plan to review and update relevant policies and measures to strengthen the regulation of employment and labour standards.

Recruitment, Promotion and Dismissal

The Group adheres to the principles of open recruitment, comprehensive assessment and merit-based admission in hiring employees to ensure fair and equitable distribution of opportunities. The Group sets out the recruitment procedures in the Human Resources Policy, which requires to select and recruit talents according to objective conditions such as academic background, work experience and professional ethics. Through the establishment of a performance management system, the Group regularly reviews the working competence and performance of employees, and uses the evaluation results as the basis for employee promotion and salary adjustment to ensure fair and equitable distribution of opportunities. Employees can apply for resignation in accordance with the procedures as set out in the Employee Handbook, and all resignation or dismissal procedures are implemented in accordance with local laws, regulations and internal policies to protect the legitimate rights and interests of both employers and employees.

Compensation and other welfare and benefits

The Group is committed to establishing a sound remuneration system to motivate employees to work and enable them to have a reasonable market competitiveness. The Group will decide whether to adjust the Office Operating Salary Structure annually by taking into account certain factors such as operating conditions, market standards, salary competitiveness among peers, and relevant government guidelines. Employees' remuneration, year-end bonuses and benefits will be adjusted according to the results of their performance appraisals. In addition, the Group provides reasonable and attractive welfare and benefits for employees, including medical, pension, unemployment, work-related injury and maternity insurance, provident fund, etc.

In order to establish a good team relationship and strengthen employees' sense of belonging, the Group also regularly holds annual activities, such as monthly summing-up meeting of cultural fashion icon, monthly employee birthday party, outdoor hiking, Mid-Autumn Festival dinner, Christmas buffet party, Spring dinner, etc., to enrich employees' leisure time life.

Working hours and holidays

To ensure that employees' working hours are reasonably arranged, the Group sets out working hours in the Employee Handbook and employment contracts. In addition to statutory holidays and paid annual leave, employees can enjoy sick leave, marriage and funeral leave, maternity leave and other leave. On the basis of the implementation of the standard working hour system, an employee who needs to work overtime for special reasons can submit an application to his/her supervisor for review and record by the Human Resources Department.

Equal opportunity, diversity and anti-discrimination

The Group upholds the values of fairness, justice, openness and inclusiveness, encourages diversity of cultures and backgrounds, and is committed to building a work environment that advocates equal opportunities and inclusive development. The Group firmly opposes any form of discrimination, including but not limited to discrimination on the grounds of gender, race, religion, ethnicity, age, disability, etc. All employees have equal opportunities in recruitment, training, promotion and job assignment. In addition, we will also consider the diverse backgrounds and needs of our employees to support them to fully contribute to their work and enjoy equal opportunities and development. The Group hires people with disabilities through the Selective Placement Division of the Labour Department and provides them with jobs. Meanwhile, we have adopted a board diversity policy, and the benefits to board diversity will be considered in the selection of potential candidates in addition to potential contributions to the Board.

Eliminate child or forced labour

The Group strictly prohibits the employment of any child labour and forced labour. To ensure compliance with local laws and regulations, all applicants are required to provide valid identification documents to prove their age during the recruitment process. We strictly prohibit forced labour, ensure that all employees are voluntarily and legally employed, and stipulate the rights and obligations of employees and the department in which they work in signed employment contracts. If we find any violations of the regulations for the prevention of child labour and forced labour, we will take legal and administrative measures, including submission to local authorities and accepting liability for compensation.

During the Reporting Period, the Group had a total of 7,380 employees, including those for operation of restaurants, and manufacture and sales of noodles and related products, excluding those for other businesses. Data on employee profiles, new hires and employee turnover are set out in the "Social Performance" in Appendix.

Health and Safety

The Group values the physical and mental health of employees and is committed to building a healthy and safe working environment for its employees. In order to identify and prevent occupational hazards, the Group continuously reviews and assesses existing and potential health and safety risks in the workplace to assist in the formulation of relevant policies, communicates with employees on a regular basis, and takes proactive measures to prevent accidents and maintain a safe working environment. We have formulated the Employee Handbook, the Code of Occupational Safety and Health and the Work Safety Instruction for our offices, stores and production bases, respectively, and require employees to read and comply with them carefully to help them perform their duties safely. For positions with higher risks, the Group continues to update the Work Safety Instruction to clarify the operation, dangerous elements and degrees of machinery and equipment, as well as precautions, and at the same time provides one-to-one training for production equipment operators to prevent work-related accidents.

In order to raise employees' awareness of occupational safety and health, the Group requires all employees to remain vigilant at all times to protect their own and others' health and safety, maintain good work practices, and keep working area clean and organised. We also conduct regular safety training for our operations management personnel and workshop staff at production bases to ensure that they comply with relevant occupational health and safety regulations and jointly create a culture of work safety. In addition, the Group provides all employees with orientation health check and employer's liability insurance to ensure that they are physically fit for work and enhance the protection of employees from accidental injuries during work. During the Reporting Period, the Group recorded 110 work-related injuries, mainly involving falls, scalds, cuts and splints, with a work-related injury rate of 0.11 per 1,000 employees and 97 lost days. The Group has enhanced its occupational safety and health practices and promotion.

Development and Training

Talent cultivation and development is critical for enterprises to establish long-term competitiveness. The Group is committed to improving the professional skills and quality of our employees to help them better perform their duties and enhance their work efficiency. In order to better meet the talent needs of corporate development, the Group formulates relevant annual training plans, training and development systems, and strategies and policies for mid-level and senior talent reserve according to business development plans and needs, and comprehensive quality and career development interests of employees, so as to help employees become the driving force for the Group to achieve better business performance. In line with our business strategy and functional needs, we provide different training and development opportunities to encourage employees to give full play to their talents in work:

Types of training	Examples of training activities	Purpose
Orientation training	Basic Hygiene Instructions for New Employees, Food Safety and ISO 22000 Basics	To help employees better understand the Group's policies and corporate culture, and master the necessary skills and knowledge to adapt to work as soon as possible
On-the-job training	Ajisen Business School Program, CCTalk (online platform)	To meet the different development needs of employees, improve personal comprehensive vocational ability, and realise self-worth

We also encourage employees to participate in external training or further education, and provide support such as employee welfare education funds and subsidies for government special training expenses to help them continuously improve their work and personal capabilities. Besides, the Group has established a performance management system to regularly evaluate the performance of employees, so as to provide promotion and development opportunities for outstanding employees. Heads of departments are responsible for setting annual work objectives with employees, and communicating and giving feedback on their progress and performance.

During the Reporting Period, a total of 310 employees of the Group were trained, accounting for 4.20% of the total number of employees, with an average of 0.85 hours of training per employee. Data on employee training are set out in the "Social Performance" in Appendix.

RESPONSIBLE OPERATIONS

Supply Chain Management

The Group mainly carries out business in the catering industry, and therefore attaches great importance to supplier management to provide quality and safe products and services. Our "Procurement Bidding Process" and "Supplier Performance Evaluation and Management Measures" regulate relevant procurement standards and procedures, as well as supplier selection and review, aiming to create a fair, open and reasonable competition pattern and select quality suppliers. For the suppliers seeking initial cooperation, we will conduct on-site evaluation on them to confirm whether they will be admitted to the qualified supplier system. During the supplier admission phase, we require suppliers to provide industry qualification according to the requirements of corresponding product category. For suppliers in cooperation, we will conduct irregular on-site visits, reviews, inspections, etc. Manufacturers who fail to pass the assessment will be included in the list of unqualified suppliers and the cooperation will be terminated.

To manage supply chain risks, the Group integrates social responsibility into the management and operation of the supply chain, and incorporates environmental and social considerations when evaluating suppliers:

Scope	Standards considered
Governance	• Operating in compliance with laws and regulations • Social, economic and environmental contributions • Corporate culture and philosophy • Any record of bad credit or penalties
Environmental	• Whether the products involved and in the research and development or production stage are low-carbon and environmentally friendly • Participation in community environmental activities
Social	• Social responsibility and creditworthiness • Food quality and safety

We set objectives, and organise activities and training with suppliers in cooperation to express the Group's expectations on environmental and social responsibility. Meanwhile, we also monitor the compliance of our suppliers' operations with laws and regulations, require suppliers to self-assess their environmental and social performance, and supervise suppliers to implement effective management plans to ensure compliance with relevant standards and norms. We rate suppliers based on their risk and performance.

In terms of promoting green procurement, we encourage and support suppliers who share the same philosophy as the Group to continuously improve their environmental performance, jointly organise seminars and training, promote environmental protection plans and waste reduction activities, support suppliers to use environmentally friendly materials, save and recycle resources, save energy and reduce consumption to protect the environment, so as to achieve the objectives of reduction, reuse and recycling. Through the annual supplier assessment, we will reward suppliers with outstanding environmental contributions.

During the year, the Group had a total of 566 suppliers for its business in Mainland China, including those from the PRC, Brazil, Spain, the Netherlands, Mexico, Denmark and France which supply food materials, equipment, systems, packaging materials, printing services and other items. Among which, 84.68% suppliers from the PRC and 100% suppliers from overseas have adopted the procurement practices of the Group.

Looking ahead, the Group will improve data collection system, continue to strengthen practices regarding data disclosure and identifying environmental and social risks along the supply chain, formulate relevant policies, prioritise the procurement of green products and services, and encourage suppliers to work together to achieve sustainable development objectives in line with the Group's requirements for environmental and social responsibility.

Product Responsibility

The Group attaches great importance to product responsibility management and regulates the quality, health and safety, advertising, labelling and privacy matters relating to products and services to meet the needs and expectations of customers.

Quality control

The Group gives top priority to food safety. In order to ensure the quality and safety of food, we adopt strict quality standards to regulate raw materials, production, testing, packaging, storage, distribution and other processes. The Group adopts a scientific management mode by implementing large-scale direct purchase, standardised operation and intensive production, together with the cold-chain production and delivery technology centered on production bases. While improving production efficiency and ensuring consistent product taste, we also ensure the safety of food materials in processing, outbound, logistics and distribution, and use modern technologies to guarantee the safety and nutrition of the food materials and food from beginning to end.

Process	Main quality control measures
Raw materials	• Formulate the Description of Bidding Process for Raw Material Procurement and the Raw Materials Supplier Delivery Quality Rating Standard to manage the quality of raw materials provided by suppliers • Give priority to well-known enterprises in the industry, which are required to have necessary qualifications and provide product inspection and acceptance reports • Suppliers are required to sign the "Food Quality and Safety Commitment Letter" and comply with the requirements therein, ensure that the raw materials meet the standards, do not use contaminated raw materials in the production process, do not forge labels, keep the production environment clean, and accept the inspection and sampling inspection of government regulatory authorities • Suppliers must pass the qualification requirements of raw material supply as set out in the "Supplier Development and Selection Evaluation Form", comply with relevant hygienic regulations, and submit product safety certificates and laboratory reports on a regular basis • Any supplier who provides food products for the first time must be reviewed by the procurement and quality control departments • Procurement and quality control personnel conduct on-site audit at processing plants and review production processes to ensure that suppliers have effective food safety control systems and independent research and development capabilities • Trace the products produced by suppliers, strictly monitor and test every stage from raw materials to finished products
Production	• Conduct regular training for workers to ensure they understand the latest food safety measures and best practices • Implement strict quality control and management measures, including inspection, labeling, packaging and storage • All products shall be manufactured in accordance with the relevant laws and standards for quality and safety, and shall pass the audit of relevant institutions
Distribution	• For products distributed to stores from production bases or warehouses, a contract shall be signed with a third-party transportation company, requiring disinfection before loading • Goods that must be stored and transported in cold chain shall not be mixed with toxic, chemicals, etc. • Temperature-controlled systems are used to distribute refrigerated products to ensure that the products delivered to stores meet the requirements • Install thermometers in vehicles to monitor the temperature of trucks, and carry out regular spot checks • The receiving staff of stores will measure the temperature of the products distributed by logistics to check whether the temperature meets standard

Use ERP system to ensure the safety of food materials at the source

The Group's ERP system is connected with the tracing system of Shanghai Food and Drug Administration. The materials registered in the system can be traced back to the production date, product lot, shelf life and other information. Large-scale purchase data is directly input into the system, guaranteeing the safety of food materials at the source.

Realise the standardised production of bone soup through integrated production mode

The soup making process at production bases is comprised of material selection, dicing, cooking, evaporation, packaging, distribution, and finishing. All these seven steps are under standardised control over time, temperature, measurement, sequence, etc., to better ensure the stability of gourmet meals.

During the Reporting Period, the Group produced a total of approximately 4,106,008 pieces of packaged food products and did not identify any products that required recall for safety and health reasons.

Customer service

The Group is committed to providing quality customer service and maintaining close contact with customers through various communication channels. We have set up a service enquiry hotline to receive customer feedback and complaints in order to continuously improve our service quality and enhance customer satisfaction. According to the customer complaint handling method and system, if a customer complaint is received, the relevant department will immediately conduct an investigation in accordance with the process and notify the customer of the progress, so as to ensure that the problem can be properly handled in a timely manner. During the Reporting Period, the Group received a total of 480 complaints and enquiries, of which 400 cases were properly handled.

Customer privacy and intellectual property rights

The Group respects and is committed to protecting the privacy of customers and internal and external intellectual property rights, and has taken the following measures:

- Installing network firewall and anti-virus software to reduce the risk of cyber attacks;
- Planning server security policies to prevent unauthorised network intrusion;
- Classifying data and backing up important data to ensure data security;
- Designing login control strategies to prevent unauthorised use and access;
- Updating computer software to strengthen system security;
- Improving the security management system of the computer room to ensure the security of network equipment; and
- Prohibiting employees from providing confidential information such as customer information and data or intellectual property rights to third parties without authorisation.

Advertising and labelling

The Group values the rights and interests of consumers and strives to accurately convey product information. When conveying corporate and product information, the Group complies with national laws and regulations and makes reasonable advertising based on consumer needs. In terms of advertising and labelling, the Group has established the Ajisen Raw Material Labelling and Identification to ensure that all advertisements and labels are true, accurate and legal, and that relevant information is clearly conveyed.

Anti-corruption

The Group adheres to high standards of business integrity and does not tolerate any form of corruption or unethical practices such as bribery, extortion, fraud and money laundering. We strive to ensure that our business operations comply with ethical standards and relevant laws and regulations, and implement anti-corruption policies and measures. All employees are required to strictly abide by the code of conduct set out in the Employee Handbook, including the prohibition of engaging in bribery, providing or accepting gifts, cash or entertainment that may cause undue influence, and accepting any forms of rebates, sponsorships, and banquets from suppliers. The Group requires employees to declare all relevant interests or relationships that may involve actual or potential conflicts of interest, and prohibits employees from using the Group's resources for personal gain, malpractice or false declaration. All employees are required to be informed of the Declaration of Receipt of Gifts/Gains upon onboarding to ensure that they are aware of the relevant regulations.

In addition, the Group prohibits employees from misusing or disclosing improperly to any third party any confidential information of any customers and suppliers for the purpose of preventing unfair competition from other suppliers. In order to promote a culture of integrity, the Group regularly organises anti-corruption briefings and training courses to ensure that employees and suppliers understand how to avoid bribery, conflicts of interest and receipt of gains, and enhance their anti-corruption awareness.

The Group has formulated a whistleblowing policy which allows employees to report corruption or fraud or suspected misconduct at any time, either orally or in writing. The Group will conduct investigations confidentially to protect whistleblowers from retaliation or persecution for impartial reporting, and take timely remedial measures when necessary.

COMMUNITY INVESTMENT

The Group has been dedicated to fulfilling corporate social responsibility and creating positive value for stakeholders and the communities in which we operate. We look forward to understanding the needs of the communities, identifying focus areas, and exploring social investment opportunities such as donations and volunteering to give back to the communities. During the Reporting Period, the Group continued to provide support and assistance to the local communities, including sponsoring the Yan Chai Volunteer Group, distributing gift packs in "Love in Action", and sponsoring coupons for the Flag Days organised by the CSDCU Education Fund, with a total investment of HK$19,200.

As a socially responsible enterprise, the Group is well aware of its role and responsibility in the society, and is therefore committed to taking the interests of the communities as one of the important considerations, for which the Group has formulated policies on community investment and actively explored suitable social investment opportunities to contribute to the society. The Group will also strengthen communication and interaction with various sectors of the community with a view to establishing a closer cooperative relationship to jointly promote the development and progress of the society and bring more stable and sustainable returns to stakeholders.

