



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

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

Stock Code 股份代號 : 538

大骨熬湯 五十年



2021 年報
ANNUAL REPORT



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

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 March 2007, the strong capital support has injected new vitality into the Group’s rapid expansion. As a renowned brand in the Food and Beverage (“F&B”) industry, Ajisen’s fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. As at 31 December 2021, the Group’s nationwide retail network comprises 737 restaurants, Ajisen restaurants have entered over 166 cities and 29 provinces and municipalities of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 119, followed by 88 in Guangdong and 86 in Jiangsu, together with the remaining 420 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 22 chain restaurants with its chain network covering all major business areas of the city. The Group also operates 2 restaurants in Europe. Moreover, the restaurant network is supported by the Group’s Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan production bases.

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

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

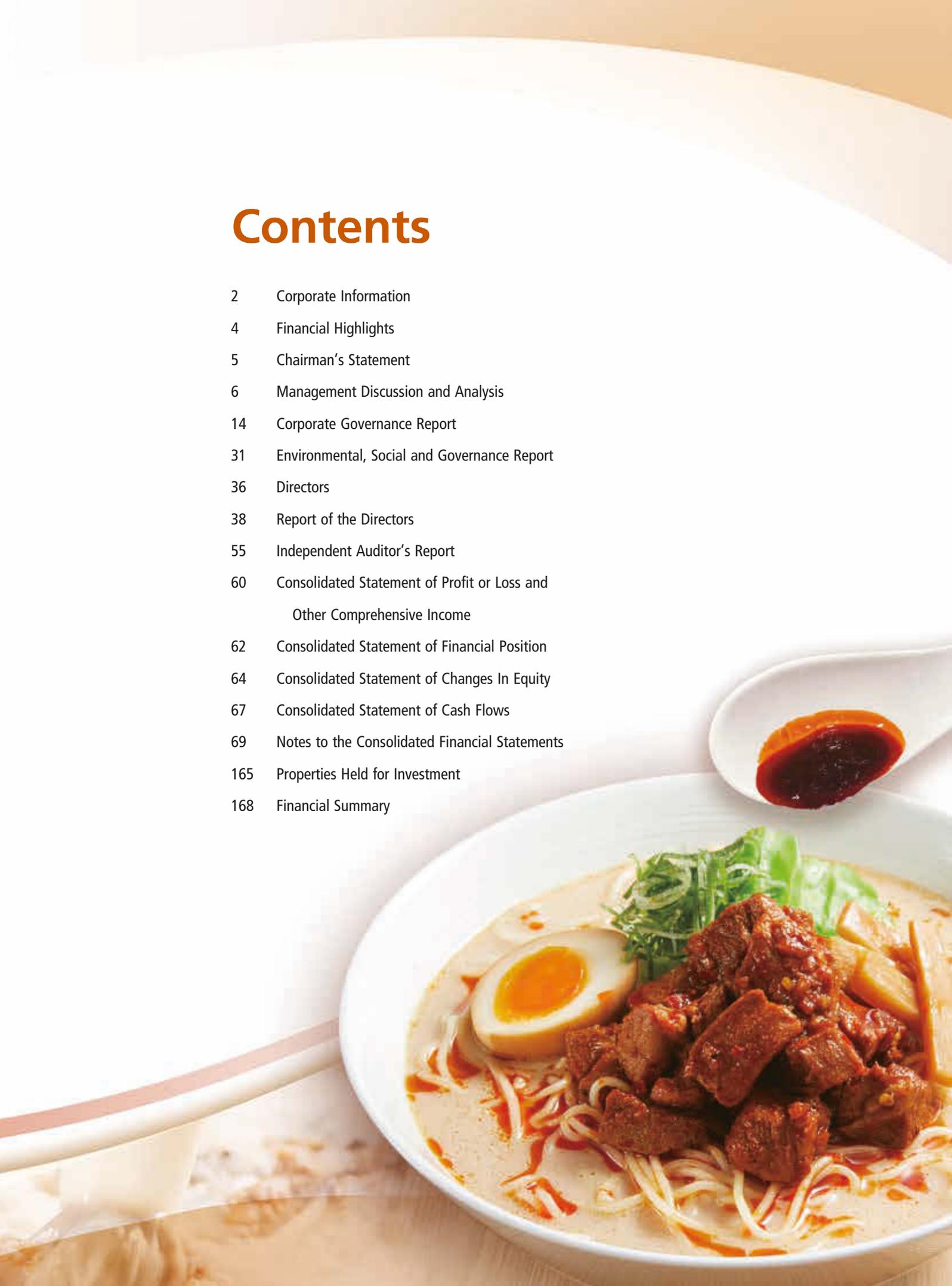
In September 2008, the Group acquired a place in “Asia’s 200 Best Under A Billion” list made by Forbes, and was selected again as one of the “Chinese Enterprises With Best Potential 2008”. Besides, Ms. Poon Wai, Chairman and Chief Executive Officer of the Group, was also enlisted into “Chinese Celebrities”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

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



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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Mr. Poon Ka Man, Jason
Ms. Leung Wai Han

Company Secretary

Ms. Leung Wai Han

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Registered Office

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Principal Share Registrar and Transfer Office

