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AJISEN RAMEN

**味千拉麵**

**Ajisen (China) Holdings Limited**

**味千(中國)控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 538)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2018 ANNUAL RESULTS HIGHLIGHTS**

	For the year ended 31 December		
	2018	2017	Increase/ (Decrease)
	(RMB'000)	(RMB'000)	%
Turnover	2,377,745	2,332,283	1.9
Sales from restaurants operation	2,218,124	2,211,658	0.3
Gross profit	1,793,025	1,754,527	2.2
Profit from operation	231,772	301,538	(23.1)
Profit/(loss) before taxation	673,865	(533,862)	226.2
Profit/(loss) attributable to owners of the Company	551,020	(486,650)	213.2
Basic (Loss) earnings per share (RMB)	0.50	(0.45)	211.1
Total dividend per share (RMB)	0.12	0.06	
	(HK14.8 cents)	(HK7.5 cents)	
Total number of restaurants (at 31 December)	766	704	8.8%

## ANNUAL RESULTS

The board of directors (the “Board”) of Ajisen (China) Holdings Limited (the “Company” or “Ajisen”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018 together with the comparative figures for the year 2017 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

	<i>NOTES</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	5	<b>2,377,745</b>	2,332,283
Cost of inventories consumed		<b>(584,720)</b>	(577,756)
Staff costs		<b>(608,433)</b>	(590,245)
Depreciation and amortisation		<b>(156,093)</b>	(151,342)
Property rentals and related expenses		<b>(404,066)</b>	(382,927)
Other operating expenses		<b>(392,661)</b>	(328,475)
Profit from operation		<b>231,772</b>	301,538
Other income	6	<b>96,794</b>	88,575
Other gains and losses	7	<b>349,320</b>	(914,322)
Share of profit (loss) of associates		<b>3,395</b>	(4,107)
Share of loss of a joint venture		<b>(912)</b>	–
Finance costs		<b>(6,504)</b>	(5,546)
Profit (loss) before taxation	8	<b>673,865</b>	(533,862)
Taxation	9	<b>(108,525)</b>	(50,793)
Profit (loss) for the year		<b>565,340</b>	(584,655)
<b>Other comprehensive income (expense), net of income tax</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of property, plant and equipment and prepaid lease payment on transfer to investment properties		<b>71,914</b>	1,562
Deferred tax liability on recognition of revaluation of property, plant and equipment on transfer to investment properties		<b>(18,065)</b>	(742)
		<b>53,849</b>	820

	<i>NOTE</i>	<b>2018</b> <b>RMB'000</b>	2017 <b>RMB'000</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Reclassification of cumulative gain on fair value change previously recognised in other comprehensive income to profit or loss on an available-for-sale investment		–	(1,626)
Exchange differences arising on translation of foreign operation		<u>(1,869)</u>	<u>(32,688)</u>
		<u>(1,869)</u>	<u>(34,314)</u>
Other comprehensive income (expense) for the year, net of income tax		<u>51,980</u>	<u>(33,494)</u>
Total comprehensive income (expense) for the year		<u><b>617,320</b></u>	<u><b>(618,149)</b></u>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>551,020</b>	(486,650)
Non-controlling interests		<u>14,320</u>	<u>(98,005)</u>
		<u><b>565,340</b></u>	<u><b>(584,655)</b></u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>585,074</b>	(506,595)
Non-controlling interests		<u>32,246</u>	<u>(111,554)</u>
		<u><b>617,320</b></u>	<u><b>(618,149)</b></u>
		<b>2018</b> <b>RMB</b>	2017 <b>RMB</b>
Earnings (loss) per share	<i>11</i>		
– Basic		<u><b>0.50</b></u>	<u>(0.45)</u>
– Diluted		<u><b>0.50</b></u>	<u>(0.45)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Investment properties		679,874	492,042
Property, plant and equipment		882,455	874,763
Prepaid lease payments		55,988	64,999
Intangible assets		5,608	5,350
Interests in associates	12	149,349	145,894
Interest in a joint venture		11,946	5,143
Rental deposits		83,070	81,802
Goodwill		7,129	6,801
Deferred tax assets		1,695	1,484
Available-for-sale investments		–	6,906
Financial assets at fair value through profit or loss (“FVTPL”)	13	310,362	–
Financial assets designated as at FVTPL		–	245,487
Long term receivables		86,077	–
		<u>2,273,553</u>	<u>1,930,671</u>
Current assets			
Inventories		79,260	70,397
Trade and other receivables	14	425,075	135,524
Amount due from a related party		12	12
Taxation recoverable		3,260	2,335
Pledged bank deposits		380	380
Bank balances and cash		1,356,407	1,534,103
		<u>1,864,394</u>	<u>1,742,751</u>
Current liabilities			
Trade and other payables	15	246,551	224,898
Contract liabilities		12,824	–
Amounts due to related companies		4,428	5,071
Amounts due to directors		906	441
Amount due to a shareholder		30,274	27,756
Amounts due to non-controlling interests		13,532	13,516
Amount due to associates		12,116	12,063
Dividend payable		26	24
Taxation payable		51,416	50,162
Bank borrowings		169,598	269,532
		<u>541,671</u>	<u>603,463</u>