APPENDIX

Environmental Performance

Environmental KPIs[2]	Unit	2023	2022[3]
Air pollutant emissions[4]			
Nitrogen oxides	kg	**813.04**	677.97
Sulphur oxides	kg	**0.37**	0.32
Respirable suspended particulates	kg	**74.39**	62.06
Greenhouse gas emissions[5]			
Scope 1[6] Direct greenhouse gas emissions	tonnes CO_2e	**8,494.35**	2,272.65
Scope 2[7] Energy indirect greenhouse gas emissions	tonnes CO_2e	**6,137.48**	5,696.25
Total greenhouse gas emissions	tonnes CO_2e	**14,631.83**	7,968.90
Greenhouse gas emissions intensity (in terms of number of employees)	tonnes CO_2e per employee	**1.98**	1.22
Hazardous waste			
Total hazardous waste	tonnes	**0.00**	0.86
Hazardous waste intensity (in terms of number of employees)	tonnes per employee	**0.00**	0.0001
Non-hazardous waste			
Total non-hazardous waste	tonnes	**387.23**	499.02
Non-hazardous waste intensity (in terms of number of employees)	tonnes per employee	**0.05**	0.08
Energy			
Direct energy[8]	MWh	**6,781.54**	9,828.69
Indirect energy[9]	MWh	**10,783.40**	5,640.82
Total energy consumption	MWh	**17,564.94**	15,469.51
Energy consumption intensity (in terms of number of employees)	MWh per employee	**2.38**	2.36

2 The number of employees and revenue used in intensity data calculation are consistent with the scope of environmental KPIs.

3 As the number of employees used in environmental intensity data calculations for 2023 is different from that of last year, the relevant environmental intensity calculations for 2022 have been restated to ensure fair and meaningful comparison.

4 The calculation refers to "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, and emissions are mainly generated from motor vehicles.

5 The calculation and emission factors refer to the "GHG Protocol Tool For Energy Consumption in China (Version 2.1)" published by World Resources Institute, the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Enterprises – Power Generation Facilities (2022 Revision)" issued by the Ministry of Ecology and Environment of the People's Republic of China, the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industrial Enterprises" issued by the National Development and Reform Commission of the People's Republic of China, and "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEX.

6 Scope 1 includes direct greenhouse gas emissions from combustion of petrol, liquefied petroleum gas and natural gas in stationary sources and mobile sources.

7 Scope 2 includes energy indirect greenhouse gas emissions from purchased electricity from third parties.

8 Includes petrol, petroleum gas and natural gas.

9 Includes purchased electricity.

Environmental KPIs[2]	Unit	2023	2022[3]
Water[10]			
Total water consumption	m^3	**131,992.80**	95,860.00
Water consumption intensity (in terms of number of employees)	m^3 per employee	**17.89**	14.65
Packaging material			
Total packaging material consumption	tonnes	**1,548.00**	1,692.00
Packaging material consumption in tensity (in terms of revenue)	tonnes per RMB million revenue	**0.85**	0.96

Social Performance

Employee profile[11]		2023		2022	
		Number	**Percentage**	Number	Percentage
Total		**7,380**	**100%**	6,542	100%
Gender	Male	**2,726**	**36.94%**	2,302	35.19%
	Female	**4,654**	**63.06%**	4,240	64.81%
Age	24 or below	**2,030**	**27.51%**	1,391	21.26%
	25-40	**2,658**	**36.02%**	2,733	41.78%
	41-59	**2,556**	**34.63%**	2,319	35.45%
	60 or above	**136**	**1.84%**	99	1.51%
Rank	Senior management	**52**	**0.70%**	38	0.58%
	Middle management	**270**	**3.66%**	474	7.25%
	General staff	**7,058**	**95.64%**	6,030	92.17%
Employment type	Full-time	**3,065**	**41.53%**	2,813	43.00%
	Part-time	**4,315**	**58.47%**	3,729	57.00%
Geographical region	Mainland China	**6,993**	**94.76%**	6,113	93.44%
	Hong Kong, China	**387**	**5.24%**	429	6.56%

10 Data are not available because no separate water meters are installed in Hong Kong office.
11 Employee data at the end of the Reporting Period.

Employee turnover[12]		2023		2022	
		Number	**Percentage[13]**	Number	Percentage[13]
Total		**9,912**	**100%**	10,216	100%
Gender	Male	**4,167**	**100%**	4,182	100%
	Female	**5,745**	**100%**	6,034	100%
Age	24 or below	**5,572**	**100%**	5,280	100%
	25-40	**2,325**	**87.47%**	2,715	99.34%
	41-59	**1,916**	**74.96%**	2,126	91.68%
	60 or above	**99**	**72.79%**	95	95.96%
Rank	Senior management	**4**	**7.69%**	3	7.89%
	Middle management	**36**	**13.33%**	132	27.85%
	General staff	**9,872**	**100%**	10,081	100%
Geographical region	Mainland China	**9,329**	**100%**	9,727	100%
	Hong Kong, China	**583**	**100%**	489	100%

New employees[14]		2023		2022	
		Number	**Percentage**	Number	Percentage
Total		**10,855**	**100%**	8,038	100%
Gender	Male	**4,614**	**100%**	3,303	100%
	Female	**6,241**	**100%**	4,735	100%
Age	24 or below	**6,372**	**100%**	4,598	100%
	25-40	**2,372**	**89.24%**	1,826	66.81%
	41-59	**2,024**	**79.19%**	1,542	66.49%
	60 or above	**87**	**63.97%**	72	72.73%
Rank	Senior management	**5**	**9.62%**	1	2.63%
	Middle management	**25**	**9.26%**	84	17.72%
	General staff	**10,825**	**100%**	7,953	100%
Geographical region	Mainland China	**10,310**	**100%**	7,560	100%
	Hong Kong, China	**545**	**100%**	478	100%

12 Employee turnover rate (percentage) = Number of employees resigned of respective category/Total number of employees of respective category at the end of the Reporting Period x 100%.

13 For ease of understanding, all data on turnover rates and new hire rates above 100% are presented as 100%. Due to the nature of its business, the Group has a high staff turnover for its frontline employees and has replenished manpower in a timely manner by hiring new staff during the year.

14 New hire rate (percentage) = Number of new hires of respective category/Total number of employees of respective category at the end of the Reporting Period x 100%.

Occupational health and safety	2023	2022
Number and rate of work-related fatalities[15]	**0, 0%**	0, 0%
Number of work-related injuries	**110**	10
Lost days due to work injury	**97**	272
Rate of work-related injuries (per 1,000 employees)	**0.11**	1.53

Employees trained[16]		2023		2022	
		Number	**Percentage**	Number	Percentage
Total		**310**	**4.20%**	956	14.61%
Gender	Male	**121**	**4.44%**	394	17.12%
	Female	**189**	**4.06%**	562	13.25%
Rank	Senior management	**0**	**0%**	0	0%
	Middle management	**0**	**0%**	179	37.76%
	General staff	**310**	**4.39%**	777	12.89%

Average training hours[17] (hours)		2023	2022
Per employee		**0.81**	1.39
Gender	Male	**0.86**	1.98
	Female	**0.79**	1.07
Rank	Senior management	**0**	0
	Middle management	**0**	9.56
	General staff	**0.85**	0.75

15 Relevant data are not available for reference due to the incomplete social performance data collection system for 2021 and 2020.
16 Rate of employees trained (percentage) = Number of employees trained of respective category/Total number of employees of respective category at the end of the Reporting Period x 100%.
17 Average employee training hours = Total training hours for employees of respective category/Total number of employees of respective category at the end of the Reporting Period.

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspects, General Disclosures and KPIs	Content	Page/Note
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	38-40
A1.1	The types of emissions and respective emissions data.	40, 49
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	40, 49
A1.3	Total hazardous waste produced.	40, 49
A1.4	Total non-hazardous waste produced.	40, 49
A1.5	Description of emissions target(s) set and steps taken to achieve them.	39
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	39-40
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	41
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	41, 49
A2.2	Water consumption in total and intensity.	41, 50
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	39
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	41
A2.5	Total packaging material used for finished products and with reference to per unit produced.	41, 50

Aspects, General Disclosures and KPIs	Content	Page/Note
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	39-41
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	39-41
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	41
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	41
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	38, 42-43
B1.1	Total workforce by gender, employment type, age group and geographical region.	50
B1.2	Employee turnover rate by gender, age group and geographical region.	51
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	38, 43
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	43, 52
B2.2	Lost days due to work injury.	43, 52
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	43

Aspects, General Disclosures and KPIs	Content	Page/Note
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	44
B3.1	The percentage of employees trained by gender and employee category.	44, 52
B3.2	The average training hours completed per employee by gender and employee category.	44, 52
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	38, 43
B4.1	Description of measures to review employment practices to avoid child and forced labour.	43
B4.2	Description of steps taken to eliminate such practices when discovered.	43
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	44-45
B5.1	Number of suppliers by geographical region.	45
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	44-45
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	44-45
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	44-45

Aspects, General Disclosures and KPIs	Content	Page/Note
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	38, 45-47
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	47
B6.2	Number of products and service related complaints received and how they are dealt with.	47
B6.3	Description of practices relating to observing and protecting intellectual property rights.	47
B6.4	Description of quality assurance process and recall procedures.	46-47
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	47
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	48, 47-48
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	38
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	47-48

Aspects, General Disclosures and KPIs	Content	Page/Note
B7.3	Description of anti-corruption training provided to directors and staff.	During the year, the Group did not organize formal anti-corruption training courses for directors and staff, but sent relevant information to them in due course, including but not limited to updates on laws and regulations, to enhance their awareness of integrity.
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	48
B8.1	Focus areas of contribution.	48
B8.2	Resources contributed to the focus area.	48

Directors

Executive Directors

Poon Wai (潘慰), aged 68, is the founder of the Group and has been an executive Director of the Company since 6 April 2006. She is the Chairman and Chief Executive Officer of the Company. She is responsible for the overall management, including critical decision-making and planning for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. She is also a director of certain subsidiaries of the Group. Ms. Poon is an experienced entrepreneur who has over 25 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in the US and Hong Kong. Ms. Poon is particularly well versed and experienced in specialty foods from northern and southern regions of China. Ms. Poon currently serves as the senior vice president of China Hotel Association. She was special vice president of China Cuisine Association (中國烹飪協會), director of China Association of Enterprises Confederation and China Enterprise Directors Association. Meanwhile, Ms. Poon is also the vice chairman of Shanghai Restaurants Cuisine Association. She was the vice president of Shanghai Commercial Enterprise Management Association. Ms. Poon was awarded Ernst & Young Entrepreneur of The Year for Hong Kong/Macau Region in October 2007. Ms. Poon was awarded "the Most Influential Entrepreneur in Chinese Restaurant Industry" (「中國餐飲最具影響力企業家」) by China Cuisine Association (中國烹飪協會) and "Contribution to Shanghai Restaurant Industry in 30 Years" (「上海餐飲三十年功勛人物獎」) by Shanghai Restaurants Cuisine Association in 2015. Ms. Poon is the sister of Mr. Poon Ka Man, Jason and is the mother of Ms. Ng Minna.

Poon Ka Man, Jason (潘嘉聞), aged 67, is an executive Director and the Chief Marketing Officer of the Company. He has been an executive Director since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon is also a director of certain subsidiaries of the Group. Mr. Poon has over 30 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai and is the maternal uncle of Ms. Ng Minna.

Ng Minna (伍美娜), aged 35, has been an executive Director of the Company since 20 August 2019 and the Director of New Business Department and Operating Officer of Hong Kong and Macau Businesses of the Group, overseeing Hong Kong operation, overseas business development and new brand restaurants of the Group. Ms. Ng is also a director of certain subsidiaries of the Group. After joining the Group in 2011, she has held various managerial roles within the Group, including restaurant operation, R&D and business development. She graduated from Bentley University in Boston, US with Bachelor degrees in Economics and Finance. Ms. Ng Minna is the daughter of Ms. Poon Wai and the niece of Mr. Poon Ka Man, Jason.

Non-executive Directors

Katsuaki Shigemitsu (重光克昭), aged 55, has been a non-executive Director since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's franchisor. Mr. Shigemitsu has over 25 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).

Yew Yat On (姚逸安), aged 52, has been a non-executive Director of the Company since 7 June 2023. Mr Yew has near 30 years of experience in investment banking and finance. He held various senior positions in several international, Hong Kong and China investment banks and handled a number of initial public offering and merger and acquisition deals. He is the founder and managing director of Alliance Capital Partners Limited, a leading boutique corporate finance house carrying Type 1 and Type 6 regulated activities under the Securities and Futures Ordinance. Mr. Yew holds an Executive Diploma in Organization Leadership from Saïd Business School, University of Oxford, and obtained a Master of Science degree in Investment Management from The Hong Kong University of Science and Technology, and a Bachelor of Arts degree from The University of Hong Kong. Mr. Yew is a chartered financial analyst. Mr. Yew is also an independent non-executive director of China Shineway Pharmaceutical Group Limited (stock code: 2877), a company listed on the Stock Exchange.

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 77, has been an independent non-executive Director since 8 March 2007. He was 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 also sits as an independent non-executive director of the boards of directors of a number of non-publicly listed companies in Singapore and Hong Kong. Mr. Jen is a Fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree (Hons) from the University of Singapore and a M Comm (Hons) degree from the University of New South Wales. He is a Life Member of the Association of Chartered Certified Accountants in the UK; the Institute of Singapore Chartered Accountants (ISCA) and the Malaysian Institute of Accountants and a member of the British Computer Society. He is a Forensic Financial Professional, an accreditation with the Institute of Singapore Chartered Accountants (ISCA).

Lo Peter (路嘉星), aged 68, has been an independent non-executive Director since 8 March 2007. 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 was the chairman and an executive director of China Outfitters Holdings Limited (stock code: 1146) from March 2010 to June 2018, a company listed on the Stock Exchange. Mr. Lo has more than 25 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 holds a bachelor degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science.

Mr. Ho Pak Chuen Brian (何百全), aged 50, has been an independent non-executive Director since 5 April 2024. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree, both from Monash University, Australia and a Master's Degree of Business Administration from the University of Sydney, Australia and University of New South Wales, Australia.

Mr. Ho was admitted as a barrister and solicitor of the supreme court of Victoria, Australia in 1997 and a solicitor of the High Court of Hong Kong in 2000. He became a Certified Practising Accountant of CPA Australia in 2004. Mr. Ho has over 23 years of experience in corporate finance and law. He is currently a partner of Howse Williams, a law firm in Hong Kong. He is an independent non-executive director of Get Nice Holdings Limited (stock code: 0064) since July 2023, a company listed on the Main Board of the Stock Exchange and is also an independent non-executive director of Genes Tech Group Holdings Company Limited (stock code: 8257) since June 2017, a company listed on GEM of the Stock Exchange. Mr. Ho worked as a Vice President – Corporate Finance at Cazenove Asia Limited, which was subsequently acquired by Standard Chartered Securities (Hong Kong) Limited, between June 2007 and February 2009, as an Associate Director and subsequently as a Director of Equity Corporate Finance Department at Standard Chartered Securities (Hong Kong) Limited between February 2009 and February 2012. Prior to 2007, he worked in the corporate department of various international and local law firms in Hong Kong.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2023.

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.

Defined Contribution Retirement Plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "Scheme"), whereby the subsidiaries of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for Hong Kong subsidiaries, under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently administered fund. The Hong Kong subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme.

There were no forfeited contributions utilized by the Group to reduce the existing level of the contributions for each of the years/periods.

Employees, Training and Remuneration Policies

As of December 31, 2023, the Group had 7,380 employees, as compared to approximately 6,542 employees as of December 31, 2022. The Group incurred a total staff costs (including Directors' emoluments), which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares including share-based payment, in the amount of approximately RMB475.8 million for the year ended December 31, 2023.

As regards our corporate governance, we have specific policies on declaration of potential conflicts of interest, anti-money laundering measures and procurement management to ensure compliance with all relevant laws and regulations and avoid corruption in our business operations. For the year ended December 31, 2023, to the best of the knowledge and belief of our Directors, there were no legal proceedings regarding corrupt practices brought against us or any of our directors and employees.

To the best knowledge and belief of our Directors, as at the date of this annual report, we were not subject to any significant environmental, social and climate-related risks that could negatively impact our Group's businesses, strategies and financial performance. Our Directors confirm that for the year ended December 31, 2023, we were not subject to any material claim, lawsuit, penalty or administrative action relating to non-compliance with health, work safety or environmental laws and regulations.

In accordance with the Corporate Governance Code and ESG Reporting Guide set forth in Appendices C1 and C2 to the Listing Rules respectively, we will put in place mechanisms that will effectively enable us to continue to adopt recognised best practices and fulfil our corporate responsibility in respect of corporate governance and ESG matters.

Environmental Policies and Performance

It is the corporate and social responsibility of the Company in promoting a sustainable and environmental friendly environment. We have overall responsibility for our strategy and reporting on environmental, social and governance ("ESG") matters. We also strive to fulfilling the environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The environmental, social and governance report of the Company prepared in accordance with Appendix C2 of the Listing Rules is set out in the section headed "Environmental, Social and Governance Report" in this annual report.

Results and appropriations

The results and appropriations of the Group are set out on page 83 to page 86 of the consolidated financial statements respectively.