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Hong Kong Legal Adviser

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

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Stock Code

538

Financial Highlights

	2021	2020	Change
Turnover (RMB'000)	1,996,209	1,820,588	+9.6%
Sales from restaurant operation (RMB'000)	1,880,923	1,702,117	+10.5%
Gross profit (RMB'000)	1,458,873	1,305,027	+11.8%
Profit before taxation (RMB'000)	52,440	(97,999)	N/A
Profit attributable to owners of the Company (RMB'000)	20,940	(77,868)	N/A
Basic earnings per share (RMB)	0.02	(0.07)	N/A
Recommended final dividend per share (RMB)	0.08	0.08	-
Total number of restaurants (as at 31 December)	737	722	+2.1%
Total assets (RMB million)	4,301.2	4,610.4	-6.7%
Net assets (RMB million)	3,114.1	3,228.9	-3.6%
Bank balances and cash (RMB million)	1,527.5	1,738.4	-12.1%
Inventory turnover (days)	81.8	97.1	-15.3 days
Trade payable turnover (days)	79.8	84.8	-5.0 days
Net gross profit margin	73.1%	71.7%	+1.4 percentage point
Net profit margin	0.9%	-4.3%	+5.2 percentage points
Current ratio	3.1	2.8	+0.3 percentage point
Return on equity	0.6%	-2.4%	+3.0 percentage points
Gearing ratio	1.8%	4.0%	-2.2 percentage point



Chairman's Statement

As at 31 December 2021, the Group's turnover increased by 9.6% from the corresponding period last year, and the operating profit margin increased from -2.1% to 1.2%, mainly due to closing loss-making stores to improve overall profitability. The cost of food ingredients decreased from 28.3% to 26.9%; labor costs increased from 26.2% to 27.2%; and other operating costs increased from 23.2% to 25.7%.

In order to enhance the store member experience, the Group set up the Ajisen Membership Task Force to design membership marketing schemes and improve customer loyalty and satisfaction, thereby driving sales growth. In 2021, leveraging on the brand-new lifetime membership marketing management, the Group achieved an increase against the market trend in the repurchase rate of active members from 2.83 times to 3.54 times, and the number of Ajisen members reached 19.72 million as at 31 December 2021.

The COVID-19 pandemic has accelerated the digital transformation of the catering industry, and takeaway is an important approach to help the industrial transformation. In order to cater for the huge takeaway demand in the market, while cooperating with the third-party delivery platforms, the Group also established its own delivery platform which is a takeaway mini programme to reduce delivery costs. The Group's takeaway turnover increased by approximately 25% from RMB290 million at the end of 2020 to RMB363 million at the end of 2021, and the takeaway turnover as a percentage of the turnover of restaurants offering takeaway service increased from 18.1% in 2020 to 19.6% in 2021.

Affected by the COVID-19 pandemic, the Group adopted a prudent store opening strategy with a focus on the optimisation of the store network layout. As at 31 December 2021, the Group operated a total of 737 restaurants, an increase of 15 from 722 in the corresponding period last year, while the reasons for store closure included contract expiration, store relocation, landlord withdrawal and poor operating performance. Among which, 93 restaurants in Mainland China and 5 in Hong Kong, totaling 98, were newly opened; while 77 restaurants in Mainland China and 6 in Hong Kong, totaling 83, were closed.

With respect to labour costs, as at the end of 2021, 58.5% of staff was employed on a part-time basis across China, enabling the Group to manage labour costs in a more cost-effective manner. In 2021, the Group implemented an incentive mechanism of "team partner" at each store all over the country to inspire the subjective initiative of employees, enhance customer satisfaction, increase turnover and profit, and improve employee income. Meanwhile, the Group's personnel utilisation rate was further improved through standardised management. The Group's proportion of labour costs to turnover will remain at a stable level in a long run.

With respect to procurement, the Group continued its efforts to increase the proportion of direct procurement, which has reached 71.6% currently. In addition, the Group kept enhancing the quantity and quality of domestic and foreign suppliers, so as to bring consumers reasonably priced tasty and premium foods. In China, the Group maintained its close partnership with COFCO Corporation, Sunner Food and other large suppliers. At abroad, the Group expanded its direct pork sourcing relationship in Europe, and basically realised direct sourcing of all pork products with the largest purchase amount in 2021. In 2022, the Group will further optimise its global procurement and supply chain for meat products, and maintain cooperation with major suppliers of meat products so as to control procurement costs. As for fruits and vegetables, the Group will strive to secure direct supply from fruit and vegetable farms, so as to continuously optimise its supply chain for fruits and vegetables.

In terms of branding activities, the Group regularly launched holiday promotions. In addition, the Group has launched promotion activities named Ajisen Member Day on the 22nd of every month to give back to consumers. In order to celebrate the 53rd anniversary of the Ajisen brand, Ajisen Ramen organised the event themed "Cosplay Qian Jiang for free birthday noodles" nationwide in October 2021, which attracted widespread attention and praise online and offline, awakened consumers' image memory of Ajisen, and improved brand reputation and influence.

Finally, I would like to express my sincere gratitude to all shareholders and customers for their continuous support to and persistent collaboration with the Group during the past year, as well as the members of the Board, the management and all staff for their efforts and dedication to our development. In 2022, the Group will strategically expand its catering network and optimise its network layout due to multiple challenges such as the sporadic spread of the COVID-19 pandemic. The Group will also control food safety more strictly and take all possible measures to protect the safety of consumers and employees. Ajisen (China) will seize market opportunities and steer the Group towards sustainable development and growth, with a view to creating greater value for our shareholders, customers and employees.