	<i>NOTE</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Net current assets		<u>1,322,723</u>	<u>1,139,288</u>
Total assets less current liabilities		<u>3,596,276</u>	<u>3,069,959</u>
Non-current liabilities			
Bank borrowings		49,913	50,586
Deferred tax liabilities		107,872	73,424
Financial liabilities at FVTPL		<u>132,747</u>	<u>–</u>
		<u>290,532</u>	<u>124,010</u>
Net assets		<u><u>3,305,744</u></u>	<u><u>2,945,949</u></u>
Capital and reserves			
Share capital		108,404	108,404
Reserves		<u>3,122,086</u>	<u>2,623,575</u>
Equity attributable to owners of the Company		<u>3,230,490</u>	2,731,979
Non-controlling interests		<u>75,254</u>	<u>213,970</u>
Total equity		<u><u>3,305,744</u></u>	<u><u>2,945,949</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. GENERAL

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

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

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

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

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

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

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers and the related Amendments</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>

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

## 2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue and the relevant interpretations*.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue and the relevant interpretations*.

The Group recognises revenue from the following major sources:

- Operation of restaurants
- Manufacture and sales of noodles and related products

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in annual report.

### *Summary of effects arising from initial application of HKFRS 15*

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018* RMB'000
<b>Current liabilities</b>			
Trade and other payables	224,898	(11,114)	213,784
Contract liabilities	<u>–</u>	<u>11,114</u>	<u>11,114</u>

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

As at 1 January 2018, advances from customers of RMB11,114,000 in respect of contracts previously included in trade and other payables were reclassified to contract liabilities for RMB11,114,000.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

***Impact on the consolidated statement of financial position***

	<b>As reported</b> <i>RMB'000</i>	<b>Adjustments</b> <i>RMB'000</i>	<b>Amounts without application of HKFRS 15</b> <i>RMB'000</i>
Current liabilities			
Trade and other payables	246,551	12,824	259,375
Contract liabilities	<u>12,824</u>	<u>(12,824)</u>	<u>–</u>

***Impact on the consolidated statement of cash flow***

	<b>As reported</b> <i>RMB'000</i>	<b>Adjustments</b> <i>RMB'000</i>	<b>Amounts without application of HKFRS 15</b> <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>			
Increase (decrease) in trade and other payables	19,926	1,710	21,636
Increase in contract liabilities	1,710	(1,710)	–
Cash generated from operations	452,853	–	452,853
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>360,842</u>	<u>–</u>	<u>360,842</u>



## 2.2 *HKFRS 9 Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

### ***Summary of effects arising from initial application of HKFRS 9***

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available- for-sale investments RMB'000	Financial assets designated as at FVTPL RMB'000	Trade receivables RMB'000	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 RMB'000	Retained profits RMB'000
<b>Closing balances at 31 December 2017</b>					
– HKAS 39	6,906	245,487	37,246	–	898,276
<b>Effect arising from initial application of HKFRS 9:</b>					
<b>Reclassification</b>					
From available-for-sale investments (a)	(6,906)	–	–	6,906	–
From designated as at FVTPL (b)	–	(245,487)	–	245,487	–
<b>Remeasurement</b>					
Impairment under ECL model (c)	–	–	(2,956)	–	(2,956)
From cost less impairment to fair value (a)	–	–	–	(2,664)	(2,664)
<b>Opening balance at 1 January 2018</b>	<u>–</u>	<u>–</u>	<u>34,290</u>	<u>249,729</u>	<u>892,656</u>

**(a) Available-for-sale investments**

*From AFS investments to FVTPL*

At the date of initial application of HKFRS 9, the Group's equity investments of RMB6,906,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value losses of RMB2,664,000, relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained profits as at 1 January 2018.

**(b) Financial assets at FVTPL and/or designated at FVTPL**

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of RMB245,487,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(c) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits, bank balances and loan to an associate, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. In the opinion of the directors of the Company, the expected credit loss for other financial assets are insignificant as at 1 January 2018.

As at 1 January 2018, the additional credit loss allowance of RMB2,956,000 has been recognised against retained profits.

All loss allowances for financial assets including trade receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	<b>Trade receivables</b> <i>RMB'000</i>
At 31 December 2017 – HKAS 39	–
Amounts remeasured through opening retained profits	<u>2,956</u>
At 1 January 2018	<u><u>2,956</u></u>

### 2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be adjusted. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	<b>31 December</b>			<b>1 January</b>
	<b>2017</b>	<b>HKFRS 15</b>	<b>HKFRS 9</b>	<b>2018</b>
	(audited)			(restated)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>				
Available-for-sale investments	6,906	–	(6,906)	–
Financial assets designated as at FVTPL	245,487	–	(245,487)	–
Financial assets at FVTPL	–	–	249,729	249,729
<b>Current assets</b>				
Trade and other receivables	135,524	–	(2,956)	132,568
<b>Current liabilities</b>				
Trade and other payables	224,898	(11,114)	–	213,784
Contract liabilities	–	11,114	–	11,114
<b>Capital and reserves</b>				
Reserves	2,623,575	–	(5,620)	2,617,955

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### **Basis of consolidation**

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

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

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

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

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

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

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

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

#### ***Changes in the Group's ownership interests in existing subsidiaries***

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate.