Dividend

At the meeting of the Board held on 27 March 2024, the Board recommended the payment of a final dividend of RMB0.08 (HK$8.6 cents) per ordinary share for the year ended 31 December 2023 (2022: RMB0.06 (HK$6.8 cents)) to Shareholders whose names are on the register of members of the Company on 24 June 2024 and is subject to the approval by the Shareholders at the AGM to be held on 13 June 2024. The Company had continuously paid a final dividend to its Shareholders since the year ended 31 December 2007. The proposed final dividend is expected to be paid to Shareholders on or about 15 August 2024.

Donations

The Company made RMB2,703 charitable and other donations during the year (2022: RMB8,628).

Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 31 and 32 to the consolidated financial statements.

No shares were issued for the year ended 31 December 2023.

Distributable reserves

Distributable reserves of the Company as at 31 December 2023 amounted to RMB156,552,000 (2022: RMB223,643,000), are set out in note 33 to the consolidated financial statements.

Debentures issued

The Company did not issue debenture for the year ended 31 December 2023 (2022: Nil).

Equity-Link agreements

Save as disclosed in the section headed "Share Option Scheme" as set out in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during the year ended 31 December 2023.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

Principal properties

Details of the principal properties held for development and/or sale and for investment purpose are set out on pages 185 to 187 of this annual report.

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Five-year 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 188 of this annual report.

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2023 were less than 5.0% of the Group's total turnover. The purchases from the Group's largest supplier, Shanghai Zhan Yu International Trading Limited (上海瞻煜國際貿易有限公司) accounted for approximately 9.4% of the Group's total purchases for the year ended 31 December 2023 and the purchase from the five largest suppliers of the Group accounted for approximately 25.8% of the Group's total purchases for the year ended 31 December 2023.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who owns an approximately 44.9% 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 73 to page 74 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 during the year.

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 2023.

Directors

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

Executive Directors

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

Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Yew Yat On

Independent Non-executive Directors

Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Ho Pak Chuen Brian (appointed on 5 April 2024)
Mr. Wang Jincheng (resigned on 5 January 2024)

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 INEDs, namely Mr. Lo Peter and Mr. Jen Shek Vook. Mr. Ho Pak Chuen Brian appointed on 5 April 2024 has also confirmed to the Company of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Ho Pak Chuen Brian are independent.

Directors' service contracts

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

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

Mr. Yew Yat On, being an non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 7 June 2023, subject to retirement by rotation in accordance with the Articles of Association, which may be terminated according to the Articles of Association.

Mr. Ho Pak Chuen Brian, being an independent non-executive Director, has entered into a letter of appointment with the Company for a term of two years commencing from 5 April 2024, subject to retirement by rotation in accordance with the Articles of Association, which may be terminated according to the Articles of Association.

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

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

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("the SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

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

Name of director	Capacity/Nature of interests	Number of shares *(Note 1)*	Approximate% of shareholding
Ms. Poon Wai	Founder of a discretionary trust *(Note 2)*	480,123,041 (L)	43.99%
	Beneficial owner	38,848,347 (L)	3.56%
Mr. Poon Ka Man, Jason	Beneficial owner	2,500,000 (L)	0.23%
Ms. Ng Minna	Beneficial owner	2,788,000(L)	0.26%
Mr. Katsuaki Shigemitsu	Beneficial owner	21,771,129 (L)	2.00%
	Interest of controlled corporation *(Note 3)*	10,604,251 (L)	0.97%
Mr. Jen Shek Voon	Beneficial owner	95,000 (L)	0.01%

Notes:

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

2. The 480,123,041 shares were held by Favor Choice Group Limited ("Favor Choice"), which is an investment holding company wholly owned by Anmi Holding Company Limited ("Anmi Holding"). Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the CEO of the Company.

3. The 10,604,251 shares were held by Shigemitsu Industry Co. Ltd., which is owned as to approximately 68.89% by Mr. Katsuaki Shigemitsu, a non-executive Director of the Company.

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

(1) Long position in the shares of Anmi Holding

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

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

(2) Long position in the shares of Favor Choice

Name of director	Capacity and nature of interest	Number of shares	Approximate % of shareholding
Ms. Poon Wai	Founder of a discretionary trust	10,000	100% *(Note)*

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

Save as disclosed herein, as at 31 December 2023, none of the Directors and the chief executive of the Company, or any of their spouse, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders discloseable under the SFO

So far as is known to the Company, as at 31 December 2023, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of shareholder	**Capacity and nature of interest**	**Number of shares** *(Note 1)*	**Approximate % of shareholding**
Favor Choice *(Note 2)*	Beneficial owner	480,123,041 (L)	43.99%
Anmi Holding *(Note 2)*	Interest of controlled corporation	480,123,041 (L)	43.99%
HSBC International Trustee Limited *(Note 2)*	Trustee	480,123,041 (L)	43.99%
Invesco Hong Kong Limited	Investment manager	86,338,000(L)	7.90%
The Bank of New York Mellon	Interest of controlled corporation	73,800,000(L) 73,800,000(P)	6.76% 6.76%

Notes:

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

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

Save as disclosed herein, as at 31 December 2023, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' interests in transactions, arrangement and contracts

Save as disclosed in the sections headed "Continuing connected transactions" below and note 41 to the consolidated financial statements, no transactions, arrangements or contracts of significance (as defined in Appendix D2 of the Listing Rules), 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, and the Director's connected party, had a material interest, whether directly or indirectly, subsisted at the end of 2023 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 or 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 during the year .

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

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

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

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

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

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

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

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

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

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

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

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

Management contracts

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

Share Option Scheme

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

Purpose of the Schemes

The purpose of the 2007 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.

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

Participants of the Schemes

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

(i) any non-executive Director or proposed non-executive Director (including an independent non-executive Director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest

(ii) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the Board has contributed or will contribute to the growth and development of the Group; or

(iii) any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any subsidiaries or any entity in which any member of the Group holds any equity.

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

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

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

The total number of shares available for issue under the 2017 Share Option Scheme was 94,145,882 shares, representing approximately 8.63% of the shares of the Company in issue as at the date of this annual report.

Maximum entitlement of each participant under the Schemes

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

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

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

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

The basis of determining the exercise price of options granted

The subscription price in respect of options granted under both of the 2007 Share Option Scheme and the 2017 Share Option Scheme may be determined by the Board at its absolute discretion provided that it shall not be less than the higher of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five consecutive business days immediately preceding the date of grant; and

(iii) the nominal value of the shares.

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

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

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

The vesting period of options under the share option schemes

The vesting period of options under the 2007 Share Option Scheme and the 2017 Share Option Scheme are set out in the table on page 70 to page 71 of this annual report.

The remaining life of the Schemes

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

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

As at 31 December 2023, the number of shares in respect of which options under the 2007 Share Option Scheme and the 2017 Share Option Scheme had been granted and remained outstanding was 2,470,000 shares and 29,071,000 shares respectively, representing approximately 0.23% and 2.67% of the shares of the Company in issue as at 31 December 2023.

Details of the share options granted

Details of the share options granted under the 2007 Share Option Scheme and the 2017 Share Option Scheme are contained in note 32 to the consolidated financial statements, the movement during 2023 and the vesting period of the options granted are as follows:

Name or category of participants	Date of grant	Number of share options movement during the year: As at 1 January 2023	Granted	Exercised	Cancellation	Lapsed (Note 2)	As at 31 December 2023	Vesting period/ exercise period	Validity period of shares options	Exercise Price/ Purchase Price HK$	Price of share: Prior to the grant date of the share options	Prior to the exercise date of the share options
Employee participants												
Tranche 1	27 August 2013	530,000	–	–	–	(530,000)	–	Note 3	27 August 2014 to 26 August 2023	8.740	8.970	–
Tranche 2	8 January 2015	150,000	–	–	–	–	150,000	Note 3	8 January 2015 to 7 January 2025	5.900	5.990	–
Tranche 3	17 April 2015	1,400,000	–	–	–	(500,000)	900,000	Note 4	17 April 2015 to 16 April 2025	5.060	4.950	–
Tranche 4	2 July 2015	1,520,000	–	–	–	(100,000)	1,420,000	Note 3	2 July 2015 to 1 July 2025	4.104	4.150	–
Tranche 5	19 July 2017	500,000	–	–	–	–	500,000	Note 3	19 July 2017 to 18 July 2027	3.504	3.470	–
Tranche 6	1 June 2018	1,900,000	–	–	–	(300,000)	1,600,000	Note 3	1 June 2018 to 31 May 2028	3.256	3.190	–
Tranche 7	14 January 2019	55,000	–	–	–	–	55,000	Note 3	14 January 2019 to 13 January 2029	2.214	2.250	–
Tranche 8	3 June 2019	200,000	–	–	–	–	200,000	Note 3	3 June 2019 to 2 June 2029	3.322	3.300	–
Tranche 9	27 August 2020	700,000	–	–	–	–	700,000	Note 3	27 August 2020 to 26 August 2030	1.250	1.250	–
Tranche 10	8 April 2021	500,000	–	–	–	–	500,000	Note 3	8 April 2021 to 7 April 2031	1.300	1.270	–
Tranche 11	1 November 2021	27,350,000	–	–	–	(1,834,000)	25,516,000	Note 3	1 November 2021 to 31 October 2031	1.344	1.350	–
		34,805,000	–	–	–	(3,264,000)	31,541,000					

Note 1: No share options were granted, exercised and cancelled during the year ended 31 December 2023.

Note 2: The number of options which lapsed in accordance with the terms of the 2007 Share Option Scheme and the 2017 Share Option Scheme were 1,130,000 and 2,134,000 respectively.

Note 3: Grantees may only exercise their share options in the following manner:

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

Note 4: Grantees may only exercise their share options in the following manner:

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

Directors' rights to acquire shares or debentures

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" and "Share Option Schemes", 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 40 to the consolidated financial statements.

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2023 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 44.9% 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 2023 is RMB27,900,000 (equivalent to HK$30,962,432). The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2023 was approximately RMB22,778,793 (equivalent to HK$25,279,098).

The annual cap set for the aggregate royalty of airports in Europe for the year ended 31 December 2023 is RMB150,000 (equivalent to HK$166,465). The aggregate amount of the royalty for the year ended 31 December 2023 is approximately RMB84,445 (equivalent to HK$93,714).

2. *Supply agreements between the Group and Shigemitsu*

Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same party on 16 September 2006 (the "Supply Agreement"). As the Group intended to continue carrying out the transactions under the Supply Agreement, the Group renewed the Supply Agreement with Fortune Choice on 14 May 2021 for a further three-year term. Pursuant to the Supply Agreement, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Business.

Festive Profits Limited ("Festive Profits"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu Food (Shanghai) Co., Ltd. ("Shigemitsu Food") on 14 May 2009 (the "Supply Agreement (PRC)"). As the Group intended to continue carrying out the transactions under the Supply Agreement (PRC), the Group renewed the Supply Agreement (PRC) with Festive Profits on 14 May 2021 for a further three-year term. Shigemitsu Food is wholly owned by Eagle Sky International Limited, which is in turn owned by Mr. Katsuaki Shigemitsu and Shigemitsu as to 60% and 30% respectively. Pursuant to the Supply Agreement (PRC), Shigemitsu Food agrees to sell materials and supplies which are required by the Group for the operation of the Franchise Business in the PRC, including the soup base and other goods.

The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2023 is RMB32,000,000 (equivalent to HK$35,512,467). The actual amount payable for the year ended 31 December 2023 was approximately RMB29,308,263 (equivalent to HK$32,525,272).

3. *Sales agreement between Fortune Choice and Shigemitsu*

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 (the "Sales Agreement"). As the Group intended to continue carrying out the transactions under the Sales Agreement, the Group renewed the Sales Agreement with Fortune Choice on 14 May 2021 for a further three-year term. Pursuant to Sales Agreement, Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried onion crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement for the year ended 31 December 2023 is RMB1,200,000 (equivalent to HK$1,331,718). The actual amount received for the year ended 31 December 2023 was approximately RMB837,549 (equivalent to HK$929,482).

Design Union transactions

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

Design Union is jointly owned by Mr. Poon Ka Man, Jason and his wife. Mr. Poon Ka Man, Jason is the younger brother of Ms. Poon Wai and Ms. Ng Minna is his niece. 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 (the "Design Union Agreement"). As the Group intended to continue carrying out the transactions under the Design Union Agreement, the Group renewed the Design Union Agreement with Design Union on 14 May 2021 for a further three-year term. Pursuant to the Design Union Agreement, Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2023 is RMB7,033,000 (equivalent to HK$7,804,974). The actual amount payable for the year ended 31 December 2023 was approximately RMB223,502 (equivalent to HK$248,035).

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has 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 2023 and stated that:

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

(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; and

(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 41 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 41 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Poon Wai transactions

On 30 June 2023, Weiqian Noodle Food Service (Shenzhen) Co., Limited ("Weiqian Noodle Food Service"), an indirect wholly-owned subsidiary of the Company, and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company) entered into a lease agreement, pursuant to which Ms. Poon has agreed to lease the office premises located at Rooms 2301, 2302, 2303, 2305, 2306, 2307 and 2309, Golden Central Tower, Futian District, Shenzhen, Guangdong Province, the PRC (with an aggregate floor area of approximately 813.06 square meters) to Weiqian Noodle Food Service upon the terms and subject to the conditions set out in the tenancy agreement for a term of three years commencing on 1 July 2023 until 30 June 2026 (both dates inclusive). The office premises will be used by Weiqian Noodle Food Service as its office. Pursuant to the lease agreement, the monthly rent payable to Ms. Poon amounts to RMB138,220.2. The total monthly rents of the office premises incurred during the period from 1 July 2023 to 31 December 2023 were RMB829,321.2.

On 30 June 2023, Weiqian Noodle (Shenzhen) Co., Limited ("Weiqian Noodle"), an indirect wholly-owned subsidiary of the Company, and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company) entered into a lease agreement in relation to office premises at Room 2308, Golden Central Tower, Futian District, Shenzhen, Guangdong Province, the PRC (with an aggregate floor area of approximately 92.75 square meters) to Weiqian Noodle upon the terms and subject to the conditions set out in the tenancy agreement for a term of three years commencing on 1 July 2023 until 30 June 2026 (both dates inclusive). The office premises will be used by Weiqian Noodle as its office. Pursuant to the lease agreement, the monthly rent payable to Ms. Poon amounts to RMB15,767.5. The total monthly rents of the office premises incurred during the period from 1 July 2023 to 31 December 2023 were RMB94,605.

Employee's remuneration and policy

As at 31 December 2023, the Group employed 7,380 persons (31 December 2022: 6,341 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 Remuneration Committee 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 2023 was approximately RMB475,830,000 (31 December 2022: approximately RMB425,410,000).

Pursuant to code provision E.1.5 of the Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration band	Number of individuals
Nil to HK$500,000	5
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	1

Details of the remuneration of each of the director of the Company for the year ended 31 December 2023 are set out in note 11 to the consolidated financial statements.

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 2023 and remained in force as of the date of this annual 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.

Auditor

The financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

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 latest practicable date prior to the issue of this annual report.

Subsequent events after the reporting period

Save as disclosed above, all Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this annual report.

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

Hong Kong, 27 March 2024

Deloitte. 德勤

TO THE SHAREHOLDERS 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 83 to 184 which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information and other explanatory information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 the matter.

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of property, plant and equipment and right-of-use assets	
We identified the impairment of property, plant and equipment and right-of-use assets as a key audit matter because the carrying amount of these assets were significant and the impairment assessment involved significant management judgement and estimation in determining the recoverable amounts of property, plant and equipment and right-of-use assets. As disclosed in note 4 to the consolidated financial statements, management determined whether property, plant and equipment and right-of-use assets are impaired requires an estimation of the recoverable amount of individual assets or the cash generating units ("CGUs") to which the assets belong using a value in use calculation. In assessing value in use, it requires significant management judgments and assumptions with respect to factors such as budgeted gross margin, revenue growth rate and discount rate when preparing the cash flow projections in arriving at the present value of the CGUs. At 31 December 2023, the carrying amounts of the Group's property, plant and equipment and right-of-use assets amounted to RMB349,071,000 and RMB423,864,000 respectively, with impairment loss recognised during the year amounted to RMB961,000 and RMB2,625,000 respectively. Details of the impairment assessment of property, plant and equipment and right-of-use assets are set out in note 17 to the consolidated financial statements.	Our procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included: • Understanding the management consideration and process for the identification of property, plant and equipment and right-of-use assets which have impairment indicators; • Understanding and evaluating the design and implementation of key controls relevant to impairment assessment of property, plant and equipment and right-of-use assets; • Understanding the management's methodology adopted and assessing whether the model used by the management in calculating the value in use of the individual cash generating unit was in compliance with Hong Kong Accounting Standard 36 "Impairment of Assets"; and • On sampling basis, evaluating the reasonableness of the cash flow projections, including the appropriateness of the key assumptions and inputs used such as budgeted gross margin, revenue growth rate and discount rate.