Management Discussion and Analysis

Industry Review

During the year ended 31 December 2021 (the “Period”), facing various challenges such as the complex and severe international environment and the sporadic outbreak of domestic pandemic, all regions and departments in China adhered to the general working guideline of making progress while maintaining stability, scientifically implemented pandemic prevention, economic and social development in a coordinated way, strengthened the cross-cycle adjustment of macro policies, and increased support for the economy. Therefore, the national economy continued to recover and develop, and headed the “14th Five-Year Plan” to a good start. According to the National Bureau of Statistics of China, during the Period, China’s gross domestic product (GDP) amounted to RMB114,367.0 billion, representing an increase of 8.1% year-on-year (corresponding period in 2020: 2.3%), and an average growth rate of 5.1% for two years; the total retail sales of social consumer goods amounted to RMB44,082.3 billion, representing an increase of 12.5% year-on-year, and an average growth rate of 3.9% for two years; the national per capita disposable income amounted to RMB35,128, representing a real growth of 8.1% over the same period last year, and an average growth rate of 5.1% for two years; and the national consumer price index (CPI) increased by 0.9% year-on-year.

In 2021, the catering market maintained overall steady recovery. According to the National Bureau of Statistics of China, during the Period, the national revenue of the catering industry was RMB4,689.5 billion, representing an increase of 18.6% year-on-year, and the scale returned to the level of 2019. According to iiMedia Research, as of 2020, China’s takeaway market size reached RMB664.6 billion, representing an increase of 15.0% year-on-year. At the same time, driven by delivery platforms, the number of takeaway users in China also increased significantly, and the scale of takeaway users in China reached 456 million in 2020. The novel coronavirus pneumonia (COVID-19) pandemic accelerated the digitalization process of the catering industry, takeaway has become an important way to facilitate industrial transformation, and online and offline omni-channel operation will become a trend.

Digital transformation is the direction that every industry is striving for, so is the catering industry. Measures such as driving product innovation and optimization by digital manner, relying on big data to select locations, improving efficiency and accuracy, and carrying out lean management of members through digital channels, can play a key role in the sustainable operation of catering brands, and will surely become the most important source of dividends in the development of the catering industry.

In 2022, facing a more complex, severe and uncertain external environment, as well as the domestic economy being under pressures of contracting demand, supply shock and weakening expectation, the Group will continue to conduct lean management, strictly control the quality and safety of food, and strategically expand its restaurant network. Meanwhile, the Group will continue to optimize the membership system to increase the members’ repurchase rate by applying new lifetime membership marketing model, speed up digital transformation, and continue to optimize brand strategy upgrading and strive to promote internal organizational reform, with a view to grasping the development opportunities arising from industry reform and bringing better return on investment for the shareholders.

Business Review

During the year ended 31 December 2021 (the "Period"), the Group's turnover was approximately RMB1,996 million, representing an increase of approximately 9.6% from approximately RMB1,820 million for the corresponding period in 2020.

The Company achieved an increased revenue and a turnaround from loss to profit, mainly due to the gradual recovery of the restaurants of the Group from the Covid-19 pandemic and the increase in the number of restaurant operating days. However, due to the recurring outbreak of the Covid-19 pandemic, especially in the second half of the Period, the highly infectious mutant virus caused small-scale sporadic outbreaks in different cities in China, resulting in an unsatisfactory recovery of the revenue of the Group. The Group expects that the Covid-19 pandemic will continue to impact the catering industry, the citizens are also gradually changing their consumption patterns accordingly, and the number of takeaway users has increased significantly. Therefore, the Group has also adapted to the changing market by strengthening the promotion of takeaways to reduce the impact of Covid-19 pandemic on the revenue of the Group.

The Group's cost of inventories consumed as a proportion to turnover was approximately 26.9%, representing a decrease of approximately 1.4 percentage points as compared with the corresponding period last year. Accordingly, the gross profit margin increased to 73.1% for the Period from approximately 71.7% for the corresponding period in 2020. The increase in gross profit margin was mainly attributable to the decrease in pork prices during the Period. The Group will closely monitor the price trend of various raw materials to control the cost of food ingredients.

In addition, the Group's labour costs accounted for approximately 27.2% of the turnover, representing an increase of 1.0 percentage point as compared with 26.2% for the corresponding period in 2020. The increase in the proportion of costs was mainly due to the increase in wages in Mainland China.

The effective operation of 737 restaurants under the Group would not be achieved without our efficient management and intensive staff training. The Group also strengthened the guidance and training of restaurant managers and regional supervisors, and enhanced the operational efficiency of each restaurant through constant improvement of the management ability of frontline employees.

In addition, the Group has six major production bases in China, including those in Shanghai, Chengdu, Tianjin, Wuhan, Qingdao and Dongguan, which guaranteed the food quality, food safety and stable supply of the Group's restaurants during the pandemic. The Group will closely monitor market conditions, respond quickly to market changes and actively control operating costs to reduce the impact of various negative factors.

Retail Chain Restaurants

In 2021, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately RMB1,880,923,000 (2020: RMB1,702,117,000), accounted for approximately 94.2% (2020: 93.5%) of the Group's total revenue.