## **Goodwill**

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

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

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

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

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

## **Investment in associates and joint ventures**

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

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

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

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

The 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 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/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as 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 would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.



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

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

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

### **Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)**

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

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

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

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

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

### **Leasing**

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

#### ***The Group as lessor***

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

## *The Group as lessee*

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

### *Leasehold land and building*

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

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

### **Foreign currencies**

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

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

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

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

## **Borrowing costs**

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

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

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

## **Government grants**

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

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

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

## **Retirement benefit costs and termination benefit**

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

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

## **Short-term employee benefits**

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

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

## **Share-based payment arrangements**

### ***Equity-settled share-based payment transactions***

#### ***Share options granted to employees***

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

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

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

## **Taxation**

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

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

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

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

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

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

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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

### **Property, plant and equipment**

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

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

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

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

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

### **Investment properties**

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

### **Intangible assets**

#### ***Intangible assets acquired in a business combination***

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

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

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



### ***Impairment on tangible and intangible assets other than goodwill***

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indicator that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

### **Inventories**

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

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 (upon application of HKFRS 9 in accordance with transitions in Note 2)*

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

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

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

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

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)*

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

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

### *Derecognition of financial assets*

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

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

### ***Financial liabilities and equity***

#### *Classification as debt or equity*

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

#### *Equity instruments*

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

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

#### *Financial liabilities*

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

#### *Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of HKFRS 9, 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, amount due to a shareholder, amounts due to non-controlling interests and amount due to associates are subsequently measured at amortised cost, using the effective interest method.

#### **4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS**

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

##### **Key source of estimation uncertainty**

###### ***Fair value measurements and valuation processes***

Some of the Group's assets are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation team to determine the appropriate valuation approaches and inputs for fair value measurements.

In estimating the fair value of the financial assets and liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The valuation team reports the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the related financial assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Annual report provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

###### ***Useful lives and residual value of property, plant and equipment***

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

At 31 December 2018, the carrying amount of property, plant and equipment amounted to approximately RMB882,455,000 (31 December 2017: RMB874,763,000).



### *Provision of ECL for trade receivables*

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in the annual report.

### **Critical judgements in applying accounting policies**

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

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

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

## **5. SEGMENT INFORMATION**

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

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Operation of restaurants
  - operation of restaurants in the PRC (excluding Hong Kong)
  - operation of restaurants in Hong Kong
- Manufacture and sales of noodles and related products
  - manufacture and sales of packaged noodles and related products in the PRC
- Investment holding
  - leasing of property interests and investment in financial instruments

Information regarding these segments is presented below.

### Segment revenue and results

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

*For the year ended 31 December 2018*

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

*For the year ended 31 December 2017*

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Segment total	Elimination	Total
	PRC (excluding Hong Kong)	Hong Kong	Total					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue								
– external sales	2,029,791	181,867	2,211,658	120,625	–	2,332,283	–	2,332,283
– inter-segment sales	–	–	–	744,436	–	744,436	(744,436)	–
	<u>2,029,791</u>	<u>181,867</u>	<u>2,211,658</u>	<u>865,061</u>	<u>–</u>	<u>3,076,719</u>	<u>(744,436)</u>	<u>2,332,283</u>
Segment profit (loss)	<u>347,095</u>	<u>7,182</u>	<u>354,277</u>	<u>45,168</u>	<u>(882,839)</u>	<u>(483,394)</u>	<u>–</u>	<u>(483,394)</u>
Interest income								13,226
Unallocated administrative expenses								(58,148)
Finance costs								<u>(5,546)</u>
Loss before taxation								(533,862)
Taxation								<u>(50,793)</u>
Loss for the year								<u><u>(584,655)</u></u>

\* *Included share results of associates and a joint venture of RMB2,483,000 in segment profit for the year ended 31 December 2018 (2017: loss of RMB4,107,000).*

**Other information**

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administrative costs and directors' salaries and finance costs. This is the measure reported to the chief operating decision maker, Ms. Poon, for the purposes of resource allocation and assessment of segment performance.

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

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

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

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
The PRC (excluding Hong Kong)	<b>1,358,413</b>	1,248,615
Hong Kong	<b>515,696</b>	426,929
	<b><u>1,874,109</u></b>	<u>1,675,544</u>

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC, during the years ended 31 December 2018 and 31 December 2017.

None of the customers accounted for 10% or more of the total revenue of the Group during each of the years ended 31 December 2018 and 2017.