Other Information

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

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

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

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

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

In preparing the consolidated financial statements, the directors 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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 Leung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	**1,815,406**	1,429,792
Cost of inventories consumed		**(442,076)**	(374,833)
Staff costs	10	**(475,830)**	(425,410)
Depreciation	10	**(316,692)**	(367,489)
Other operating expenses		**(453,966)**	(376,144)
Profit (loss) from operation		**126,842**	(114,084)
Other income	7	**109,842**	87,408
Impairment losses under expected credit loss model, net of reversal		**(1,452)**	(500)
Impairment loss recognised in respect of:			
– property, plant and equipment	16	**(961)**	(4,125)
– right-of-use assets	17	**(2,625)**	(18,758)
– interests in associates	21	**(987)**	(16,953)
Other gains and losses	8	**37,236**	(78,519)
Share of loss of associates		**(1,901)**	(3,488)
Share of gain (loss) of a joint venture		**1,059**	(1,729)
Finance costs	9	**(19,178)**	(26,017)
Profit (loss) before tax	10	**247,875**	(176,765)
Income tax (expense) credit	12	**(55,348)**	20,397
Profit (loss) for the year		**192,527**	(156,368)
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**7,851**	52,019
Other comprehensive income for the year, net of income tax		**7,851**	52,019
Total comprehensive income (expense) for the year		**200,378**	(104,349)

(Continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTE	2023 RMB'000	2022 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**181,188**	(143,906)
Non-controlling interests		**11,339**	(12,462)
		192,527	(156,368)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**189,440**	(96,322)
Non-controlling interests		**10,938**	(8,027)
		200,378	(104,349)

	NOTE	2023 RMB	2022 RMB
Earnings (loss) per share	*14*		
– Basic		**0.17**	(0.13)
– Diluted		**0.17**	(0.13)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties	15	**1,007,255**	999,262
Property, plant and equipment	16	**349,071**	405,554
Right-of-use assets	17	**423,864**	445,273
Goodwill	18	**1,355**	1,342
Intangible assets	19	**1,506**	1,313
Interests in associates	21	**43,110**	45,980
Interest in a joint venture	22	**7,820**	6,761
Rental deposits		**60,752**	67,709
Deferred tax assets	20	**38,982**	47,604
Financial assets at fair value through profit or loss ("FVTPL")	23	**125,867**	125,444
		2,059,582	2,146,242
Current assets			
Inventories	24	**76,247**	99,306
Trade and other receivables	25	**177,852**	154,599
Taxation recoverable		**28**	1,026
Restricted bank deposits	26	**15,136**	2,300
Financial assets at FVTPL	23	**25,031**	–
Bank balances and cash	26	**1,607,635**	1,465,111
		1,901,929	1,722,342
Current liabilities			
Trade and other payables	27	**249,488**	255,102
Lease liabilities	28	**168,231**	237,031
Contract liabilities		**1,439**	2,559
Amounts due to related companies	29	**1,819**	5,644
Amounts due to directors	29	**604**	549
Amounts due to non-controlling interests	29	**13,543**	13,538
Amounts due to associates	29	**2,247**	2,215
Amount due to a joint venture	29	**350**	289
Taxation payable		**24,234**	14,051
Bank borrowings	30	**5,247**	5,243
		467,202	536,221
Net Current Assets		**1,434,727**	1,186,121
Total Assets less Current Liabilities		**3,494,309**	3,332,363

(Continued)

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	28	**234,074**	225,685
Bank borrowings	30	**32,237**	35,174
Deferred tax liabilities	20	**167,945**	143,118
Financial liabilities at FVTPL	23	**2,127**	7,074
		436,383	411,051
Net Assets		**3,057,926**	2,921,312
Capital and reserves			
Share capital	31	**108,404**	108,404
Reserves		**2,891,987**	2,766,311
Equity attributable to owners of the Company		**3,000,391**	2,874,715
Non-controlling interests		**57,535**	46,597
Total Equity		**3,057,926**	2,921,312

The consolidated financial statements on pages 83 to 184 were approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

Poon Ka Man, Jason
DIRECTOR

Ng Minna
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share-based payment reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2023	108,404	1,611,247	(234,729)	8,944	1,159	173,305	(169,959)	160,285	(10,005)	1,226,064	2,874,715	46,597	2,921,312
Profit for the year	–	–	–	–	–	–	–	–	–	181,188	181,188	11,339	192,527
Other comprehensive income (expense) for the year	–	–	–	–	–	–	8,252	–	–	–	8,252	(401)	7,851
Total comprehensive income for the year	–	–	–	–	–	–	8,252	–	–	181,188	189,440	10,938	200,378
Dividends recognised as distribution (note 13)	–	(65,493)	–	–	–	–	–	–	–	–	(65,493)	–	(65,493)
Recognition of share-based payment (note 32)	–	–	–	1,729	–	–	–	–	–	–	1,729	–	1,729
Transfer on forfeiture and expiry of share options	–	–	–	(3,259)	–	–	–	–	–	3,259	–	–	–
As at 31 December 2023	108,404	1,545,754	(234,729)	7,414	1,159	173,305	(161,707)	160,285	(10,005)	1,410,511	3,000,391	57,535	3,057,926

(Continued)

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share-based payment reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2022	108,404	1,702,727	(234,729)	8,341	1,159	173,305	(217,543)	161,248	(10,005)	1,367,198	3,060,105	54,044	3,114,149
Loss for the year	–	–	–	–	–	–	–	–	–	(143,906)	(143,906)	(12,462)	(156,368)
Other comprehensive income for the year	–	–	–	–	–	–	47,584	–	–	–	47,584	4,435	52,019
Total comprehensive income (expense) for the year	–	–	–	–	–	–	47,584	–	–	(143,906)	(96,322)	(8,027)	(104,349)
Dividends recognised as distribution (note 13)	–	(91,480)	–	–	–	–	–	–	–	–	(91,480)	–	(91,480)
De-registration of subsidiaries	–	–	–	–	–	–	–	(963)	–	383	(580)	580	–
Recognition of share-based payment (note 32)	–	–	–	2,992	–	–	–	–	–	–	2,992	–	2,992
Transfer on forfeiture and expiry of share options	–	–	–	(2,389)	–	–	–	–	–	2,389	–	–	–
As at 31 December 2022	108,404	1,611,247	(234,729)	8,944	1,159	173,305	(169,959)	160,285	(10,005)	1,226,064	2,874,715	46,597	2,921,312

(Continued)

The special reserve mainly represents the aggregate of:

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

(b) A net amount of approximately RMB45 million, being the difference between (i) the share premium which resulted from the issue of shares of Ajisen International of RMB219 million to acquire the additional interests in subsidiaries (which resulted in a goodwill of approximately RMB36 million) and (ii) an amount of approximately RMB174 million, being the difference between the fair value and the carrying amount of the additional interests 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 in 2007.

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

Share-based payment 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.

Other reserve arose on an acquisition of additional equity interests in a subsidiary from non-controlling interests during the year ended 31 December 2018.

As stipulated in the relevant laws and regulations for foreign investment enterprises in People's Republic of China (the "PRC"), the Company's subsidiaries in Mainland China (excluding Hong Kong) 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 subsidiaries in Mainland China 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 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**247,875**	(176,765)
Adjustments for:		
Fair value (gain) loss on financial assets at FVTPL	**(23,935)**	63,876
Fair value gain on financial liabilities at FVTPL	**(4,947)**	(28,946)
Fair value (gain) loss on investment properties	**(8,822)**	29,803
Depreciation of property, plant and equipment	**113,283**	131,095
Depreciation of right-of-use assets	**203,409**	236,394
Covid-19-related rent concessions	**–**	(41,423)
Impairment loss, net of reversal		
– property, plant and equipment	**961**	4,125
– right-of-use assets	**2,625**	18,758
– financial assets under expected credit loss model	**1,452**	500
– interests in associates	**987**	16,953
Finance costs	**19,178**	26,017
Bank interest income	**(31,425)**	(20,473)
Loss on disposal of property, plant and equipment	**3,479**	13,592
Gain on termination of right-of-use assets and lease liabilities	**(3,239)**	(6,835)
Share-based payments	**1,729**	2,992
Share of loss of associates	**1,901**	3,488
Share of (gain) loss of a joint venture	**(1,059)**	1,729
Dividends from financial assets at FVTPL	**–**	(753)
Waive of franchise commission	**(12,049)**	(6,144)
Net foreign exchange gain	**(2,670)**	–
Operating cash flows before movements in working capital	**508,733**	267,983
Decrease in inventories	**23,173**	20,359
(Increase) decrease in trade and other receivables	**(23,712)**	24,361
Increase in trade and other payables	**6,870**	5,015
Decrease in contract liabilities	**(1,120)**	(2,066)
Cash generated from operations	**513,944**	315,652
Income tax paid	**(10,767)**	(15,729)
NET CASH FROM OPERATING ACTIVITIES	**503,177**	299,923
INVESTING ACTIVITIES		
Interest received	**30,821**	18,344
Proceeds on disposal of property, plant and equipment	**9,872**	6,720
Purchase of property, plant and equipment	**(65,566)**	(55,056)
Payments for right-of-use assets	**(4,756)**	–
Purchase of financial assets at FVTPL	**(45,040)**	(10,000)
Investment in an associate	**–**	(10,000)
Payments for rental deposits	**(13,190)**	(2,725)
Refund of rental deposits	**20,147**	6,356
Dividends received from financial assets at FVTPL	**–**	753
Proceeds on disposal of financial assets at FVTPL	**43,521**	–
Placement of restricted bank deposits	**(12,836)**	(2,300)
Placement of term deposits with original maturity over three months	**(544,902)**	–
Withdrawal of term deposits with original maturity over three months	**75,351**	–
NET CASH USED IN INVESTING ACTIVITIES	**(506,578)**	(47,908)

(Continued)

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Advance from related companies	**288**	1,232
Repayment to related companies	**(4,145)**	–
Advance from directors	**48**	–
Repayment to directors	**–**	(16)
Advance from a joint venture	**61**	–
Repayment to a joint venture	**–**	(191)
Repayment of bank borrowings	**(3,499)**	(42,220)
Repayment of lease liabilities	**(237,128)**	(189,126)
Interest paid	**(19,176)**	(26,016)
Dividends paid to shareholders of the Company	**(65,493)**	(91,480)
NET CASH USED IN FINANCING ACTIVITIES	**(329,044)**	(347,817)
Net decrease in cash and cash equivalents	**(332,445)**	(95,802)
Cash and cash equivalents as at 1 January	**1,465,111**	1,527,538
Effect of foreign exchange rate changes on bank balances and cash held in foreign currencies	**2,748**	33,375
Cash and cash equivalents as at 31 December, represented by bank balances and cash	**1,135,414**	1,465,111

1. GENERAL INFORMATION

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 Favor Choice Group Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holding Company Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust and controlled by Ms. Poon Wai ("Ms. Poon") who is also the Chairwoman and Managing Director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are operation of restaurants, manufacture and sales of noodles and related products, and investment holding. The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and the Mainland China operating subsidiaries of the Company. The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars ("HK$"). Details of the subsidiaries of the Company are set out in note 42.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND AGENDA DECISIONS OF THE HKFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND AGENDA DECISIONS OF THE HKFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE") *(Continued)*

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

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB133,192,000 and deferred tax liabilities of RMB133,192,000 on a gross basis in note 20 but it has no impact on the retained earnings at the earliest period presented.

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

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND AGENDA DECISIONS OF THE HKFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE") *(Continued)*

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

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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

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

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

Interests in associates and a joint venture

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Interests in associates and a joint venture (Continued)

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the 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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information* *(Continued)*

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in note 5.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable by the Group under residual value guarantees.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information* *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

Expect for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information (Continued)*

Leases (Continued)

The Group as a lessor *(Continued)*

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information (Continued)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

Employee benefits

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.

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information* *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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 the 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position, except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) 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 property, the relevant revaluation reserve will be transferred directly to retained profits.

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

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

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 fair value, adjusted to exclude any prepaid or accrued operating lease income.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investment properties (Continued)

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 disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

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

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information (Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information (Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

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

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

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

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

(i) Significant increase in credit risk

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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

(i) Significant increase in credit risk *(Continued)*

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

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

Lifetime ECL for certain trade receivables and lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 *Material accounting policy information (Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL *(Continued)*

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 8) as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the fair value gain/(loss) on financial assets at FVTPL (note 8).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity

Classification as debt or equity

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability may be designated as at FVTPL upon initial recognition if:

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

For financial liabilities that are designated as at FVTPL, 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 recognised 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 that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties located in the Mainland China, 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, as such, deferred tax liabilities of RMB172,810,000 have been recognised as at 31 December 2023 (2022: RMB169,437,000), including land appreciation tax ("LAT") provided for income from sale of properties in the Mainland China. Where the final LAT may be different from the amounts that were initially recognised, such differences will impact the LAT provision in the period in which such final LAT is made.

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

Key sources of estimation uncertainty

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

Fair value measurement of financial instruments

As at 31 December 2023, the Group had financial assets at FVTPL amounting to RMB150,898,000 (2022: RMB125,444,000) and financial liabilities at FVTPL amounting to RMB2,127,000 (2022: RMB7,074,000) for financial reporting purposes.

In estimating the fair value of the financial instruments, the management of the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the management of the Group will engage a third party qualified valuer to assist the management in performing the fair value measurement, if necessary. The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the related assets and liabilities.

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

Key sources of estimation uncertainty (Continued)

Fair value measurement of financial instruments (Continued)

The management of 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 assets and liabilities. Judgements and estimation are required in establishing the relevant valuation model and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these financial assets and liabilities. Note 34(c) provides detailed information about the valuation techniques, inputs, key assumptions and significant unobservable inputs used in the determination of the fair value of various financial assets and liabilities.

Estimated impairment of interests in associates

As at 31 December 2023, the management of the Group concluded there was in indication for impairment and conducted an impairment on assessment on interests in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associates which is the higher of value in use and fair value less costs of disposal. The fair value less costs of disposal calculation involves judgements and estimation from the management of the Group in establishing the relevant valuation model and the relevant inputs thereof. In cases where change in facts and circumstances which result in revision of those estimation in calculation of fair value less costs of disposal, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such reversal or further recognition takes place. The management of the Group engaged an independent qualified valuer to assist the management in calculating the fair values less cost of disposal of the interests in associates. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2023, the carrying amount of interests in associates subject to impairment assessment amounted to RMB29,536,000 (2022: RMB32,402,000), net of accumulated impairment losses of RMB110,673,000 (2022: RMB109,686,000).

Deferred tax asset

As at 31 December 2023, deferred tax asset of RMB38,982,000 (2022: RMB47,604,000) has been recognised in the consolidated statement of financial position as disclosed in note 20. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

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

Key sources of estimation uncertainty (Continued)

Useful lives and residual value of property, plant and equipment

The management of the Group determines the estimated useful lives, residual values 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 such as keen competitions from competitors, resulting in higher depreciation charge and/or accelerate to write-off or write-down of obsolete assets when residual value or useful lives are less than previously estimated.

As at 31 December 2023, the carrying amount of property, plant and equipment amounted to RMB349,071,000 (2022: RMB405,554,000).

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the management of the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including budgeted gross margin, revenue growth rate and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the management estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the revenue growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were RMB4,461,000 and RMB13,115,000 (2022: RMB33,792,000 and RMB127,683,000), respectively, net of accumulated impairment losses of RMB7,031,000 and RMB26,914,000 (2022: RMB6,070,000 and RMB24,289,000) in respect of property, plant and equipment and right-of-use assets that have been recognised respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 16 and 17 respectively.

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

Key sources of estimation uncertainty (Continued)

Fair values of investment properties

Investment properties are stated at fair value based on the valuation performed by an external independent professional valuer. The determination of the fair value involves certain assumptions of market conditions which are set out in note 15.

In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

The directors of the Company have performed internal assessment on the risks of change in macroeconomic environment through performing sensitivity analysis in relation to the Group's investment properties.

As at 31 December 2023, the carrying amount of the Group's investment properties was RMB1,007,255,000 (2022: RMB999,262,000).

5. REVENUE

i) Disaggregation of revenue from contracts with customers

	2023	2022
	RMB'000	RMB'000
Operation of restaurants	**1,734,200**	1,339,611
Manufacture and sales of noodles and related products	**81,206**	90,181
	1,815,406	1,429,792
Timing of revenue recognition		
A point in time	**1,815,406**	1,429,792

5. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers and revenue recognition policies

For operation of restaurants, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the restaurant. Payment of the transaction price is due immediately at the point the customer purchases the goods. The Group recognises advance payments received from certain customers as contract liabilities throughout the year ended 31 December 2023 before the control on the goods is transferred to customers and are recognised as revenue when the goods are delivered to the customers.