Management Discussion and Analysis

As at 31 December 2021, the Group's restaurant portfolio consisted of 737 chain restaurants, comprising the following:

	31 December 2021	31 December 2020	+/-
By provinces/cities			
Shanghai	119	117	+2
Beijing	44	41	+3
Tianjin	4	7	-3
Guangdong (excluding Shenzhen)	68	59	+9
Shenzhen	20	16	+4
Jiangsu	86	85	+1
Zhejiang	79	83	-4
Sichuan	14	13	+1
Chongqing	13	13	-
Fujian	15	14	+1
Hunan	14	14	-
Hubei	16	12	+4
Liaoning	18	19	-1
Shandong	51	49	+2
Guangxi	16	17	-1
Guizhou	4	4	-
Jiangxi	18	18	-
Shaanxi	11	13	-2
Yunnan	11	10	+1
Henan	14	14	-
Hebei	16	16	-
Anhui	16	14	+2
Xinjiang	2	2	-
Hainan	6	7	-1
Shanxi	4	4	-
Neimenggu	5	5	-
Heilongjiang	14	14	-
Ningxia	2	3	-1
Jilin	12	12	-
Tibet	0	1	-1
Gansu	1	1	-
Hong Kong	22	23	-1
Rome	1	1	-
Finland	1	1	-
Total	737	722	+15

Management Discussion and Analysis

	31 December 2021	31 December 2020	+/-
By geographical region			
Northern China	163	154	+9
Eastern China	300	299	+1
Southern China	165	162	+3
Central China	107	105	+2
Europe	2	2	-
Total	737	722	+15

Financial Review

Turnover

For the year ended 31 December 2021, the Group's turnover increased by approximately 9.6%, or approximately RMB175,621,000 to approximately RMB1,996,209,000 from approximately RMB1,820,588,000 for the corresponding period in 2020. Such increase was mainly due to the gradual recovery from the COVID-19 pandemic and increase in operation days of restaurants.

Cost of inventories consumed

For the year ended 31 December 2021, the Group's cost of inventories increased by approximately 4.2%, or approximately RMB21,775,000 to approximately RMB537,336,000 from approximately RMB515,561,000 for the corresponding period in 2020.

During the year, the ratio of inventories cost to turnover was approximately 26.9%, which decreased by 1.4 percentage point from approximately 28.3% for the corresponding period in 2020 due to the decrease in pork price in Mainland China during 2021.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2021 increased by approximately 11.8%, or approximately RMB153,846,000 to approximately RMB1,458,873,000 from approximately RMB1,305,027,000 for the corresponding period in 2020.

Gross profit margin of the Group also increased to 73.1% from approximately 71.7% for the corresponding period in 2020.

Staff costs

For the year ended 31 December 2021, staff costs of the Group increased by approximately 13.6% to approximately RMB542,546,000 from approximately RMB477,510,000 for the corresponding period in 2020. Staff costs as a proportion to turnover increased by 1.0 percentage point to 27.2% from approximately 26.2% for the corresponding period in 2020 due to the increase in wages in Mainland China.

Depreciation

For the year ended 31 December 2021, depreciation of the Group decreased by approximately 14.4% to approximately RMB379,725,000 from approximately RMB443,693,000 for the corresponding period in 2020.

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

Depreciation of right-of-use assets decreased as a result of the decrease in the number of shops in the first half of the year; depreciation of property, plant and equipment decreased due to the decrease in capital expenditure in recent years because of the Covid-19 pandemic which slowed down the restaurant opening progress.

Other operating expenses

For the year ended 31 December 2021, other operating expenses increased by approximately 21.5% to approximately RMB512,572,000 from RMB421,778,000.

Management Discussion and Analysis

Other operating expenses generally increased as a result of the increase in operation days of restaurants. Service charges for delivery increased by 36.7% since the Group has been strengthening the takeaway services.

Set out below is the breakdown of the main operating expenses for the years ended 31 December 2021 and 2020.

	2021	2020	%
	RMB million	RMB million	+/-
Utilities	89.9	83.9	+7.2%
Store and factory management fee	67.1	60.4	+11.1%
Consumables & utensils	52.9	46.0	+15.0%
Service charges for delivery platforms	55.1	40.3	+36.7%
Rental expenses under variable lease payment	34.0	34.6	-1.7%
Logistics expenses	29.9	24.6	+21.5%
Franchise expenses	29.7	22.1	+34.4%
Advertising and promotions	17.8	14.3	+24.5%
Rental expenses under short-term lease	17.4	12.3	+41.5%
Consultancy fee	3.0	6.8	-55.9%
Travelling expenses	6.9	6.7	+3.0%
Repairment and maintenance expenses	5.1	5.0	+2.0%
Bank charges on credit card payment	5.2	3.3	+57.6%
Auditors' remuneration	3.3	3.3	-
Cleaning expenses	3.0	3.1	-3.2%

Other income

For the year ended 31 December 2021, other income of the Group decreased by approximately 19.5% to approximately RMB77,421,000 from approximately RMB96,169,000 for the corresponding period in 2020. The decrease in other income was mainly due to the decrease in Covid-19 pandemic related government grant, the government grant recognized during the year amounted to RMB8,064,000 (2020: RMB23,779,000).

Other gains and losses

For the year ended 31 December 2021, the Group recognized other gains and losses of approximately RMB16,806,000 (2020: losses of RMB108,327,000). The losses decreased significantly was mainly attributable to the impairment loss of RMB61,306,000 recognised in 2020 for the interest in Jiangsu Hong Xuan Ecological Agriculture Company Limited (江蘇鴻軒生態農業有限公司), the Group's associate, due to the poor operating performance. Besides, the impairment loss recognised for intangible assets; property, plant and equipment and right-of-use assets also decreased significantly to approximately RMB1,865,000 (2020: approximately RMB26,147,000) as a result of the improving performing during the year.

Finance costs

For the year ended 31 December 2021, finance costs decreased by approximately 17.2% to approximately RMB29,960,000 from approximately RMB36,178,000 for the corresponding period in 2020.

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

Profit (loss) before taxation

Being affected by the factors referred to above, the Group recorded a profit before taxation of approximately RMB52,440,000 for the year ended 31 December 2021 (31 December 2020: loss of approximately RMB97,999,000).