## 6. OTHER INCOME

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Royalty income from sub-franchisee	<b>38,148</b>	25,821
Property rental income, net of direct outgoings	<b>26,433</b>	23,451
Bank interest income	<b>15,935</b>	13,226
Government grant ( <i>note</i> )	<b>6,311</b>	14,375
Compensation received from landlord for early termination of operating leases of restaurants	<b>682</b>	385
Others	<b>9,285</b>	11,317
	<b><u>96,794</u></b>	<u>88,575</u>

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

## 7. OTHER GAINS AND LOSSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Compensation in relation to a prior year investment	329,404	–
Fair value gain on investment properties	47,840	23,036
Gain (loss) on disposal of property, plant and equipment	12,385	(6,091)
Reclassification of cumulative gain on fair value change previously recognised in other comprehensive income to profit or loss on an available-for-sale investment	–	1,626
Fair value loss on financial assets designated as at FVTPL	–	(935,059)
Fair value gain on financial assets at FVTPL	11,536	–
Fair value loss on financial liabilities at FVTPL	(49,227)	–
Net foreign exchange (loss) gain	(2,618)	2,166
	<u>349,320</u>	<u>(914,322)</u>

## 8. PROFIT (LOSS) BEFORE TAXATION

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Cost of inventories consumed ( <i>note a</i> )	584,720	577,756
Directors' remuneration	3,327	3,366
Other staff's salaries, wages and other benefits	535,978	518,030
Other staff's retirement benefits scheme contributions	67,181	66,629
Other staff's share-based payment expenses	1,947	2,220
Total staff costs	<u>608,433</u>	<u>590,245</u>
Advertising and promotion expenses	<u>17,802</u>	<u>16,239</u>
Depreciation of property, plant and equipment	<u>154,565</u>	<u>149,376</u>
Auditor's remuneration		
Audit fee	2,500	2,500
Non-audit services	650	692
	<u>3,150</u>	<u>3,192</u>
Fuel and utility expenses	<u>117,182</u>	<u>111,450</u>
Rental income from investment properties	<u>26,433</u>	<u>23,451</u>
Operating lease rentals in respect of		
– land lease	1,528	1,966
– rented premises ( <i>note b</i> )	348,554	331,624
	<u>350,082</u>	<u>333,590</u>

Notes:

- a. This represents costs of raw materials and consumables used.
- b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately RMB266,108,000 (2017: RMB248,835,000) and contingent rent of approximately RMB82,446,000 (2017: RMB82,789,000).

## 9. TAXATION

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Hong Kong Profits Tax		
– Current year	<u>8,476</u>	<u>2,319</u>
PRC Income Tax		
– Current year	<b>85,742</b>	99,700
– Over provision in prior years	<u>(6,511)</u>	<u>(3,560)</u>
	<u>79,231</u>	96,140
Withholding tax	<u>4,633</u>	<u>4,740</u>
Deferred taxation charge (credit)	<u>16,185</u>	<u>(52,406)</u>
	<u><b>108,525</b></u>	<u>50,793</u>

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

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

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

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

During the year ended 31 December 2017, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2016, and therefore, Chongqing Weiqian reversed the income tax liability of approximately RMB4,384,000 which was previously recognised in the year 2016.

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

## 10. DIVIDENDS

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK2.80 cents) per share for 2018 (2017: paid – RMB0.02 (HK2.50 cents) per share for 2017)	<b>26,164</b>	23,610
Final, paid – RMB0.04 (HK5.00 cents) per share for 2017 (2017: paid – RMB0.08 (HK9.30 cents) per share for 2016)	<b>46,721</b>	87,830
	<b><u>72,885</u></b>	<u>111,440</u>

A final dividend of RMB0.1 (HK12 cents) per ordinary share (2017: a final dividend of RMB0.04 (HK5.00 cents) per ordinary share), in an aggregate amount of RMB109,154,000 (HK\$130,985,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

## 11. EARNINGS (LOSS) PER SHARE

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

### Earnings (loss)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Earnings (loss) for the purposes of basic and diluted earnings per share, being earnings (loss) for the year attributable to owners of the Company	<u>551,020</u>	<u>(486,650)</u>

### Number of shares

	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	1,091,538,820	1,091,538,820
Effect of dilutive potential ordinary shares relating to: – outstanding share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	<u>1,091,538,820</u>	<u>1,091,538,820</u>

All (31 December 2017: all) outstanding share options of the Company have not been included in the computation of diluted earnings (loss) per share as they did not have dilutive effect to the Company's earnings (loss) per share during the year ended 31 December 2018 and 2017 because the exercise prices of these options were higher than the average market prices of the Company's shares during the years ended 31 December 2018 and 2017.

## 12. INTERESTS IN ASSOCIATES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost of investment in associates	151,341	151,341
Share of post-acquisition results and other comprehensive expense	<u>(3,302)</u>	<u>(6,697)</u>
	<u>148,039</u>	<u>144,644</u>
Loan to an associate	<u>1,310</u>	<u>1,250</u>
	<u>149,349</u>	<u>145,894</u>



### 13. FINANCIAL ASSETS AT FVTPL

	<i>RMB'000</i>
At 31 December 2017	–
Reclassification of financial assets from financial assets designated as at FVTPL to financial assets at FVTPL	245,487
Reclassification of financial assets from available-for-sale investments to financial assets at FVTPL	6,906
Remeasurement from cost less impairment to fair value	<u>(2,664)</u>
At 1 January 2018 (restated)	249,729
Exchange realignment	2,050
Gain on fair value change	11,536
Addition	124,120
Disposal	<u>(77,073)</u>
At 31 December 2018	<u><u>310,362</u></u>