Substantially all transactions in relation to advance payments received from operation of restaurants are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue of RMB2,120,000 (2022: RMB3,275,000) was recognised in the current year relating to carried-forward contract liabilities that were included in the contract liability balance at the beginning of the year.

On the other hand, for manufacture and sales of noodles and related products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). The normal credit term is 90 days upon delivery.

6. OPERATING SEGMENTS

Information reported to Ms. Poon, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment 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 CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

Operation of restaurants	– operation of restaurants in Mainland China – operation of restaurants in Hong Kong
Manufacture and sales of noodles and related products	– manufacture and sales of noodles and related products in Mainland China and Hong Kong
Investment holding	– investments in properties, financial instruments and investments in associate and joint venture

Information regarding these segments is presented below.

6. OPERATING SEGMENTS *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2023

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Total reportable segments	Eliminations	Total
	Mainland China	Hong Kong	Total					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE								
– External sales	1,534,269	199,931	1,734,200	81,206	–	1,815,406	–	1,815,406
– Inter-segment sales	–	–	–	620,941	–	620,941	(620,941)	–
	1,534,269	199,931	1,734,200	702,147	–	2,436,347	(620,941)	1,815,406
Segment profit	180,332	8,712	189,044	2,310	58,378*	249,732	–	249,732
Interest income								31,425
Unallocated administrative expenses								(32,200)
Unallocated finance costs								(1,082)
Profit before tax								247,875
Income tax expense								(55,348)
Profit for the year								192,527

6. OPERATING SEGMENTS *(Continued)*

Segment revenues and results (Continued)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments: *(Continued)*

For the year ended 31 December 2022

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Total reportable segments	Eliminations	Total
	Mainland China	Hong Kong	Total					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE								
– External sales	1,186,012	153,599	1,339,611	90,181	–	1,429,792	–	1,429,792
– Inter-segment sales	–	–	–	535,461	–	535,461	(535,461)	–
	1,186,012	153,599	1,339,611	625,642	–	1,965,253	(535,461)	1,429,792
Segment (loss) profit	(146,261)	(32,974)	(179,235)	3,598	28,804*	(146,833)	–	(146,833)
Interest income								20,473
Unallocated administrative expenses								(48,949)
Unallocated finance costs								(1,456)
Loss before tax								(176,765)
Income tax credit								20,397
Loss for the year								(156,368)

* Segment profit (loss) in investment holding segment included share of loss of associates and joint venture totalling RMB842,000 (2022: RMB5,217,000) for the current and prior reporting periods respectively.

6. OPERATING SEGMENTS *(Continued)*

Other information

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/loss incurred from each segment without allocation of interest income, certain administrative expenses, certain finance costs and income tax (expense) credit. This is the measure reported to the CODM, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

Inter-segment sales are charged at prevailing market rates.

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

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

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

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December		**Year ended 31 December**	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**1,609,482**	1,270,628	**1,343,385**	1,445,277
Hong Kong	**205,924**	159,164	**489,243**	458,873
	1,815,406	1,429,792	**1,832,628**	1,904,150

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

None of the customers accounted for 10% or more of the total revenue of the Group during the current and prior reporting periods.

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Royalty income from sub-franchisee *(note i)*	**7,650**	6,287
Gross rental income from investment properties *(note ii)*	**41,525**	33,186
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(1,726)**	(2,400)
	39,799	30,786
Bank interest income	**31,425**	20,473
Government grants *(note iii)*	**10,101**	18,574
Compensation received from landlord for early termination of operating leases of restaurants	**379**	100
Waive of franchise commission payable to a related party *(note iv)*	**12,049**	6,144
Others	**8,439**	5,044
	109,842	87,408

Notes:

(i) The Group grants to the franchisees the rights to operate restaurants with the brand "Ajisen" for fixed contract terms. Royalty income is recognised over time by reference to the amounts specified in the contract.

(ii) Property rental income are recognised on a straight-line basis over the terms of the relevant leases. All the leases for the years ended 31 December 2023 and 2022 were operating leases with fixed lease payments.

(iii) During the year ended 31 December 2023, the Group recognised government grants of RMB10,101,000 that represents the incentive subsidies received from the Mainland China local district authorities for the business activities carried out by the Group. There are no specific conditions attached to the grants received from Mainland China local district authorities.

During the year ended 31 December 2022, the Group recognised government grants of RMB9,822,000 received under the Covid-19-related subsidies provided by the Hong Kong government, of which RMB4,659,000 related to Anti-epidemic Fund and RMB5,163,000 related to Employment Support Scheme. For the government grant received from the Hong Kong government, the Group is required to hire numbers of working employees not less than the number reported to the government. The remaining amounts of government grants represent the incentive subsidies received from the Mainland China local district authorities for the business activities carried out by the Group. There are no specific conditions attached to the grants received from Mainland China local district authorities.

(iv) During the year ended 31 December 2023 and 2022, franchise commission payable to a related party, namely Shigemitsu Industry Co. Ltd ("Shigemitsu Industry"), has been waived under terms mutually agreed between the Group and Shigemitsu Industry.

8. OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	RMB'000
Fair value gain (loss) on investment properties	**8,822**	(29,803)
Loss on disposal of property, plant and equipment	**(3,479)**	(13,592)
Net gain on termination of right-of-use assets and lease liabilities	**3,239**	6,835
Fair value gain (loss) on financial assets at FVTPL	**23,935**	(63,876)
Fair value gain on financial liabilities at FVTPL	**4,947**	28,946
Dividends from financial assets at FVTPL	**–**	753
Net foreign exchange loss	**(228)**	(6,371)
Loss on de-registration of subsidiaries	**–**	(1,411)
	37,236	(78,519)

9. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	**18,096**	24,561
Interest on bank borrowings	**1,082**	1,456
	19,178	26,017

10. PROFIT (LOSS) BEFORE TAX

	2023 RMB'000	2022 RMB'000
Profit (loss) before tax has been arrived at after (crediting) charging:		
Directors' remuneration *(note 11)*	**4,195**	3,765
Salaries, wages and other benefits	**424,247**	366,439
Retirement benefits scheme contributions	**45,659**	52,214
Share-based payment	**1,729**	2,992
Total staff costs	**475,830**	425,410
Depreciation of property, plant and equipment	**113,283**	131,095
Depreciation of right-of-use assets	**203,409**	236,394
Total depreciation	**316,692**	367,489
Covid-19-related rent concessions *(note 17)*	**–**	(41,423)
Auditor's remuneration:		
Audit services	**3,100**	3,250
Non-audit services	**400**	–

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

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

	2023					2022				
	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive bonuses RMB'000 *(note i)*	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 i)*	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors										
Ms. Poon	–	1,813	92	–	1,905	–	1,675	122	–	1,797
Mr. Poon Ka Man Jason	–	785	48	–	833	–	762	63	–	825
Ms. Ng Minna	–	644	65	16	725	–	485	36	16	537
Non-executive directors										
Mr. Katsuaki Shigenitsu	113	–	–	–	113	108	–	–	–	108
Mr. Yew Yat On *(note ii)*	98	–	–	–	98	–	–	–	–	–
Independent non-executive directors										
Mr. Peter Lo	183	–	–	–	183	175	–	–	–	175
Mr. Jen Shek Voon	183	–	–	–	183	175	–	–	–	175
Mr. Wang Jincheng *(note iii)*	155	–	–	–	155	148	–	–	–	148
	732	3,242	205	16	4,195	606	2,922	221	16	3,765

Notes:

(i) The performance related incentive bonuses for the years ended 31 December 2023 and 2022 were determined based on performance of the Group and individuals.

(ii) Mr. Yew Yat On was appointed as non-executive director on 7 June 2023.

(iii) Mr. Wang Jincheng resigned as independent non-executive director on 5 January 2024.

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

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

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

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

Of the five individuals with the highest emoluments in the Group, three (2022: two) were directors of Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2022: three) individuals are as follows:

	2023 **RMB'000**	2022 RMB'000
Employees		
– Salaries and other benefits	**1,155**	1,615
– Share-based payment	**106**	253
– Retirement benefits scheme contributions	**339**	349
	1,600	2,217

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follows:

	No. of employees	
	2023	2022
Nil to HK$1,000,000	**2**	3

During the current and prior reporting periods, 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.

12. INCOME TAX EXPENSE (CREDIT)

	2023	2022
	RMB'000	RMB'000
Hong Kong Profits Tax		
– Current year	**2,925**	1,906
– Under (over) provision in prior years	**372**	(275)
	3,297	1,631
Mainland China Income Tax		
– Current year	**18,879**	4,413
– (Over) under provision in prior years	**(277)**	100
	18,602	4,513
Withholding tax	**–**	6,937
Deferred taxation expense (credit) *(note 20)*	**33,449**	(33,478)
	55,348	(20,397)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on the estimated assessable profit.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the subsidiaries in Mainland China are subject to EIT rate of 25%.

12. INCOME TAX EXPENSE (CREDIT) *(Continued)*

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

Income tax expense (credit) for the year is reconciled to profit (loss) before tax as follows:

	Hong Kong				Mainland China				Total			
	2023		2022		2023		2022		2023		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit (loss) before tax	43,852		(29,471)		204,023		(147,294)		247,875		(176,765)	
Tax at the applicable income tax rate	7,236	16.5	(4,863)	16.5	51,006	25	(36,824)	25.0	58,242	23.5	(41,687)	23.6
Tax effect of expenses not deductible for tax purpose	664	1.5	5,600	(19.0)	782	0.4	1,597	(1.1)	1,446	0.6	7,197	(4.1)
Tax effect of income not taxable for tax purpose	(7,038)	(16.0)	(3,392)	11.5	(265)	(0.1)	(1,089)	0.7	(7,303)	(2.9)	(4,481)	2.5
Tax effect of tax losses not recognised	3,559	8.1	5,012	(17.0)	555	0.3	9,403	(6.4)	4,114	1.7	14,415	(8.2)
Tax effect of utilisation of tax losses previously not recognised	(2,152)	(4.9)	(388)	1.3	(4,537)	(2.2)	(1,490)	1.0	(6,689)	(2.7)	(1,878)	1.1
Income tax at concessionary rate	–	–	–	–	(830)	(0.4)	103	(0.1)	(830)	(0.3)	103	(0.1)
Withholding tax on dividends from subsidiaries in Mainland China	–	–	–	–	5,835	2.9	7,368	(5.0)	5,835	2.4	7,368	(4.2)
Under (over) provision in prior years	372	0.8	(275)	0.9	(277)	(0.1)	100	(0.1)	95	0.0	(175)	0.1
Others	649	1.5	(45)	0.2	(387)	(0.2)	861	(0.6)	262	0.1	816	0.5
LAT effect	–	–	–	–	176	0.1	(2,075)	1.4	176	0.1	(2,075)	1.2
Tax expense (credit) and effective rate for the year	3,290	7.5	1,649	(5.6)	52,058	25.5	(22,046)	15.0	55,348	22.3	(20,397)	11.5

13. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Final, paid – RMB0.06 (HK$0.068) per share for 2022 (2022: paid – RMB0.08 (HK$0.098) per share for 2021)	**65,493**	91,480
	65,493	91,480

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.08 (HK$0.086) (2022: final dividend in respect of the year ended 31 December 2022 of RMB0.06 (HK$0.068)) per ordinary share, in an aggregate amount of RMB87,323,000 (HK$93,872,000) (2022: RMB65,492,000 (HK$74,225,000)), has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS (LOSS) PER SHARE

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

Earnings (loss) figures are calculated as follows:

	2023 RMB'000	2022 RMB'000
Earnings (loss) for the purposes of basic and diluted earnings per share, being earnings (loss) for the year attributable to owners of the Company	**181,188**	(143,906)

14. EARNINGS (LOSS) PER SHARE *(Continued)*

Number of shares

	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	**1,091,538,820**	1,091,538,820

During the year ended 31 December 2023, the computation for diluted earnings per share did not assume the exercise of outstanding share options of the Company as the exercise price of the Company's outstanding options is higher than the average market price of the Company's share.

During the year ended 31 December 2022, the computation of diluted loss per share did not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

15. INVESTMENT PROPERTIES

The Group leases out various offices and warehouses under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years (2022: 1 to 20 years).

The Group is not exposed to foreign currency risk on the lease arrangements as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term. For the year ended 31 December 2023, the total cash outflow for leases is RMB530,000 (2022: nil).

15. INVESTMENT PROPERTIES *(Continued)*

	RMB'000
FAIR VALUE	
As at 1 January 2022	996,028
Exchange alignment	33,037
Net decrease in fair value recognised in profit or loss	(29,803)
As at 31 December 2022	999,262
Exchange alignment	5,717
Transfers from property, plant and equipment	1,754
Transfers to property, plant and equipment	(8,300)
Net increase in fair value recognised in profit or loss	8,822
As at 31 December 2023	1,007,255

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

The fair value of the Group's investment properties as at 31 December 2023 and 2022 has been arrived at on the basis of a valuation carried out on the respective dates by International Valuation Limited, independent qualified professional valuers not connected to the Group.

The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the investment properties.

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

	2023	2022
	RMB'000	RMB'000
Commercial property units located in Hong Kong	**401,228**	379,636
Commercial property units located in Mainland China	**606,027**	619,626
	1,007,255	999,262

15. INVESTMENT PROPERTIES *(Continued)*

The following table gives information about how the fair values of these investment properties as at 31 December 2023 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised 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 statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s) *(note)*	Range
Completed investment properties in Mainland China RMB110,600,000 (2022: RMB111,900,000)	Level 3	Direct comparison approach	Price per square meter	RMB7,446 to RMB80,538 (2022: RMB8,874 to RMB78,891)
Completed investment properties in Mainland China RMB494,547,000 (2022: RMB506,746,000)	Level 3	Income capitalisation approach	Market rent per square meter per month	RMB3.29 to RMB78.79 (2022: RMB3.78 to RMB214)
			Capitalisation rate	5.7% to 9% (2022: 3% to 9%)
Car parking spaces in Mainland China RMB880,000 (2022: RMB980,000)	Level 3	Direct comparison approach	Price per unit	RMB440,000 (2022: RMB490,000)
Completed investment properties in Hong Kong RMB382,288,000 (2022: RMB364,165,000)	Level 3	Direct comparison approach	Price per square foot	RMB3,182 to RMB24,795 (2022: RMB3,011 to RMB29,707)
Car parking spaces in Hong Kong RMB18,940,000 (2022: RMB15,471,000)	Level 3	Direct comparison approach	Price per unit	RMB1,900,000 to RMB2,600,000 (2022: RMB1,656,532 to RMB2,108,314)

Note:

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

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

As at 31 December 2023 and 2022, the Group pledged certain of its investment properties to secure the general banking facilities granted to the Group. Details are set out in note 37.

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							
As at 1 January 2022	447,096	1,077,518	222,575	6,888	382,854	1,118	2,138,049
Exchange alignment	678	5,671	446	175	2,378	–	9,348
Additions	76	31,154	4,553	–	13,915	420	50,118
Transfer	–	394	16	–	821	(1,231)	–
Disposals	–	(152,671)	(12,821)	–	(9,012)	(33)	(174,537)
As at 31 December 2022	447,850	962,066	214,769	7,063	390,956	274	2,022,978
Exchange alignment	101	1,287	80	35	416	–	1,919
Additions	–	46,514	8,767	852	5,109	2,912	64,154
Transfer from investment properties	8,300	–	–	–	–	–	8,300
Transfer to investment properties	(2,497)	–	–	–	–	–	(2,497)
Transfer	–	1,963	–	–	–	(1,963)	–
Disposals	(328)	(88,775)	(22,612)	–	(9,090)	–	(120,805)
As at 31 December 2023	453,426	923,055	201,004	7,950	387,391	1,223	1,974,049
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
As at 1 January 2022	192,788	968,946	155,587	6,004	305,155	–	1,628,480
Exchange alignment	258	5,137	347	153	2,054	–	7,949
Provided for the year	18,121	73,344	27,280	250	12,100	–	131,095
Eliminated on disposals	–	(140,072)	(8,271)	–	(5,882)	–	(154,225)
Impairment loss recognised in profit or loss *(note 17)*	–	4,125	–	–	–	–	4,125

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
As at 31 December 2022	211,167	911,480	174,943	6,407	313,427	–	1,617,424
Exchange alignment	42	1,001	62	30	372	–	1,507
Provided for the year	18,431	58,856	22,960	517	12,519	–	113,283
Eliminated on transfer to investment properties	(743)	–	–	–	–	–	(743)
Eliminated on disposals	(87)	(82,357)	(18,449)	–	(6,561)	–	(107,454)
Impairment loss recognised in profit or loss *(note 17)*	–	961	–	–	–	–	961
As at 31 December 2023	228,810	889,941	179,516	6,954	319,757	–	1,624,978
CARRYING VALUES							
As at 31 December 2023	224,616	33,114	21,488	996	67,634	1,223	349,071
As at 31 December 2022	236,683	50,586	39,826	656	77,529	274	405,554

The above items of property, plant and equipment, except for construction in progress, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line method at the following rates per annum:

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

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

As at 31 December 2023 and 2022, 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 37.