Management Discussion and Analysis

Profit (loss) attributable to owners of the Company

Being affected by the factors referred to above, profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB20,940,000 (31 December 2020: loss of approximately RMB77,868,000).

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

The following table shows the breakdown of the major investments:

Investments

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

Financial assets at FVTPL, net of financial liabilities at FVTPL:

	31 December 2021	31 December 2020	Initial
	RMB'000	RMB'000	investment cost
			RMB'000
Yunxi	47,675	73,171	60,000
Jiahua Anyuan Fund	61,566	51,947	50,000
Hezhi	29,817	46,244	99,120
Others	4,242	4,242	6,907
	143,300	175,604	216,027

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

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

Interests in associates

	31 December 2021	31 December 2020	Initial
	RMB'000	RMB'000	investment cost
			RMB'000
Jiangsu Hong Xuan Ecological Agriculture Company Limited	–	–	43,354
Yunnex Inc.	19,487	18,266	64,791
Others	36,821	37,833	43,196
	56,308	56,099	151,341

Management Discussion and Analysis

The Group engaged an independent qualified professional valuer to assist the management in performing impairment review for Yunnex Inc..

For Jiangsu Hong Xuan Ecological Agriculture Company Limited, in view of the poor operating performance,

the directors of the Company considered that the recoverability of the investments would be remote. As such, the investment was fully impaired for the year 31 December 2020, the Group assessed and considered no impairment loss is required to reserve for the year ended 31 December 2021.

Interest in a joint venture

	31 December 2021 RMB'000	31 December 2020 RMB'000	Initial investment cost RMB'000
Beijing Feicui Jinghua & Restaurant Management Co., Ltd	8,490	9,715	12,858

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

take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

RISK MANAGEMENT

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2021 remained healthy and strong, with bank balances amounting to approximately RMB1,527,538,000 (31 December 2020: RMB1,738,380,000) and a current ratio of 3.1 (31 December 2020: 2.8).

As at 31 December 2021, the Group had bank borrowings of RMB77,003,000 (31 December 2020: RMB186,044,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 1.8 (31 December 2020: 4.0).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2021 and 31 December 2020 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

Interest rate risk

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

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables and bank balances and cash, included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. As of 31 December 2021 and 31 December 2020, all of the bank balances were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in Mainland China and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Management Discussion and Analysis

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

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

Contingent liabilities

As of 31 December 2021, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,233,975,000 and the current ratio was 3.1 as at 31 December 2021 (31 December 2020: 2.8). 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 2021 was approximately RMB417,717,000, while profit before taxation for the same period was approximately RMB52,440,000. The difference was mainly due to fair value movements on the financial assets and financial liabilities at FVTPL, depreciation of property, plant and equipment and right-of use assets and the finance interest on lease liabilities.

Capital expenditure

For the year ended 31 December 2021, the Group's capital expenditure was approximately RMB121,256,000 (2020: RMB125,664,000), the decrease in capital expenditure was mainly caused by the COVID-19 pandemic, which slowed down the shop opening progress.

Key operating ratios for restaurant operations

	Hong Kong			Mainland China		
	1-12/2021	1-6/2021	1-12/2020	1-12/2021	1-6/2021	1-12/2020
Comparable restaurant sales growth	13.7%	-1.0%	-21.6%	-0.9%	+30.7%	-29.7%
Per capita spending	HK\$98.4	HK\$94.0	HK\$78.0	RMB43.5	RMB47.0	RMB46.5
Table turnover per day (times per day)	4.0	3.87	4.0	3.0	3.2	3.0

Corporate Governance Report

Introduction

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

Corporate Governance Practices

The Company has, throughout the year ended 31 December 2021, adopted the Corporate Governance Code (the “Code”) effective on or before 31 December 2021 as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of the Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, i.e. the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that

the current structure does not impair the balance of power and authority between the Board and the Management given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Model Code for Securities Transactions

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

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

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees’ Guidelines for Securities Transactions throughout the year ended 31 December 2021.

The Board of Directors

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

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

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

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

Composition

The Board currently consists of seven Directors as follows:

Executive Directors

Ms. Poon Wai
Mr. Poon Ka Man, Jason
Ms. Minna Ng

Non-executive Director

Mr. Katsuaki Shigemitsu

Independent non-executive Directors

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

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

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

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

Independent Non-Executive Directors ("INEDs")

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

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

Notwithstanding that the INEDs have served the Board for more than nine years, their wealth of skills, knowledge and experience have enabled them to contribute meaningfully and objectively to the Board as INEDs. The Board considers that the long serving INEDs' independence from management has not been diminished by their years of service.

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

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

Delegation by the Board

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

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

- (i) approving annual operating budget of the Group;
- (ii) approving connected transactions;
- (iii) approving mergers and acquisitions;
- (iv) approving fund raising activities (including debt or capital issues);
- (v) approving corporate guarantee;
- (vi) approving internal control policy;
- (vii) approving financial results announcements; and
- (viii) approving other disclosures specifically required by or matters as specifically mentioned under the Listing Rules.

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

- (i) reviewing business strategies and management of the Company;
- (ii) formulating and implementing investment and financing activities of the Company;
- (iii) implementing the Company's strategies, monitoring performance of the Management and ensuring appropriate internal risk controls and risk management are in place;
- (iv) implementing measures and procedures in compliance with the laws, regulations, Listing Rules, articles of association and internal regulations applicable to the Company;

- (v) setting human resources policies of the Company; and
- (vi) granting of share options to the eligible employees (other than Directors and Management) for a total of not more than the number of share options as specified and approved by the Board from time to time.