The components of financial assets at FVTPL are as follow:

	<b>31 December 2018 <i>RMB'000</i></b>	1 January 2018 <i>RMB'000</i> (Restated)
Ele. Me ( <i>Note a</i> )	–	63,487
Yunxi ( <i>Note b</i> )	<b>137,000</b>	122,000
Jiahua Anyuan Fund ( <i>Note c</i> )	<b>70,000</b>	60,000
Hezhi ( <i>Note d</i> )	<b>99,120</b>	–
Others	<u><b>4,242</b></u>	<u>4,242</u>
	<u><u><b>310,362</b></u></u>	<u><u>249,729</u></u>

*Notes:*

- a. During the year, Ali Panini Investment Limited, an independent third company which has significant influence on the holding company of the Ele.me (“Ele.me”), entered into a share purchase agreement with other shareholders of Ele.me and purchased all shares of Ele.me held by other shareholders (the “Acquisition”). After the Acquisition, the Group was paid in aggregate RMB77,073,000 (US\$11,525,000) for all the Series G-1 Shares of Ele.me held by the Company.

Based on the share purchase price in the Acquisition, the management of the Group recognised a fair value gain from the financial asset at FVTPL of approximately RMB11,536,000 (US\$1,725,000) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. As at 31 December 2018, cash settlement on the amount of RMB62,083,000 (US\$9,335,000) has been received by the Group. The directors of the Company considered that the remaining consideration of RMB14,990,000 (US\$2,190,000) will be repaid after the next twelve months.

- b. During the year, Shanghai Jingjing Investment Center (Limited Partnership) (“Jingjing”), a subsidiary of the Company, made an additional investment of RMB15,000,000 in Guangzhou Yunxi Information Technology Co., Ltd. (“Yunxi”). Therefore, as at 31 December 2018, Jingjing invested RMB137,000,000 in Yunxi, which represents approximately 8.82% equity interest of Yunxi.

The fair values of the investment in Yunxi as at 31 December 2018 were determined by the management of the Group with reference to the price agreed and accepted by other independent third party investors in recent funding rounds. Based on such assessment, the management of the Group concluded there was no material change in the fair value of the investment as at 31 December 2018 as compared with that of as at 31 December 2017.

- c. During the year, Jiahua Mingde (Tianjin) Enterprise Management and Consulting Partnership (Limited Partnership) (“Jiahua Mingde”), a subsidiary of the Company, made an additional investment of RMB10,000,000 in Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership) (“Jiahua Anyuan Fund”). Therefore, as at 31 December 2018, Jiahua Mingde invested RMB70,000,000 in Jiahua Anyuan Fund, which represents approximately 12% equity interest of Jiahua Anyuan Fund.

The management of the Group considers that the carrying amounts of the investment costs approximate its fair values and as such no fair value change was recognised during the year.

- d. During the year, Weiqian Noodle Food Service (Shenzhen) Co., Ltd. (“Weiqian Shenzhen”), a wholly-owned subsidiary of the Company, together with other two independent third parties to the Company, as the limited partners, and Beijing Housheng Investment & Management Center (Limited Partnership) and Guangzhou Hezhi Investment & Management Co., Ltd., two independent third parties to the Company, as the general partners, entered into a limited partnership agreement in relation to the admission and management of Guangzhou Hezhi Investment Center (Limited Partnership) (“Hezhi”). The total capital contribution of Hezhi was RMB1,000,000,000, and Weiqian Shenzhen invested an amount of RMB99,120,000, which took up approximately 9.91% equity interest. As Weiqian Shenzhen has no control, joint control nor significant influence in the limited partnership, this investment was presented as financial asset at FVTPL in the consolidated statement of financial position of the Group. The fair value of the investment is made with reference to the recent investment cost of its investment on initial recognition, and as such no fair value change was recognised during the year.

#### 14. TRADE AND OTHER RECEIVABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables		
– a related company	935	935
– others	<u>33,107</u>	<u>36,311</u>
	<u>34,042</u>	<u>37,246</u>
Less: allowance for credit losses	<u>(2,956)</u>	<u>–</u>
	<u>31,086</u>	<u>37,246</u>
Rental and utility deposits	21,050	16,962
Property rentals paid in advance for restaurants	28,073	24,638
Advance to suppliers	26,218	23,434
Deductible value added tax	24,753	15,839
Compensation receivable in relation to equity investment in prior year ( <i>note</i> )	266,067	–
Prepaid lease payment – current portion	1,534	1,799
Other receivables	<u>26,294</u>	<u>15,606</u>
	<u><u>425,075</u></u>	<u><u>135,524</u></u>

*Note:* The amount has been settled in full on 10 January 2019.

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

Customers including both independent third parties and related company of noodles and related products are normally granted 60 to 90 days credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for customers relating to sales from operation of restaurants.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB31,086,000 and RMB34,290,000 respectively.