17. RIGHT-OF-USE ASSETS

	Land use right	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2023			
Carrying amount	33,787	390,077	423,864
As at 31 December 2022			
Carrying amount	34,903	410,370	445,273
For the year ended 31 December 2023			
Depreciation charge	(1,204)	(202,205)	(203,409)
Exchange alignment	88	191	279
For the year ended 31 December 2022			
Depreciation charge	(1,194)	(235,200)	(236,394)
Exchange alignment	537	2,875	3,412

	2023	2022
	RMB'000	RMB'000
Expense relating to short-term leases	**29,108**	16,477
Variable lease payments not included in the measurement of lease liabilities	**27,162**	17,909
Total cash outflow for leases	**293,398**	223,512
Additions to right-of-use assets	**193,500**	112,349
Termination of right-of-use assets	**(9,154)**	(30,794)
Impairment loss of right-of-use assets recognised in profit or loss	**(2,625)**	(18,758)

For the years ended 31 December 2023 and 2022, the Group leased various offices and chain stores for its operations. Lease contracts were entered into for fixed term of 1 to 15 years (2022: 2 to 8 years). Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determined the period for which the contract is enforceable.

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

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

Variable lease payments

Leases of chain stores are either with only fixed lease payments or contain variable lease payments that are based on 5% to 30% (2022: 5% to 30%) of sales together with minimum annual lease payments that are fixed over the lease term. The payment terms are common in chain stores where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the years ended 31 December 2023 and 2022 are set out below:

For the year end 31 December 2023

	Number of Stores	**Fixed payments RMB'000**	**Variable payments RMB'000**	**Total payments RMB'000**
Chain stores without variable lease payments	**253**	**144,062**	**–**	**144,062**
Chain stores with variable lease payments	**308**	**113,508**	**27,162**	**140,670**

For the year end 31 December 2022

	Number of Stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Chain stores without variable lease payments	250	122,133	–	122,133
Chain stores with variable lease payments	290	108,031	17,909	125,940

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

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

Restrictions or covenants on leases

In addition, lease liabilities of RMB402,305,000 (2022: RMB462,716,000) are recognised with related right-of-use assets of RMB390,077,000 (2022: RMB410,370,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended 31 December 2022, lessors of chain stores provided rent concessions that occurred as a direct consequence of the Covid-19 pandemic to the Group through rent reductions ranging from 10% to 50% over one to six months and 100% over one to two months. During the year ended 31 December 2023, no rent concessions were provided to the Group.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the management of the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year ended 31 December 2022, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB41,423,000 were recognised as negative variable lease payments.

Impairment assessment

For the year ended 31 December 2023, the overall food catering market was in the phase of recuperation, certain restaurants of the Group have yet to reach the break-even profit in their financial performance, as such, the management concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment and right-of-use assets with aggregate carrying amounts of RMB17,576,000 (2022: RMB161,475,000), net of accumulated impairment losses of RMB33,945,000 (2022: RMB30,359,000).

The recoverable amount of each cash generating unit ("CGU"), representing each individual restaurant, has been determined based on a value in use calculation. As at 31 December 2023, the calculation uses cash flow projections based on financial budgets approved by the management covering the lease terms with pre-tax discount rates of 11% (2022: 13%) and of 10% (2022: 11%) for Mainland China and for Hong Kong, respectively. Other key assumptions for the value in use calculation are the budgeted gross margin and revenue growth rate, which are mainly determined based on the CGUs' past performance and management expectations for the market development.

Based on the result of the assessment, the management determined that the recoverable amounts of certain CGUs or group of CGUs were lower than the carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment loss of RMB961,000 and RMB2,625,000 (2022: RMB4,125,000 and RMB18,758,000), has been recognised against the carrying amount of property, plant and equipment and right-of-use assets, respectively.

18. GOODWILL

	Group of certain Mainland China Restaurants CGUs	Group of certain Hong Kong Restaurants CGUs	Total
	RMB'000	RMB'000	RMB'000
COST			
As at 1 January 2022	1,264	29,245	30,509
Exchange alignment	78	2,213	2,291
As at 31 December 2022	1,342	31,458	32,800
Exchange alignment	13	407	420
As at 31 December 2023	1,355	31,865	33,220
ACCUMULATED IMPAIRMENT			
As at 1 January 2022	–	(29,245)	(29,245)
Exchange alignment	–	(2,213)	(2,213)
As at 31 December 2022	–	(31,458)	(31,458)
Exchange alignment	–	(407)	(407)
As at 31 December 2023	–	(31,865)	(31,865)
CARRYING VALUES			
As at 31 December 2023	1,355	–	1,355
As at 31 December 2022	1,342	–	1,342

As at 31 December 2023, goodwill before impairment amounting to RMB31,865,000 is allocated to the CGUs of certain restaurants operated in Hong Kong ("the group of certain Hong Kong Restaurants CGUs") and goodwill amounting to RMB1,355,000 is allocated to the CGUs of certain restaurants operated in Mainland China ("the group of certain Mainland China Restaurants CGUs").

Based on the management's assessment, no further impairment loss is required for the years ended 31 December 2022 and 2023.

19. INTANGIBLE ASSETS

	Trademark RMB'000
COST	
As at 1 January 2022	12,981
Exchange alignment	1,215
As at 31 December 2022	14,196
Exchange alignment	163
As at 31 December 2023	14,359
ACCUMULATED IMPAIRMENT	
As at 1 January 2022	(12,853)
Exchange alignment	(30)
As at 31 December 2022	(12,883)
Exchange alignment	30
As at 31 December 2023	(12,853)
CARRYING VALUES	
As at 31 December 2023	1,506
As at 31 December 2022	1,313

The management of the Group considers that the trademark has indefinite useful life because it is expected to contribute net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

No further impairment loss is required for the years ended 31 December 2022 and 2023 as the management of the Group is of the opinion that the carrying amounts do not exceed its recoverable amounts.

20. DEFERRED TAXATION

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

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**38,982**	47,604
Deferred tax liabilities	**(167,945)**	(143,118)
	(128,963)	(95,514)

The following is the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year.

	Revaluation of properties in Mainland China RMB'000	LAT in Mainland China RMB'000 *(note)*	Lease liability under HKFRS 16 RMB'000	Right-of-use assets under HKFRS 16 RMB'000	Withholding tax on undistributed dividends RMB'000	Revaluation of financial assets and liabilities at FVTPL RMB'000	Difference in depreciation RMB'000	Impairment of interests in associates RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	(62,728)	(110,173)	13,495	–	(3,264)	15,564	(35)	15,326	4,306	(1,479)	(128,988)
Adjustments	–	–	133,192	(133,192)	–	–	–	–	–	–	–
As at 1 January 2022 (restated)	(62,728)	(110,173)	146,687	(133,192)	(3,264)	15,564	(35)	15,326	4,306	(1,479)	(128,988)
Exchange alignment	–	–	–	–	–	–	(4)	–	–	–	(4)
Credit (Charge) to profit or loss	1,389	2,075	(38,085)	40,699	(431)	8,733	(18)	–	19,220	(104)	33,478
As at 31 December 2022	(61,339)	(108,098)	108,602	(92,493)	(3,695)	24,297	(57)	15,326	23,526	(1,583)	(95,514)
Exchange alignment	–	–	–	–	–	–	–	–	–	–	–
(Charge) credit to profit or loss	(3,197)	(176)	(13,274)	9,672	(5,835)	(5,530)	7	–	(15,329)	213	(33,449)
As at 31 December 2023	(64,536)	(108,274)	95,328	(82,821)	(9,530)	18,767	(50)	15,326	8,197	(1,370)	(128,963)

Note: As the Group's investment properties located in Mainland China are held under a business model whose objective is to gain the economic benefits through sale or lease, LAT is calculated and provided on properties revaluation reserves (charge to other comprehensive income) when such property, plant and equipment are transferred to investment properties and on change in fair values of investment properties (charge to profit or loss) when fair values change at the end of the year.

20. DEFERRED TAXATION *(Continued)*

As at 31 December 2023, the Group has accumulated unutilised tax losses of approximately RMB623,218,000 (2022: RMB670,480,000) available for offset against future profits. During the year ended 31 December 2022, a deferred tax asset has been recognised in respect of approximately RMB76,880,000 of such losses based on the 5 years budgeted profit of certain subsidiaries in Mainland China prepared by the management of the Group. During the year ended 31 December 2023, no deferred tax asset has been recognised on the tax losses. As at 31 December 2023, no deferred tax asset has been recognised on the tax losses of RMB590,430,000 (2022: RMB576,376,000) due to the unpredictability of future profit streams. The unrecognised tax losses are disclosed in the following table.

	2023	2022
	RMB'000	RMB'000
Year of expiry		
2023	**–**	447
2024	**6,217**	7,211
2025	**15,631**	20,393
2026	**23,894**	25,971
2027	**27,380**	37,612
2028	**2,218**	–
Indefinitely	**515,090**	484,742
	590,430	576,376

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by subsidiaries in Mainland China from 1 January 2008 onwards. Except for the deferred tax liabilities provided for the undistributed profits of certain operating subsidiaries in Mainland China of RMB98,150,000 (2022: RMB8,615,000), deferred tax liabilities have not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of subsidiaries in Mainland China as at 31 December 2023 amounting to RMB1,557,964,000 (2022: RMB1,492,530,000) as the Group is able to control the timing of the reversal of these temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

21. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of investment in associates	**161,341**	161,341
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(8,911)**	(7,010)
	152,430	154,331
Less: Accumulated impairment losses recognised *(note i)*	**(110,673)**	(109,686)
Loan to an associate *(note ii)*	**1,353**	1,335
	43,110	45,980

Notes:

(i) During the year ended 31 December 2023, in view of the poor performance of certain associates, the directors of the Company estimated that the recoverable amount of the interests in these associates, which is the higher of value in use and fair value less costs of disposal, to be less than its carrying amount. Following the impairment assessment, the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount accordingly.

For interest in Guangzhou Yunnex Information Technology Co., Ltd., ("Yunnex"), the recoverable amount is determined based on fair value less costs of disposal. As at 31 December 2023, Yunnex has been fully impaired (carrying amount as at 31 December 2022: RMB987,000). An impairment loss of RMB987,000 (2022: RMB16,953,000) has been recognised for the year ended 31 December 2023.

(ii) Loan to an associate forms part of the net interests in the associate. The amount is unsecured, interest free and is repayable as may from time to time be agreed among the shareholders.

22. INTEREST IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Cost of investment in a joint venture	**12,858**	12,858
Share of post-acquisition results and other comprehensive expense	**(5,038)**	(6,097)
	7,820	6,761

On 28 April 2017, the Group entered into a joint venture cooperation agreement with two independent third parties on the establishment of Beijing Feicui Jinghua & Restaurant Management Co., Ltd. ("Feicui Jinghua"), which is principally engaged in operating restaurants. The Group owned approximately 42% equity interest in Feicui Jinghua.

Pursuant to its articles of association, the financial and operating policies of Feicui Jinghua are governed by resolutions resolved in the Feicui Jinghua's shareholders' meeting. Although the Group holds 42% of total voting rights, a valid resolution of shareholders' meeting requires more than two-thirds of total votes. Decisions about relevant activities of Feicui Jinghua require unanimous consent from the Group and the other equity holders sharing control. In this regard, Feicui Jinghua is accounted for as a joint venture in the consolidated financial statements of the Group.

23. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

Financial assets at FVTPL

	2023 RMB'000	2022 RMB'000
Current asset:		
Wealth management product *(note i)*	**25,031**	–
Non-current assets:		
Unlisted equity investments and fund investments *(note ii)*	**125,867**	125,444
	150,898	125,444

23. FINANCIAL ASSETS AND LIABILITIES AT FVTPL *(Continued)*

Financial assets at FVTPL (Continued)

The components of unlisted equity instruments and fund investments are as follows:

	2023 **RMB'000**	2022 RMB'000
Guangzhou Yunxi Information Technology Co., Ltd.	**5,961**	24,348
Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership)	**13,254**	60,243
Guangzhou Hezhi Investment Center (Limited Partnership)	**75,509**	27,440
Jialan Jiahua (Tianjin) Venture Capital Fund Partnership (Limited Partnership)	**20,000**	–
Others	**11,143**	13,413
	125,867	125,444

	2023 **RMB'000**	2022 RMB'000
Financial liabilities at FVTPL *(note ii)*	**2,127**	7,074

Notes:

(i) During the year ended 31 December 2023, the Group enters into a contract of wealth management product with a bank which the maturity term is within 12 months, and the expected return rates vary from 1.32% to 1.91% per annum.

(ii) Financial assets and liabilities at FVTPL are classified as non-current as they are neither part of the working capital used in the Group's normal operating cycle nor held for trading purpose, therefore the directors of the Company consider they are appropriately to be classified as non-current as of the end of the reporting period.

24. INVENTORIES

	2023 **RMB'000**	2022 RMB'000
Raw materials and consumables	**65,469**	82,892
Work in progress	**7**	7
Finished goods	**10,771**	16,407
	76,247	99,306

25. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables		
– contracts with customers (third parties)	**32,989**	19,145
Less: allowance for credit losses	**(1,879)**	(680)
	31,110	18,465
Other receivables		
Rental and utility deposits	**31,448**	41,709
Prepaid management fee and property rental *(note)*	**15,639**	4,416
Advance to suppliers	**27,535**	34,000
Deductible value added tax	**41,521**	36,029
Lease receivables	**18,376**	13,408
Prepayments	**4,625**	2,718
Staff advance	**9,400**	5,921
Others	**7,966**	7,448
	156,510	145,649
Less: allowance for credit losses	**(9,768)**	(9,515)
	146,742	136,134
	177,852	154,599

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

Customers relating to manufacture and sales of noodles and related products are normally granted 0 to 90 days (2022: 0 to 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days (2022: 180 days). There is no credit period for customers relating to sales from operation of restaurants, unless when the payments are made through payment platforms, in which case the trade receivables are normally settled within 30 days.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2023	2022
	RMB'000	RMB'000
0 to 30 days	**23,165**	13,487
31 to 60 days	**1,333**	1,280
61 to 90 days	**5,158**	2,764
91 to 180 days	**261**	256
180 to 365 days	**1,193**	678
	31,110	18,465

As at 31 December 2023, included in the Group's trade receivables are debtors with aggregate carrying amount of RMB1,901,000 (2022: RMB1,140,000) which are past due 90 days or more as at the reporting date. These past due balances are not considered as default as these balances are mainly due from customers with good credit quality. The Group does not hold any collateral over the balances.

Details of impairment assessment of trade and other receivables are set out in note 34.

26. CASH AND CASH EQUIVALENTS

	2023	2022
	RMB'000	RMB'000
Term deposits with banks	**615,307**	–
Restricted bank deposits	**15,136**	2,300
Cash at bank and in hand	**992,328**	1,465,111
Bank balances and cash	**1,622,771**	1,467,411
Less: Term deposits with banks over three months of maturity at acquisition	**(472,221)**	–
Cash restricted for use	**(15,136)**	(2,300)
Cash and cash equivalents	**1,135,414**	1,465,111

26. CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents include demand deposits and short-term deposits for the purpose of meeting the Group's short term cash commitments. Term deposits with banks and cash at banks carry interest at market rates range from 0.001% to 5.65% (2022: 0.001% to 1.95%).

Certain bank balances restricted to use amounting to RMB7,922,000 has been released subsequent to the year ended 31 December 2023.

The Group's bank balances and cash that were denominated in other foreign currency of the relevant group entities, representing United States dollars ("US$"), were re-translated in RMB and stated for reporting purposes as:

	2023 RMB'000	2022 RMB'000
– US$	**295,415**	330,168

Certain bank balances and cash of RMB1,249,634,000 (2022: RMB1,069,302,000) were denominated in RMB which is not a freely convertible currency in the international market. 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

	2023 RMB'000	2022 RMB'000
Trade payables		
– related parties *(note)*	**32,785**	36,190
– third parties	**62,863**	56,891
	95,648	93,081
Other payables		
Payroll and welfare payables	**30,495**	42,458
Rental deposits received	**14,039**	11,371
Payable for acquisition of property, plant and equipment	**24,010**	25,422
Payable for variable lease payments	**15,541**	13,579
Other taxes payable	**7,374**	10,337
Others	**62,381**	58,854
	249,488	255,102

Note: The related parties are the companies in which Mr. Katsuaki Shigemitsu, 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 (2022: 60 days). The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

Aging	**2023** **RMB'000**	2022 RMB'000
0 to 30 days	**69,928**	72,371
31 to 60 days	**19,684**	13,522
61 to 90 days	**344**	468
91 to 180 days	**1,615**	391
Over 180 days	**4,077**	6,329
	95,648	93,081

28. LEASE LIABILITIES

	2023 **RMB'000**	2022 RMB'000
Lease liabilities payable:		
Within one year	**168,231**	237,031
In more than one year but not more than two years	**116,226**	130,401
In more than two years but not more than five years	**116,664**	72,449
In more than five years	**1,184**	22,835
	402,305	462,716
Less: Amount due for settlement within 12 months shown under current liabilities	**(168,231)**	(237,031)
Amount due for settlement after 12 months shown under non-current liabilities	**234,074**	225,685

The weighted average incremental borrowing rates applied to lease liabilities range from 3.18% to 5.17% (2022: from 2.30% to 5.91%)

All lease obligations are denominated in the functional currencies of the relevant group entities.