Corporate Governance Function

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

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors;
- (e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and
- (f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

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

Chairman and Chief Executive Officer ("CEO")

Under the code provision A.2.1, the roles of Chairman and CEO should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Ms. Poon Wai is the Chairman of the Board and the CEO. With her extensive experience in the industry, the Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and the CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon Wai distinctly. It is also considered that the current structure does not impair the balance of power and authority between the Board and the Management given the appropriate delegation of the power of the Board and the effective functions of the INEDs (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Induction and Continuing Professional Development of Directors

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

Corporate Governance Report

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2021 is as follows:

<u>Name of Directors</u>	<u>Nature of continuous professional development programmes</u>
Executive Directors	
Ms. Poon Wai	A
Mr. Poon Ka Man, Jason	A
Ms. Minna Ng	A
Non-Executive Director	
Mr. Katsuaki Shigemitsu	A
INEDs	
Mr. Lo Peter	A
Mr. Jen Shek Voon	A
Mr. Wang Jincheng	A

Note:

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

Supply of and Access to Information

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

Board Meetings

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

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

During the year ended 31 December 2021, the Board convened a total of four meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings and the annual general meeting of the Company held on 21 May 2021 (the "2021 AGM") is set out below:

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

Independent Board Committee

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

Board Committees

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

Executive Committee

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

Currently, the Executive Committee comprises three executive Directors as follows:

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

There were two Executive Committee meetings held during the year ended 31 December 2021. Attendance of each Executive Committee member at the Executive Committee Meetings is set out below:

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

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Remuneration Committee

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

- (i) to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management of the Company, as well as on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) to have delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, and make recommendations to the Board of the remuneration of non-executive Directors subject to the provision (vi) below;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment and ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is not otherwise unfair and in excessive for the Company;

- (v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct and ensure that such arrangements are determined in accordance with the relevant contractual terms and that any compensation payment is not otherwise unreasonable and inappropriate; and
- (vi) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Currently, the Remuneration Committee comprises three INEDs as follows:

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

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

During the year ended 31 December 2021, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

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

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

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

Nomination Committee

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

- (i) to review the structure, size and composition of the Board (including the skills, knowledge and experience) on a regular basis and make recommendations to the Board regarding any proposed changes;
- (ii) to identify individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (iii) to assess the independence of INEDs; and
- (iv) to make recommendations to the Board on the relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors in particular the Chairman and the CEO.

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

Nomination Policy

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

Selection Criteria

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

- (a) reputation for integrity;
- (b) commitment in respect of available time and attention;
- (c) accomplishment, professional knowledge and industry experience which are relevant to the Company;
- (d) the number of existing directorships held by the potential candidate, in particular, on the boards of the listed companies;
- (e) the potential contributions that the potential candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and
- (f) in case of appointment of independent non-executive director, the compliance with the criteria of independence as ascribed under Rule 3.13 of the Listing Rules.

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Nomination Procedures

A. Appointment of New Director

- (i) The potential candidate will submit biographical information as required by the Nomination Committee for its evaluation whether the potential candidate is qualified to be a director of the Company.
- (ii) A meeting of the Nomination Committee will be convened for the members of the Committee to discuss and consider (having regard to the potential contributions that the potential candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity); and make recommendation to the Board, if applicable.
- (iii) Where appropriate, the Board will make recommendations to the shareholders for election of the proposed director at general meeting.
- (iv) Any shareholder can nominate a person to be a director of the Company in accordance with the “Procedures for shareholders to propose a person for election as directors” issued by the Company, which is available on the websites of the Stock Exchange and the Company. The Board and/or the Nomination Committee will evaluate the nominated person with reference to the criteria set out under (ii) above to determine if the nominated person is qualified to be a director of the Company.

B. Re-election of Director

- (i) The Nomination Committee will review the contribution and services rendered to the Company of the retiring directors to be reelected at general meeting in accordance with the Articles of Association.
- (ii) The Nomination Committee will make recommendations to the Board for the proposed directors to stand for re-election at general meeting.
- (iii) Where appropriate, the Board will make recommendations to the shareholders for re-election of retiring directors at general meeting.

Disclosure of the Policy

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

Review of the Policy

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

Currently, the Nomination Committee comprises three INEDs as follows:

Mr. Wang Jincheng (*Chairman*), INED

Mr. Lo Peter, INED

Mr. Jen Shek Voon, INED

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

During the year ended 31 December 2021, the Nomination Committee convened one committee meeting and had assessed the independence of INEDs, considered the re-appointment of the retired Directors and discussed matters relating to procedure of nomination of director candidate by shareholders, Directors' evaluation and succession plan etc. Attendance of each Nomination Committee member at the Nomination Committee meeting is set out below:

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

Board Diversity Policy

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

Audit Committee

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

- (i) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor;
- (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (iii) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one audit firms are involved;
- (iv) to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- (v) to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them before submission to the Board;
- (vi) to review the Company's financial controls, internal control and risk management systems;

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- (vii) to discuss with the Management the system of internal control and ensure that the Management has discharged its duty to have an effective internal control system, including the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (viii) to review the Group's financial and accounting policies and practices;
- (ix) to report to the Board on any other matters set out in the Code; and
- (x) to review the Group's Internal Audit Function.