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Ageing</b>		
0 to 30 days	<b>27,865</b>	32,739
31 to 60 days	<b>2,292</b>	134
61 to 90 days	<b>768</b>	674
91 to 180 days	<b>161</b>	–
181 to 365 days	–	714
Over 365 days	–	2,985
	<b>31,086</b>	37,246

As at 31 December 2018, included in the Group's trade receivables balance, are debtors with aggregate carrying amount of RMB161,000 which are past due as at the reporting date. Out of the past due balances, RMB161,000 has been past due 90 days or more and is not considered as in default as these balances are mainly due from customers of good credit quality. The Group does not hold any collateral over the balances.

As at 31 December 2017, major debtors comprising the Group's trade receivables that are neither past due nor impaired have no default history and of good credit quality.

As at 31 December 2017, included in the Group's trade receivable balances are debtors with a carrying amount of approximately RMB3,699,000 which are past due for over 180 days as at 31 December 2017 for which the Group has not provided for impairment loss as these balances are mainly due from related parties and certain group-buying companies with good credit.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	<i>RMB'000</i>
Balance at 31 December 2017	–
Effect of adoption of HKFRS 9	2,956
Balance at 1 January 2018 and 31 December 2018	2,956

The balances of the Group's other receivables are unsecured, interest-free and repayable on demand. As at 31 December 2018 and 31 December 2017, other receivables of the Group are neither past due nor impaired and they have no default history and there are continuous subsequent settlement.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in the annual report.

## 15. TRADE AND OTHER PAYABLES

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade payables		
– related companies	<b>6,143</b>	6,474
– others	<b>88,525</b>	89,348
	<b>94,668</b>	95,822
Payroll and welfare payables	<b>39,386</b>	33,651
Customers' deposits received	<b>12,028</b>	8,618
Payable for acquisition of property, plant and equipment	<b>28,259</b>	15,418
Payable for property rentals	<b>24,042</b>	26,376
Other taxes payable	<b>22,108</b>	22,645
Others	<b>26,060</b>	22,368
	<b>246,551</b>	224,898

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

The average credit period for purchase of goods is 60 days (31 December 2017: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

### Ageing

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
0 to 30 days	<b>62,877</b>	60,373
31 to 60 days	<b>24,420</b>	26,496
61 to 90 days	<b>537</b>	1,252
91 to 180 days	<b>342</b>	1,221
Over 180 days	<b>6,492</b>	6,480
	<b>94,668</b>	95,822

## **DIVIDEND**

A final dividend of RMB0.1 (HK12 cents) per ordinary share (2017: a final dividend of RMB0.04 (HK5.00 cents) per ordinary share) for the year ended 31 December 2018 has been proposed by the Board and is subject to the approval by the shareholders of the Company (the “Shareholders”) at the annual general meeting (“AGM”) to be held on 23 May 2019. The proposed final dividend is expected to be paid on or about 30 September 2019. Including the interim dividend of RMB0.02 (HK2.80 cents) per ordinary share (2017: RMB0.02 (HK2.50 cents) per ordinary share) already paid, the total dividend for the year ended 31 December 2018 will amount to RMB0.12 (HK14.8 cents) per ordinary share (2017: RMB0.06 (HK7.50 cents) per ordinary share).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Industry Review**

In 2018, despite the profound changes in international environment and the complex evolution of the China-US economic and trade frictions, China has made further breakthroughs in reforms and continued to implement structural adjustments. Facing a complex environment both at home and abroad, China’s economy achieved generally stable growth while making further progress and its GDP grew by 6.6% (corresponding period of 2017: 6.9%) year-on-year to RMB90,030.9 billion. Personal income increased stably, supply-side structural reform was further advanced and the transformation and upgrading of the economy was continued. Thanks to all these, consumer prices recorded moderate growth, and the China Service Production Index increased by 7.7% throughout the year as compared to that of 2017.

The increasing per capita income drove the upgrading of consumers’ demand for the catering industry. According to the National Bureau of Statistics of China, in 2018, the revenue of the catering industry increased by 9.5% (corresponding period of 2017: 10.7%) year-on-year to RMB4,271.6 billion, exceeding RMB4 trillion for the first time. The growth of the catering industry was 0.5 percentage point higher than that of the entire consumer market (9.0%). As the catering market continues to expand, catering consumption has become the main growth driver for the domestic consumption market. New business models such as takeaway and group meals have led the catering consumption market.

Demands for takeaway services have been increasing in the fast-paced urban lives, and the takeaway services have even gradually changed the catering cultures and habits. After the fierce competition and waves of mergers and acquisitions caused by subsidies in previous years, the takeaway industry in China has ceased its explosive growth, and marched into a period of integration which places high emphasis on brand, quality and service. In recent years, the scale of online takeaway market has experienced fast growth with increasing shares in the domestic catering industry. According to the “Annual Report on the Development of China’s Sharing Economy (2019) (《中國共享經濟發展年度報告(二零一九)》) issued by the State Information Center, revenue from the online takeaway services in China amounted to approximately RMB471.2 billion in 2018, representing approximately 10.6% of the total revenue of the catering industry in China, 3 percentage points higher than that of last year. According to the 43rd Statistical Report on Internet Development in China (《中國互聯網發展狀況統計報告》) issued by China Internet Network Information Center, as of December 2018, the number of users of online

takeaway services reached 406 million, representing an increase of 18.2% as compared to the end of 2017, among which 49.0% were Internet users. As the fast food takeaway market further penetrates into the catering market, the takeaway industry will embrace all categories of food, segmentation, intelligence and new retail in the future.