29. AMOUNT(S) DUE TO RELATED COMPANIES/DIRECTORS/NON-CONTROLLING INTERESTS/ASSOCIATES/A JOINT VENTURE

The amounts due to related companies are unsecured, non-trade related, interest-free and repayable on demand, in which either Ms. Poon or Mr. Katsuaki Shigemitsu has controlling interests in these related companies.

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

30. BANK BORROWINGS

	2023 **RMB'000**	2022 RMB'000
Secured bank borrowings with carrying amounts repayable:		
Within one year or repayable on demand	**5,247**	5,243
In more than one year but not more than two years	**5,354**	5,350
In more than two years but not more than five years	**16,727**	16,713
In more than five years	**10,156**	13,111
	37,484	40,417
Less: Amounts due within one year shown under current liabilities	**(5,247)**	(5,243)
Amounts shown under non-current liabilities	**32,237**	35,174

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

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

Denominated in	**Interest rate**	**2023** **RMB'000**	2022 RMB'000
HK$	Prime rate of the counterparty bank minus 3.25% (2022: prime rate of the counterparty bank minus 3.25%)	**33,762**	36,425
HK$	Prime rate of the counterparty bank minus 2.80% (2022: prime rate of the counterparty bank minus 2.80%)	**3,722**	3,992
		37,484	40,417

30. BANK BORROWINGS *(Continued)*

Loan covenants

In respect of bank borrowings with carrying amounts of RMB33,762,000 as at 31 December 2023 (2022: RMB36,425,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

- The loan-to-value ratio (i.e. the aggregate outstanding of the banking facilities over the market value of the mortgaged properties as determined by the Bank from time to time) shall not exceed 65%. Otherwise, the Company is required to provide additional security acceptable to the Bank and/or repay part of the facilities to reduce the outstanding so as to maintain the loan-to-value ratio at 50% or below within the time limit.

In respect of bank borrowings with carrying amounts of RMB3,722,000 as at 31 December 2023 (2022: RMB3,992,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

- The loan-to-value ratio (i.e. the ratio of aggregate outstanding amount of Property Instalment Loan facility to the current market value (in the opinion of the Bank's approved valuer) of the Property) shall not exceed 50%. Otherwise, the Company shall provide additional security acceptable to the Bank or pay down the outstanding balance of the Property Instalment Loan facility within one month upon receipt the notice from the Bank to restore the loan-to-value ratio at 40% or below in any event if the loan-to-value ratio exceeds 50%.

The Group has complied with these covenants throughout the reporting period.

The weighted average effective interest rate on the bank borrowings is analysed as follows:

	2023	2022
Denominated in HK$	**2.98%**	1.43%

Detail of the assets of the Group as at 31 December 2023 and 2022 that have been pledged as collateral to secure the general bank facilities of the Group are set out in note 37.

31. SHARE CAPITAL

	Number of shares	Share capital
		RMB'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2022, 31 December 2022 and 31 December 2023	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,091,538,820	108,404

32. SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant option to the eligible participants in recognition of their contribution made or to be made to the Group. Under the Share Option Scheme, the board of directors of the Company (the "Board") may offer to grant an option to any director or employee, or any advisor, consultant, individual or entity who in the opinion of the Board has contributed or will contribute to the growth and development of the Group.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the shares in issue at the date of approval of the Share Option Scheme, i.e. a total of 109,153,882 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 quotation sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

32. SHARE OPTION SCHEMES *(Continued)*

Details of specific categories of options are as follows:

Grant Date	Vesting Period	Expected Life	Exercise Price
Employees			
26 August 2011	26 August 2012 to 25 August 2017	26 August 2012 to 25 August 2021	HK$5.530
15 October 2012	15 October 2012 to 25 August 2017	15 October 2012 to 25 August 2021	HK$5.530
2 July 2013	2 July 2014 to 1 July 2023	2 July 2014 to 1 July 2023	HK$6.310
27 August 2013	27 August 2014 to 26 August 2019	27 August 2014 to 26 August 2023	HK$8.740
25 September 2014	25 September 2015 to 24 September 2020	25 September 2014 to 24 September 2024	HK$6.450
8 January 2015	8 January 2016 to 7 January 2021	8 January 2015 to 7 January 2025	HK$5.900
17 April 2015	17 April 2016 to 16 April 2024	17 April 2015 to 16 April 2025	HK$5.060
2 July 2015	2 July 2016 to 1 July 2021	2 July 2015 to 1 July 2025	HK$4.104
19 July 2017	19 July 2018 to 18 July 2023	19 July 2017 to 18 July 2027	HK$3.504
1 June 2018	1 June 2019 to 31 May 2024	1 June 2018 to 31 May 2028	HK$3.256
14 January 2019	14 January 2020 to 13 January 2025	14 January 2019 to 13 January 2029	HK$2.214
3 June 2019	3 June 2020 to 2 June 2025	3 June 2019 to 2 June 2029	HK$3.322
27 August 2020	27 August 2021 to 26 August 2026	27 August 2020 to 26 August 2030	HK$1.250
8 April 2021	8 April 2022 to 7 April 2027	8 April 2021 to 7 April 2031	HK$1.300
1 November 2021	1 November 2022 to 31 October 2027	1 November 2021 to 31 October 2031	HK$1.344
Directors			
15 October 2012	15 October 2012 to 14 October 2017	15 October 2012 to 14 October 2022	HK$5.530

32. SHARE OPTION SCHEMES *(Continued)*

The following table disclosed movements of the Company's share options under the Share Option Scheme during the years ended 31 December 2023 and 2022.

For the year ended 31 December 2023

Grant date	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2023
Employees						
27 August 2013	530,000	–	–	(530,000)	–	–
8 January 2015	150,000	–	–	–	–	150,000
17 April 2015	1,400,000	–	–	–	(500,000)	900,000
2 July 2015	1,520,000	–	–	–	(100,000)	1,420,000
19 July 2017	500,000	–	–	–	–	500,000
1 June 2018	1,900,000	–	–	–	(300,000)	1,600,000
14 January 2019	55,000	–	–	–	–	55,000
3 June 2019	200,000	–	–	–	–	200,000
27 August 2020	700,000	–	–	–	–	700,000
8 April 2021	500,000	–	–	–	–	500,000
1 November 2021	27,350,000	–	–	–	(1,834,000)	25,516,000
	34,805,000	–	–	(530,000)	(2,734,000)	31,541,000
Exercisable at the end of the year	11,448,000					15,600,400
Weighted average exercise price (HK$)	1.89	–	–	8.74	2.33	1.74

32. SHARE OPTION SCHEMES *(Continued)*

For the year ended 31 December 2022

Grant date	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2022
Employees						
15 October 2012	400,000	–	–	(400,000)	–	–
27 August 2013	530,000	–	–	–	–	530,000
25 September 2014	100,000	–	–	–	(100,000)	–
8 January 2015	150,000	–	–	–	–	150,000
17 April 2015	1,400,000	–	–	–	–	1,400,000
2 July 2015	1,700,000	–	–	–	(180,000)	1,520,000
19 July 2017	500,000	–	–	–	–	500,000
1 June 2018	1,900,000	–	–	–	–	1,900,000
14 January 2019	55,000	–	–	–	–	55,000
3 June 2019	200,000	–	–	–	–	200,000
27 August 2020	700,000	–	–	–	–	700,000
8 April 2021	500,000	–	–	–	–	500,000
1 November 2021	29,790,000	–	–	–	(2,440,000)	27,350,000
	37,925,000	–	–	(400,000)	(2,720,000)	34,805,000
Directors						
15 October 2012	400,000	–	–	(400,000)	–	–
	38,325,000	–	–	(400,000)	(2,720,000)	34,805,000
Exercisable at the end of the year	6,112,000					11,448,000
Weighted average exercise price (HK$)	1.96	–	–	5.53	1.71	1.89

The Group recognised the total expense of RMB1,729,000 (2022: RMB2,992,000) for the year ended 31 December 2023 in relation to share options granted by the Company under the Share Option Scheme. The Group transferred the expense of RMB3,259,000 (2022; RMB2,389,000) which was previously recognised to retained profits because the share options were forfeited after the vesting date.

33. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current asset		
Interests in a subsidiary	**60,506**	60,506
	60,506	60,506
Current asset		
Bank balances and cash	**706**	4,290
	706	4,290
Current liabilities		
Amounts due to subsidiaries	**106,517**	41,557
Other payables	**2,919**	2,842
	109,436	44,399
Net current liabilities	**(108,730)**	(40,109)
Total assets less current liabilities	**(48,224)**	20,397
Capital and reserves		
Share capital	**108,404**	108,404
Reserves	**(156,628)**	(88,007)
Total equity	**(48,224)**	20,397

33. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in Company's reserves

	Share premium RMB'000 *(note i)*	Share-based payment reserve RMB'000	Special reserve RMB'000 *(note ii)*	Accumulated losses RMB'000 *(note i)*	Total RMB'000
As at 1 January 2022	1,702,727	8,341	(320,594)	(1,385,515)	4,959
Total comprehensive expense for the year	–	–	–	(4,478)	(4,478)
Dividends recognised as distribution *(note 13)*	(91,480)	–	–	–	(91,480)
Recognition of share-based payment	–	2,992	–	–	2,992
Transfer on forfeiture and expiry of share options	–	(2,389)	–	2,389	–
As at 31 December 2022	1,611,247	8,944	(320,594)	(1,387,604)	(88,007)
Total comprehensive expense for the year	–	–	–	(4,858)	(4,858)
Dividends recognised as distribution *(note 13)*	(65,492)	–	–	–	(65,492)
Recognition of share-based payment	–	1,729	–	–	1,729
Transfer on forfeiture and expiry of share options	–	(3,259)	–	3,259	–
As at 31 December 2023	1,545,755	7,414	(320,594)	(1,389,203)	(156,628)

Notes:

(i) As at 31 December 2023, the distributable reserve of the Company amounted to RMB156,552,000 (2022: RMB223,643,000) represents the aggregate balance of share premium and accumulated losses.

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

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost	**1,764,008**	1,607,970
Financial assets at FVTPL	**150,898**	125,444
	1,914,906	1,733,414
Financial liabilities		
Financial liabilities at amortised cost	**267,666**	264,959
Financial liabilities at FVTPL	**2,127**	7,074
	269,793	272,033
Lease liabilities	**402,305**	462,716
	672,098	734,749

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, rental deposits, loan to an associate, trade and other receivables, bank balances and cash, restricted bank deposits, trade and other payables, lease liabilities, amount(s) due to related companies/directors/non-controlling interests/associates/a joint venture, bank borrowings and financial liabilities at FVTPL. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. 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.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk

The Group's exposure to foreign currency risk is arising mainly from the bank balances of the Group which are denominated in foreign currencies of the relevant group entities. Except for the bank balances denominated in foreign currencies of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period.

The carrying amounts of the Group's bank balances and cash that are denominated in other than the Mainland China's entities' functional currency, i.e. US$, as at 31 December 2023 and 2022 are RMB52,000 and RMB85,000, respectively. The directors of the Company consider that exposure of the Group's Hong Kong operating subsidiaries to US$ is insignificant as that HK$ is pegged to US$.

The Group currently does not have a foreign exchange hedging policy, However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in US$ 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 (2022: a decrease in post-tax loss) and a negative number below indicates an increase of post-tax profit for the year (2022: an increase of post-tax loss) where US$ fluctuate 5% against RMB.

	2023 **RMB'000**	2022 RMB'000
US$ impact		
– US$ strengthens against RMB by 5%	**2**	3
– US$ weakens against RMB by 5%	**(2)**	(3)

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.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

As at 31 December 2023, the Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate deposits and bank balances (see note 26 for details) and variable-rate bank borrowings (see note 30 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on deposits and bank balances, Hong Kong dollar prime rate arising from the Group's Hong Kong dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 15 basis point (2022: 15 basis point) increase or decrease in variable-rate bank balances and 50 basis point (2022: 50 basis point) increase or decrease in variable-rate bank borrowings are used and represent management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 15 basis points (2022: 15 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 (2022: post-tax loss) would increase/decrease by RMB1,995,000 (2022: increase/decrease by RMB1,803,000).

If interest rates on variable-rate bank borrowings had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 (2022: post-tax loss) would decrease/increase by RMB156,000 (2022: decrease/increase by RMB169,000).

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

As at 31 December 2023, 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.

Trade receivables

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables. To measure the ECL of trade receivables, they are assessed individually for debtors with significant balances and/or collectively for other debtors using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate and loss allowance of RMB1,199,000 (2022: loss allowance of RMB448,000) was recognised.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Loan to an associate, other receivables (except lease receivables) and rental deposits

For loan to an associate, other receivables (except lease receivables) and rental deposits, the directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for loan to an associate, other receivables (except lease receivables) and rental deposits and no loss allowance of was recognised.

Lease receivables

For lease receivables, the management makes periodic assessment on the recoverability of lease receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the years ended 31 December 2023 and 2022, the directors of the Company believe that there is no evidence indicating certain lease receivable is credit-impaired and loss allowance of RMB253,000 and RMB52,000 was recognised respectively.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets and other item, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	**2023 gross carrying amount RMB'000**	2022 gross carrying amount RMB'000
Financial assets at amortised cost					
Bank balances and cash	26	N/A	12m ECL	**1,607,635**	1,465,111
Restricted bank deposits	26	N/A	12m ECL	**15,136**	2,300
				1,622,771	1,467,411
Loan to an associate	21	Low risk	12m ECL	**1,353**	1,335
Trade receivables	25	Low risk	Lifetime ECL (not credit-impaired)	**30,816**	17,746
		Watch list	Lifetime ECL (not credit-impaired)	**1,522**	947
		Loss	Lifetime ECL (credit-impaired)	**651**	452
				32,989	19,145
Other receivables and rental deposits	25	Low risk	12m ECL	**135,374**	147,834
Other item					
Lease receivables	25	Low risk	Lifetime ECL (not credit-impaired)	**8,912**	4,268
		Loss	Lifetime ECL (credit-impaired)	**9,464**	9,140
				18,376	13,408

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2022	232	–	232
Impairment losses reversed	(232)	–	(232)
Impairment losses recognised	228	452	680
As at 31 December 2022	228	452	680
Impairment losses reversed	(225)	(149)	(374)
Impairment losses recognised	1,225	348	1,573
As at 31 December 2023	1,228	651	1,879

The following table shows reconciliation of loss allowance that has been recognised for other receivables and rental deposits using the general approach under HKFRS 9:

	12m ECL RMB'000
As at 1 January 2023 and 31 December 2023	160

The following table shows reconciliation of loss allowance that has been recognised for lease receivables using the simplified approach under HKFRS 9:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2022	163	9,140	9,303
Impairment losses recognised	52	–	52
As at 31 December 2022	215	9,140	9,355
Impairment losses recognised	253	–	253
As at 31 December 2023	468	9,140	9,608

34. FINANCIAL INSTRUMENTS *(Continued)*

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

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 tables include both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2023							
Financial liabilities							
Trade and other payables	NA	211,619	–	–	–	211,619	211,619
Amounts due to related companies	NA	1,819	–	–	–	1,819	1,819
Amounts due to directors	NA	604	–	–	–	604	604
Amounts due to non-controlling interests	NA	13,543	–	–	–	13,543	13,543
Amounts due to associates	NA	2,247	–	–	–	2,247	2,247
Amount due to a joint venture	NA	350	–	–	–	350	350
Lease liabilities	5.00%	95,788	86,094	238,089	1,349	421,320	402,305
Bank borrowings-variable interest rate	2.98%	3,000	3,052	26,395	11,846	44,293	37,484
		328,970	89,146	264,484	13,195	695,795	669,971

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management (Continued)

	Weighted average effective interest rate	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2022							
Financial liabilities							
Trade and other payables	NA	202,307	–	–	–	202,307	202,307
Amounts due to related companies	NA	5,644	–	–	–	5,644	5,644
Amounts due to directors	NA	549	–	–	–	549	549
Amounts due to non-controlling interests	NA	13,538	–	–	–	13,538	13,538
Amounts due to associates	NA	2,215	–	–	–	2,215	2,215
Amount due to a joint venture	NA	289	–	–	–	289	289
Lease liabilities	5.30%	147,711	101,972	213,408	23,604	486,695	462,716
Bank borrowings-variable interest rate	1.43%	2,612	2,723	22,112	17,324	44,771	40,417
		374,865	104,695	235,520	40,928	756,008	727,675

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurements of financial instruments*

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the management of the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the management of the Group engages an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs for the valuation model. The management reports the valuation findings to the Board regularly to explain the cause of fluctuations in the fair value.