Currently, the Audit Committee comprises three INEDs as follows:

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

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

During the year ended 31 December 2021, the Audit Committee convened two committee meetings. Attendance of each Audit Committee member at the Audit Committee meetings is set out below:

Name of Members	Audit Committee Meetings Attended/ Number of meeting(s) held
Directors	
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	2/2
Mr. Wang Jincheng	2/2

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor for the year 2022, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2021 and annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

Risk Management and Internal Control

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

- (i) identifying and assessing relevant risks, considering and giving approval to necessary control activities proposed by executive Directors in accordance with risk assessments, to rationalize the control environment so as to lower operational risks but without impeding operating efficiency;
- (ii) ensuring constantly updating information and coordinated sharing of information;
- (iii) exercising appropriate levels of supervision to ensure the effectiveness and efficiency in the performance of various functions and activities of the Group;
- (iv) establishing and reviewing internal control measures for minimising and eliminating identified risks; and
- (v) seeking advice from external consultants for the enhancement and maintenance of the Group's internal control system.

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

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

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

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

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

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

During the reporting period, major works performed by the Management in relation to risk management and internal control include the following:

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

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

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

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

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

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

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

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

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group throughout the year ended 31 December 2021 provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively. Considerations were also given to the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Directors' Responsibility for the Financial Statements

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

In preparing the financial statements of the Group for the year ended 31 December 2021, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgements and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy, the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

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

Auditor's Remuneration

The Group's independent external auditor is DTT. The remuneration for the audit and non-audit services provided by DTT to the Group during the year ended 31 December 2021 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit	2,600 (Note 10)
Non-audit services (Note)	700
Total:	3,300

Note: Non-audit services include 2021 interim review.

Company Secretary

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

During the year ended 31 December 2021, Ms. Leung Wai Han has undertaken more than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

Communication with Shareholders and Investor Relations

The Board recognizes the importance of good communications with all shareholders. The 2021 AGM is a valuable forum for the Board to communicate directly with the Shareholders. The Chairmen of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the external auditor present at the 2021 AGM held on 21 May 2021 to answer shareholders' questions. The Company's forthcoming AGM will be held on 20 May 2022 (the "2022 AGM").

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

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

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

Closure of register of members

In order to determine the shareholders who are entitled to attend the 2022 AGM, the register of members of the Company will be closed from 17 May 2022 to 20 May 2022 (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 2021, the register of members of the Company will be closed from 27 May 2022 to 31 May 2022 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the 2022 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 16 May 2022 and 26 May 2022 respectively.

Shareholders' Rights

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

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting. At the 2021 AGM, all resolutions were passed by poll by the shareholders of the Company.

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

Dividend Policy

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

Principles and Guidelines

1. The Board has the discretion to declare and distribute dividends to the shareholders subject to the requirements of the Articles of Association, the laws of Cayman Islands, and other any applicable laws, rules and regulations and the Policy.
2. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting working capital requirements of the Company.
3. The Board shall take into account the following factors of the Group when considering the declaration or recommendation of dividends:
 - the Company's actual and expected financial performance;
 - the Group's working capital requirements, capital expenditure requirements/plans and future expansion plans;
 - the Group's liquidity position;
 - retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
 - any restrictions on payment of dividends that may be imposed by the Group's lenders;
 - taxation consideration;
 - the shareholders' interests;
 - the general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Group; and
 - other factors that the Board may consider relevant.
4. The Company in annual general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.
5. The Board may pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits of the Company justify the payment.



Corporate Governance Report

6. The Board may from time to time declare any special dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit.
7. The Company may declare and pay dividends by way of cash or an allotment of shares credited as fully paid or by other means that the Board considers appropriate.
8. Any unclaimed dividend shall be forfeited by the Board and shall revert to the Company in accordance with the Articles of Association.
9. For the avoidance of doubt, the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Change in Constitutional Documents

During the year ended 31 December 2021, there was no significant change in constitutional documents of the Company.

Looking Forward

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

Environmental, Social and Governance Report

Corporate Social Responsibility

The Group has been actively fulfilling its social responsibility and enthusiastically taking part in various public benefit activities, thus set a good enterprise social image. As at 31 December 2021, the Group hired and offered jobs to a total of 49 disabled people in Shanghai, Beijing and Tianjin through a recruiting campaign of “Fallen Angel (折翼天使)”. On the one hand, we solved their living problem, and on the other hand, helped them walk out of their home to join the big family “Ajisen” and then integrate into the society, thus offering them a way to realise their value of personal life. As integrated parts of the Group, our Hong Kong companies actively performed their responsibilities as responsible enterprises. In August 2021, Ajisen (Hong Kong) Co., Ltd. participated in the ECH2O Charter initiated by Green Council; and in November 2021, Ajisen (Hong Kong) Co., Ltd. participated in the “Sponsoring Volunteers” and “Boutique Charity Sale” activities organised by Yan Chai Hospital.

After over 20 years of operation under the brand of “Ajisen Ramen” from the first restaurant established in Shenzhen in 1996 to the present 737 restaurants as well as the operating rights in over 8,000 airports around the world, Ms. Poon Wai, the Chairman and Chief Executive Officer of the Group has accumulated extensive experience in catering operation and better serving customers. Ajisen (China) Holdings Limited was awarded the Certificate of Honor of “Top 10 Chinese Fast Food and Snack Enterprises in 2020” issued by China Hospitality Association in 2021, and was awarded the Certificate of Honor of “Top 100 Chinese Catering Enterprises in 2020” issued by China Cuisine Association in June 2021. Ms. Poon Wai was re-elected as the vice chairman of China Hotel Association, Shanghai Cuisine Association and Casual Light Meal Committee of China Cuisine Association in 2021.