As ordering takeaway gradually becomes a habit, consumers' demand for catering consumption will also be constantly upgraded, and the quality and service of the catering industry will be the focus of consumers. Also, we will adapt to the demand of consumers, putting more efforts on quality, refinement and experience.

Nowadays, the development of the catering industry is shifting from "outward expansion" to "self-enhancement" and from "scale-and-speed-oriented" to "quality-and-efficiency-oriented". The industry is experiencing a comprehensive improvement in terms of operation and management, brand building, model innovation, technology application, modern supply chain and other aspects. Enhancing the quality of supply-side through the supply-side structural reform is the key development direction of the catering industry while improving development quality and efficiency will be its basic development strategy.

The Group will continue to adopt lean management approach and strictly control the quality of food. Moreover, the Group will establish smart stores to enhance customer experience through proactive development and research of intelligence technology. Meanwhile, the management is currently seeking targets of investment actively, with a view to grasping opportunities arising from industry reform and bringing better return on investment for Shareholders.

## **Business Review**

For the year ended 31 December 2018, the Group's turnover increased from approximately RMB2,332 million in 2017, by approximately 1.9% to approximately RMB2,377 million in 2018. The gross profit of the Group reached approximately RMB1,793 million, an increase of approximately 2.2% from last year. Profit from operation for the year of the Company decreased by approximately 23.1% and profit attributable to the owners of the Company increased by approximately 213.2% to RMB551 million from loss of approximately RMB487 million last year. Correspondingly, basic earnings per share increased from a loss of RMB0.45 last year to earnings of RMB0.5 per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of RMB0.1 (2017: RMB0.04) per ordinary share for the year ended 31 December 2018 as a return to the Shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2018, the Group has six major production bases in Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan throughout China.



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

During the year, the Group’s cost of inventories consumed as a proportion to turnover was approximately 24.6%, indicating a decrease of approximately 0.2 percentage point from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 75.2% last year to approximately 75.4% in 2018. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw materials. In addition, benefit from the value added tax (“VAT”) reform in PRC with effective from 1 May 2016, the Group will be able to maintain a relatively high and stable gross profit margin.

During the year, the Group’s labour costs accounted for approximately 25.6% of the turnover, which was approximately 0.3 percentage point higher than that of the corresponding period of last year. During the year, proactive cost control measures were implemented, and obvious effects were witnessed. The Group continue the policy for staff allocation based on restaurant scale, optimized the ordering system and hiring more managerial experienced staff. These measures enhanced the efficiency of human resource utilization, leading to an increase in labor cost approximately 3% but with the shop number increase approximately 8.8%.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 17%, which was approximately 0.6 percentage point higher than that of the corresponding period last year. Such increase was mainly attributable to the fact that the slower turnover growth for the period and with the recovery of turnover, rental costs will be diluted further, pushing up the proportion of rental and related costs to turnover. On the other hand, the number of stores increased by 62 compared with last year. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium- and small-sized restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis.

The Group has timely introduced a number of enriched and attractive marketing activities. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. These activities not only encouraged new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The effective operation of 766 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operational efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully motivate its staff.



## Retail Chain Restaurants

In 2018, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately RMB2,218,124,000(2017: RMB2,211,658,000), accounted for approximately 93.3% (2017: 94.8%) of the Group's total revenue.

As at 31 December 2018, the Group's restaurant portfolio consisted of 766 Ajisen chain restaurants, comprising the following:

	<b>31 December 2018</b>	31 December 2017	+/-
By provinces:			
Shanghai	<b>129</b>	129	0
Beijing	<b>47</b>	45	2
Tianjin	<b>6</b>	6	0
Guangdong (excluding Shenzhen)	<b>49</b>	49	0
Shenzhen	<b>22</b>	22	0
Jiangsu	<b>91</b>	85	6
Zhejiang	<b>74</b>	66	8
Sichuan	<b>16</b>	16	0
Chongqing	<b>12</b>	14	-2
Fujian	<b>25</b>	24	1
Hunan	<b>18</b>	19	-1
Hubei	<b>16</b>	18	-2
Liaoning	<b>24</b>	20	4
Shandong	<b>47</b>	38	9
Guangxi	<b>13</b>	10	3
Guizhou	<b>4</b>	3	1
Jiangxi	<b>15</b>	16	-1
Shaanxi	<b>15</b>	13	2
Yunnan	<b>12</b>	9	3
Henan	<b>14</b>	8	6
Hebei	<b>12</b>	7	5
Anhui	<b>19</b>	13	6
Xinjiang	<b>3</b>	1	2
Hainan	<b>9</b>	8	1
Shanxi	<b>4</b>	1	3
Neimenggu	<b>5</b>	5	0
Heilongjiang	<b>14</b>	12	2
Ningxia, Qinghai	<b>4</b>	3	1
Jilin	<b>15</b>	13	2
Tibet	<b>1</b>	1	0
Hong Kong	<b>30</b>	29	1
Rome	<b>1</b>	1	0
	<hr/>	<hr/>	<hr/>
Total	<b>766</b>	<b>704</b>	<b>62</b>