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

The following tables give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique (s) and inputs used).

Fair value hierarchy as at 31 December 2023

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
Unlisted equity investments	–	45,553	45,553
Fund investments	80,314	–	80,314
Wealth management product	25,031	–	25,031
	105,345	45,553	150,898
Financial liabilities			
Financial liabilities at FVTPL	–	2,127	2,127

34. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Fair value hierarchy as at 31 December 2022

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
Unlisted equity investments	–	91,472	91,472
Fund investments	33,972	–	33,972
	33,972	91,472	125,444
Financial liabilities			
Financial liabilities at FVTPL	–	7,074	7,074

34. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Financial assets/ liabilities	Fair value as at 31/12/2023	Fair value as at 31/12/2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets at FVTPL – unlisted equity investments	**41,195,000**	88,059,000	Level 3	Market approach The key inputs include equity value of investees, risk free rate, volatility, expected option life and probability of conversion, redemption and liquidation.	Equity value. Expected option life. Probability of conversion, redemption and liquidation.
Financial assets at FVTPL – unlisted equity investments	**4,358,000**	3,413,000	Level 3	Income approach – in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee based on an appropriate discount rate	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries *(note i)*. Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model *(note ii)*.
Financial assets at FVTPL – fund investments	**80,314,000**	33,972,000	Level 2	Discounted cash flow future cash flows are estimated based on expected return.	N/A
Financial assets at FVTPL – wealth management product	**25,031,000**	–	Level 2	Discounted cash flow future cash flows are estimated based on expected return.	N/A
Financial liabilities at FVTPL	**2,127,000**	7,074,000	Level 3	Based on the net asset values/fair value of the underlying investments, which are determined by market approach and adjustments of related expenses.	The significant unobservable inputs are the same as the underlying investments, which are determined by market approach.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

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

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

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

There were no transfers between Level 1 and 2 during the years ended 31 December 2023 and 2022.

(ii) *Reconciliation of Level 3 fair value measurements*

	Financial assets at FVTPL RMB'000	**Financial liabilities at FVTPL** RMB'000	**Total** RMB'000
As at 1 January 2022	159,737	(36,020)	123,717
Purchase	10,000	–	10,000
(Loss) gain on fair value change	(78,265)	28,946	(49,319)
As at 31 December 2022	91,472	(7,074)	84,398
Transfer into Level 3	25,000	–	25,000
Transfer out of Level 3	(50,947)	–	(50,947)
Gain on fair value change	23,549	4,947	28,496
Disposal	(43,521)	–	(43,521)
As at 31 December 2023	45,553	(2,127)	43,426

Of the total gains or losses for the period included in profit or loss, gain of RMB23,549,000 (2022: loss of RMB78,265,000) and gain of RMB4,947,000 (2022: gain of RMB28,946,000) relates to financial assets and liabilities at FVTPL held at the end of the current reporting period. Fair value gains or loss on financial assets at FVTPL are included in 'other gains and losses'.

(iii) *Fair value of the Group's 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 financial liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2023 and 2022 approximate their fair values.

35. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (bank borrowings and lease liabilities as detailed in notes 30 and 28), net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements.

The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank borrowings.

36. CAPITAL COMMITMENTS

	2023	2022
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**6,644**	13,731

37. PLEDGE OF ASSETS

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2023	2022
	RMB'000	RMB'000
Right-of-use assets	**6,039**	6,180
Investment properties	**401,228**	379,636
Property, plant and equipment	**5,115**	5,216
	412,382	391,032

38. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group's properties with carrying amounts of RMB1,007,255,000 (2022: RMB999,262,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 4.0% (2022: 3.3%) on an ongoing basis.

Undiscounted lease payments receivable on leases are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**48,374**	43,967
In the second year	**39,773**	38,906
In the third year	**31,713**	33,752
In the fourth year	**30,446**	29,741
In the fifth year	**29,246**	28,496
After five years	**343,659**	369,759
	523,211	544,621

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Amounts due to related companies RMB'000	**Amounts due to directors RMB'000**	**Amounts due to non-controlling interests RMB'000**	**Amounts due to associates RMB'000**	**Amount due to a joint venture RMB'000**	**Dividend payable RMB'000**	**Interests payable RMB'000**	**Bank borrowings RMB'000**	**Lease liabilities RMB'000**	**Total RMB'000**
As at 1 January 2023	**5,644**	**549**	**13,538**	**2,215**	**289**	**–**	**49**	**40,417**	**462,716**	**525,417**
Financing cash flows	**(3,857)**	**48**	**–**	**–**	**61**	**(65,493)**	**(19,176)**	**(3,499)**	**(237,128)**	**(329,044)**
Exchange alignment	**32**	**7**	**5**	**32**	**–**	**–**	**–**	**566**	**366**	**1,008**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**65,493**	**–**	**–**	**–**	**65,493**
New lease entered	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**188,744**	**188,744**
Disposal of right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,393)**	**(12,393)**
Interest expenses	**–**	**–**	**–**	**–**	**–**	**–**	**19,178**	**–**	**–**	**19,178**
As at 31 December 2023	**1,819**	**604**	**13,543**	**2,247**	**350**	**–**	**51**	**37,484**	**402,305**	**458,403**

	Amounts due to related companies RMB'000	Amounts due to directors RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to associates RMB'000	Amount due to a joint venture RMB'000	Dividend payable RMB'000	Interests payable RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	4,047	462	13,509	2,027	480	–	48	77,003	604,369	701,945
Financing cash flows	1,232	(16)	–	–	(191)	(91,480)	(26,016)	(42,220)	(189,126)	(347,817)
Exchange alignment	365	103	29	188	–	–	–	5,634	14,176	20,495
Dividends declared	–	–	–	–	–	91,480	–	–	–	91,480
New lease entered	–	–	–	–	–	–	–	–	112,349	112,349
Disposal of right-of-use assets	–	–	–	–	–	–	–	–	(37,629)	(37,629)
Covid-19-related rent concessions	–	–	–	–	–	–	–	–	(41,423)	(41,423)
Interest expenses	–	–	–	–	–	–	26,017	–	–	26,017
As at 31 December 2022	5,644	549	13,538	2,215	289	–	49	40,417	462,716	525,417

40. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme 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 RMB1,333 (HK$1,500) per month or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the Mainland China subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Mainland China 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.

No vesting policy exists for the MPF scheme and the state-merged retirement benefits scheme.

The total cost charged to profit or loss for the year is RMB45,675,000 (2022: RMB52,230,000) and as at 31 December 2023, amounts due to the MPF Scheme and state-managed retirement plans included in trade and other payables is RMB706,000 (2022: RMB715,000).

41. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions with related parties:

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

Relationship with related parties	Nature of transaction	2023 RMB'000	2022 RMB'000
Shigemitsu Industry Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Sales of noodles and related products	**838**	1,091
	Purchases of food products, materials and supplies	**(29,308)**	(20,151)
	Franchise fee paid/payable		
	– for restaurants operating in Hong Kong	**(277)**	(290)
	– for restaurants operating in Mainland China	**(22,074)**	(23,765)
	Technical fee paid/payable	**(428)**	(568)
	Rental income	**1,964**	1,812
	Waive of franchise commission	**(12,049)**	(6,144)
Ajisen Overseas Franchising Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Royalty fee paid/payable	**(84)**	(17)
Ms. Poon	Lease liabilities *(note)*	**(16,730)**	(24,342)
	Interest expense on lease liabilities	**(792)**	(292)
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Fees for decoration and renovation services	**(88)**	(856)
Japan Foods Holding Ltd., non-controlling interests of a subsidiary	Franchise commissions paid/payable	**(438)**	(470)
Hubei Jupeng Kitchen Equipment Co., Ltd., an associate of the Company	Purchase of property, plant and equipment	**(7,829)**	(3,275)
Yunnex, an associate of the Company	Purchase of services	**–**	(11,116)

Note: During the year ended 31 December 2023, the Group entered into two tenancy agreements for the use of office premises with Ms. Poon for an initial term of 3 years. The Group has recognised an addition of right-of-use assets and lease liabilities of RMB22,422,000 and RMB22,422,000 (2022: RMB19,640,000 and RMB19,640,000), respectively, for the year ended 31 December 2023.

41. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**5,856**	5,364
Retirement benefits scheme contributions	**484**	249
Share-based payment	**155**	253
	6,495	5,866

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.

42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2023 and 31 December 2022 are as follows:

Name of subsidiaries	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
			2023	2022	
Ajisen International *(note i)*	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., Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Nice Concept Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK$10,000	70%	70%	Operating an Ajisen chain restaurant

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	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 2023	2022	Principal activities
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	70%	70%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Ajisen International Limited	Hong Kong	US$1,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Colour Rise Limited	Hong Kong	HK$10,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Miyamoto Holdings Ltd	Hong Kong	HK$10,000	100%	100%	Investment holding
Golden Bird Group Ltd	British Virgin Islands	US$50,000	70%	70%	Investment holding
Miyamoto Int'l Ltd	British Virgin Islands	US$50,000	55%	55%	Investment holding
Leadwind Enterprise Holding Ltd	Hong Kong	HK$282,471,485	100%	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	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 2023	2022	Principal activities
Big Benefit Group Limited	British Virgin Islands	US$50,000	100%	100%	Investment holding
So Pho International Limited	British Virgin Islands	US$100	70%	70%	Investment holding
Fully Brave Limited	Hong Kong	HK$10,000	70%	70%	Investment holding
領先食品(上海)發展有限公司 Lead Food (Shanghai) Development Co. Ltd.	Mainland China wholly foreign owned enterprise	US$1,200,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
上海領先餐飲管理有限公司 Shanghai Lead Food & Restaurant Management Co. Ltd.	Mainland China wholly foreign owned enterprise	US$20,000,000	100%	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, Mainland China
南京味千餐飲管理有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	RMB30,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing, Mainland China
杭州味千餐飲管理有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	RMB20,000,000	100%	100%	Operating Ajisen chain restaurants in Hangzhou, Mainland China
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd.	Mainland China limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Shandong, Mainland China
北京味千餐飲管理有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	US$2,200,000	55%	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, Mainland China
重慶味千餐飲文化有限公司 Chongqing Weiqian Food & Culture Co., Ltd.	Mainland China limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, Mainland China

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	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
			2023	2022	
味千拉麵飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	Mainland China limited liability enterprise	US$10,000,000	**100%**	100%	Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, Mainland China
領鮮食品(上海)有限公司 Lingxian Food (Shanghai) Co., Ltd.	Mainland China limited liability enterprise	US$15,000,000	**100%**	100%	Operating a noodle factory in Shanghai, Mainland China
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd.	Mainland China wholly foreign owned enterprise	HK$18,800,000	**100%**	100%	Operating a noodle factory in Shenzhen, Mainland China
領馳食品發展(上海)有限公司 Lingchi Food Development (Shanghai) Co., Ltd.	Mainland China wholly foreign owned enterprise	US$20,000,000	**100%**	100%	Operating a noodle factory in Shanghai, Mainland China
東莞領馳食品有限公司 Donguan Lingchi Food., Ltd.	Mainland China wholly foreign owned enterprise	US$20,000,000	**100%**	100%	Operating a noodle factory in Dongguan, Mainland China
上海領食餐飲管理有限公司 Shanghai Lingshi Food & Restaurant Management Co., Ltd.	Mainland China wholly foreign owned enterprise	US$1,000,000	**70%**	70%	Operating So Pho chain restaurants in Shanghai, Mainland China
Shanghai JingJing Investment Center (Limited Partnership)	Mainland China limited partnership	RMB115,010,000	**52%**	52%	Investment holding
Jiahua Mingde (Tianjin) Enterprise Management and Consulting partnership (Limited Partnership)	Mainland China limited partnership	RMB70,010,000	**71.4%**	71.4%	Investment holding

Note:

(i) This company was directly held by the Company.

42. PRINCIPAL SUBSIDIARIES *(Continued)*

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.

43. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

Name/Location		Type	Carrying values in existing state at 31 December 2023 RMB'000	Lease term
1.	Workshops 1 to 24 on 10/F and Car Parking Space No. 52 on Level 3, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	96,060	Medium-term lease
2.	Storage B on Base Floor, Storages/Workshops B on G/F and 1/F, Workshops B on 1/F, 3/F 5/F and Roof B, Storage B on B/F Ajisen Group Tower, Nos. 24-26 Sze Shan Street, Yau Tong, Kowloon, Hong Kong	C	214,214	Medium-term lease
3.	Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong	C	13,231	Medium-term lease
4.	9/F, Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong	C	73,313	Medium-term lease
5.	Flat 3 on 18/F, Block G, Phase 1 Amoy Gardens, Kowloon	C	4,410	Medium-term lease
6.	Unit 3101, 31/F, Golden Bell Plaza, No. 98 Huaihai Zhong Road, Luwan District, Shanghai, the PRC	C	38,800	Medium-term lease
7.	Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 1 Tongyan Road, Gaoxin District, Xi'an City Shaanxi Province, the PRC	C	5,200	Medium-term lease

Name/Location	Type	Carrying values in existing state at 31 December 2023 RMB'000	Lease term
8. Units 903 to 908, Block A, Xinian Centre, Tairanjiu Road, Shennan Da Road South, Futian District, Shenzhen City, Guangdong Province, the PRC	C	7,500	Medium-term lease
9. Units 2110 to 2116, 2118, 2121, 2214 and Two Underground Car Parking spaces, No. 1399 Haining Road, Zhabei District, Shanghai City, the PRC	C	8,380	Medium-term lease
10. An Industry Property located at 398 Yongan Road, Ande Town Industrial Zone, Pi County, Chengdu City, Sichuan Province, The PRC	C	4,251	Medium-term lease
11. No. 2, Block D, No. 951 Xinfei Road, Songjiang District, Shanghai City, The PRC	C	17,600	Medium-term lease
12. Units B-613, 614, A-1216 and A-1217, Tai'an Court, Tairan Nineth Road, Futian District, Shenzhen City, Guangdong Province, The PRC	C	13,800	Medium-term lease
13. Unit 4206-4207, No. 67 Zhujiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC	C	5,396	Medium-term lease

Name/Location		Type	Carrying values in existing state at 31 December 2023 RMB'000	Lease term
14.	Unit B of Block 11, No. 951 Xinfei Road Songjiang District, Shanghai City, The PRC	C	18,500	Medium-term lease
15.	Shop 2, Level 2, Block A and Shop 4 Level 2, Block C, Hua Ye Commercial and Residential Estate, No. 65 Meijiang 2nd Road, Jiangnan District, Meizhou City, Guangdong Province, the PRC,	C	10,700	Medium-term lease
16.	Various Protions of level 1 to 3 Block 1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	5,700	Medium-term lease
17.	Site No.1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	12,800	Medium-term lease
18.	115, podium of Dingcheng Building, Zhonghangyuan, Zhenhua Road, Futian District, Shenzhen City, Guangdong Province, the PRC	C	24,000	Medium-term lease
19.	Unit 2-1, 2-2, 2-3 and 2-5, Block 5, No. 88 Wuxing Street, Liouzhou City, Zhuang Autonomous Region, Guangxi Province, the PRC	C	10,600	Medium-term lease
20.	A parcel of land Songkai IV-110-2 with buildings and structures erected thereon, No.961 Xinfei Road, Songjiang District Industrial Zone, Songjiang District, Shanghai, The PRC	C	422,800	Medium-term lease

Type of properties: C- commercial

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

Financial Summary

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	2,565,102	1,820,588	1,996,209	1,429,792	**1,815,406**
Profit (loss) before taxation	231,257	(97,999)	52,440	(176,765)	**247,875**
Income tax (expense) credit	(62,947)	19,110	(34,479)	20,397	**(55,348)**
Profit (loss) for the year	168,310	(78,889)	17,961	(156,368)	**192,527**
Attributable to:					
– owners of the Company	156,441	(77,868)	20,940	(143,906)	**181,188**
– non-controlling interests	11,869	(1,021)	(2,979)	(12,462)	**11,339**
	168,310	(78,889)	17,961	(156,368)	**192,527**
ASSET AND LIABILITIES					
Total assets	4,927,276	4,610,394	4,301,217	3,868,584	**3,961,511**
Total liabilities	(1,518,837)	(1,381,540)	(1,187,068)	(947,272)	**(903,585)**
Net assets	3,408,439	3,228,854	3,114,149	2,921,312	**3,057,926**

JAPAN CHINA
USA MALAYSIA
AUSTRALIA CANADA
SINGAPORE FINLAND
THAILAND ITALY
PHILIPPINES NEW ZEALAND

“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。