	<b>31 December 2018</b>	31 December 2017	+/-
By geographical region:			
Northern China	<b>178</b>	142	36
Eastern China	<b>296</b>	293	3
Southern China	<b>148</b>	158	-10
Central China	<b>143</b>	110	33
Italy	<b>1</b>	1	0
	<hr/>	<hr/>	<hr/>
Total	<b>766</b>	704	62
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **Risk Management**

### *Liquidity and financial resources*

The liquidity and financial position of the Group as at 31 December 2018 remained healthy and strong, with bank balances amounting to RMB1,356,047,000 (31 December 2017: RMB1,534,103,000) and a current ratio of 3.4 (31 December 2017: 2.9).

As at 31 December 2018, the Group had bank borrowings of RMB219,511,000 (31 December 2017: RMB320,118,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 5.3 (31 December 2017: 8.7).

### *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 2018 and 31 December 2017 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

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

Save for those disclosed in this annual results 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 annual results announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual results announcement.

### ***Interest rate risk***

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

### ***Credit risk***

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash, pledged bank deposits included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

As of 31 December 2018 and 31 December 2017, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

### ***Contingent liabilities***

As of 31 December 2018, the Group did not have any significant contingent liabilities.

### ***Assets and liabilities***

The Group's net current assets were approximately RMB1,322,723,000 and the current ratio was 3.4 as at 31 December 2018 (31 December 2017: 2.9). 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 2018 was approximately RMB360,842,000, while profit before taxation for the same period was approximately RMB673,865,000. The difference was primarily due to the compensation gain in relation to a prior year investment.

### ***Capital expenditure***

For the year ended 31 December 2018, the Group's capital expenditure was approximately RMB334,591,000 (2017: RMB260,834,000), the increase was mainly because more money spent on purchase of financial asset.

## Key operating ratios for restaurant operations

	Hong Kong			PRC		
	1-12/2018	1-6/2018	1-12/2017	1-12/2018	1-6/2018	1-12/2017
Comparable restaurant sales growth <sup>Note</sup> :	<b>-6.9%</b>	-7.5%	-6.8%	<b>-2.6%</b>	-2.2%	2.2%
Per capita spending:	<b>HK\$65.8</b>	HK\$65.1	HK\$65.3	<b>RMB48.0</b>	RMB47.8	RMB47.9
Table turnover per day (times per day):	<u><b>4.1</b></u>	<u>4.0</u>	<u>4.2</u>	<u><b>3.4</b></u>	<u>3.4</u>	<u>3.5</u>

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

## SUBSEQUENT EVENT

As disclosed in the Company’s announcements dated 14 December 2018 and 13 March 2019 (the “Announcements”), the Company reported that Mr. Lau Ka Ho, Robert (“Mr. Lau”), the former chief financial officer of the Company, is suspected to have misappropriated funds of Ajisen China Group Management Limited, a wholly-owned subsidiary of the Company (the “Misappropriation Incident”). For more details about the Misappropriation Incident, please refer to the Announcements and the Company’s annual report for the year ended 31 December 2018.

## 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 2018.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has, throughout the year ended 31 December 2018, adopted the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, i.e., the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

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

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees’ Guidelines for Securities Transactions throughout the year ended 31 December 2018.

## **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.

Currently, the Audit Committee comprises three independent non-executive Directors as follows:

Mr. Jen Shek Voon (Chairman), an independent non-executive Director

Mr. Lo Peter, an independent non-executive Director

Mr. Wang Jincheng, an independent non-executive Director

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor in the year 2019, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2018 and annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

This annual results announcement is based on the Company's audited consolidated financial statements for the year ended 31 December 2018 which have been agreed with DTT, the auditor of the Company.

## **CLOSURE OF THE REGISTER OF MEMBERS**

In order to determine the Shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 20 May 2019 to 23 May 2019 (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 2018, the register of members of the Company will be closed from 29 May 2019 to 3 June 2019 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming 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 17 May 2019 and 28 May 2019 respectively.

## **AGM AND DESPATCH OF 2018 ANNUAL REPORT**

The AGM will be held on 23 May 2019. A notice convening the AGM will be published on the Company's websites at [www.ajisen.com.hk](http://www.ajisen.com.hk) and [www.ajisen.com.cn](http://www.ajisen.com.cn) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and will be despatched to all Shareholders together with the 2018 annual report of the Company in due course.

The 2018 annual report of the Company will be despatched to all Shareholders and will also be published on the Company's websites at [www.ajisen.com.hk](http://www.ajisen.com.hk) and [www.ajisen.com.cn](http://www.ajisen.com.cn) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in due course.

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

Hong Kong, 20 March 2019

*As at the date of this announcement, the Board comprises Ms. Poon Wai and Mr. Poon Ka Man, Jason as executive Directors; Mr. Katsuaki Shigemitsu as non-executive Director; and Mr. Lo Peter, Mr. Jen Shek Voon and Mr. Wang Jincheng as independent non-executive Directors.*