Food and Occupational Safety

In implementation of its overall development strategy, the Group strictly followed the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, complied with relevant national laws

and regulations and adhered to law-abiding and honest operation. As a company listed on the Stock Exchange, the Group strictly followed the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, complied with the compliance guidelines and the requirements on information disclosure by listed companies.

In respect of operation of restaurants, the Group strictly complied with Consumer Protection Law, observed the laws and regulations such as Food Safety Law of the People’s Republic of China, Advertisements Law of the People’s Republic of China and Measures for the Management of Food Business License, and the subsidiaries in Hong Kong also strictly followed the Food Safety Ordinance of the Hong Kong Special Administrative Region. The Group organised employees to study the relevant laws and regulations, and further standardised and optimised the management process to do the business in compliance with regulations.

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

Environmental, Social and Governance Report

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

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

Employees are our valuable assets, the Group values the occupation safety of staff. In addition to strictly comply with the Regulation on Work Injury Insurance, we also provide regular training on production safety to operation management personnel and staff in workshops at factories. The Group has further modified and refined the Guidance on Production Safety for factories and central kitchens. On the basis of comprehensive and careful analysis of the operation specifications, hazardous parts, extent of hazard and precautions of each machine and equipment, one-on-one training is provided to the production equipment operators. In 2020, the training involved 114 types and 418 sets of machinery and equipment and with 644 participants accumulatively. In addition, the Group also provided regular trainings on occupational safety to logistic support employees to create a healthier, safer and more comfortable work environment for staff.

Environmental Protection Measures

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

In terms of treatment of wastewater discharge, the Group's central kitchen strictly abides by the Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015) and the Discharge Standard of Water Pollutants for Meat Packing Industry (GB13457-92), and the wastewater produced after raw material washing, water produced by filter press, wastewater produced after equipment washing, and wastewater produced after floor washing, upon being treated via our wastewater treatment device, will be included into municipal water pipe network together with the domestic sewage and be discharged in a collective manner after satisfying the discharge standards. During the reporting period, the Group's central kitchen discharged a total of approximately 64,000 tonnes of sewage, with all indicators meeting the standards.

In terms of treatment of exhaust emission, the Group strictly complies with the emission limits set out under the Emission Standard of Air Pollutants for Boilers (DB31/387-2014) and its first amendment, the Integrate Emission Standards of Air Pollutants (DB31/933-2015) as well as the Emission Standard of Kitchen Fumes for the Catering Industry (Trial) (GB18483-2001). The kitchen ventilators of the Group are equipped with automatic degreasing functions for oil fume purifying equipment, and the boiler in the central kitchen uses 0# light diesel fuel, the concentration and Ringelmann number and other indicators of the substances produced after its combustion including the smoke, nitrogen oxides and SO₂ reach the standards.

Environmental, Social and Governance Report

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

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

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

The regional lighting system has been implemented by the head office in Shanghai, Hong Kong branches, and subsidiaries, factories and restaurants in all the places to turn off illumination for certain unoccupied areas of individual region, thus to reduce unnecessary wastage of electricity. Moreover, the Group office proposed paperless office, double-sided paper utilisation and waste paper recycling, to make full use of each sheet of paper and protect forest resources. During the reporting period, a total of 70 tonnes of packaging compound bags were used for packaged noodle production by the Group. The Group encourages the fully utilisation of communication systems among employees to avoid unnecessary business trips. On the premise of ensuring that hygiene of food and tableware meet relevant standards, the use of water resources will be reduced to minimise the consumption of natural resources. The electricity, water and natural gas consumption of stores and offices of the Group in 2021 were approximately RMB89.9 million.

Energy Consumption (Central Kitchen)

	Consumption
Water (tonne)	127,329
Electricity (kWh)	11,671,680
Oil (litre)	73,935
Natural gas (cubic meter)	706,625

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

Relations with Suppliers, Customers and Employees

Relationship with Suppliers

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

Environmental, Social and Governance Report

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

Relationship with Customers

As a catering group mainly engages in operation of Japanese style fast casual restaurants, the Group has always given top priority to the interests of our consumers. To ensure continuous improvement of the quality of products and services, we regularly conduct internal and external market surveys to interact with consumers to deepen our understating of market demands, so as to gain market insights. We update our stores menu twice a year to timely give consumers fresh products and innovative ideas. Our customer service hotline is able to send the feedback to the management immediately and the same could be handled promptly. The Group launches promotion events at regular intervals to give back to our consumers. In 2019, the Group set up the Ajisen Membership Task Force, which further enhanced the communication and interaction with customers, so as to achieve accurate marketing while better satisfying customers' demands, serving customers and improving the Group's competitiveness in the market.

Relationship with Employees

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

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

The Group's Human Resources Department makes prompt adjustments to the relevant employment and administrative policies in accordance with the latest national laws and regulations. As at 31 December 2021, the Group had 9,000 employees, in which 5,820 were female employees and 3,180 were male employees. During the reporting period, no child labour related cases occurred.

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

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

Anti-corruption

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

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

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

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

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

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

Directors

Executive Directors

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

Poon Ka Man, Jason (潘嘉聞), aged 65, is an executive Director and the Chief Marketing Officer of the Company. He has been an executive Director since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon is also a director of certain subsidiaries of the Group. Mr. Poon has over 30 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai and is the maternal uncle of Ms. Minna Ng.

Minna Ng (伍美娜), aged 33, has been an executive Director of the Company since 20 August 2019 and the Director of New Business Department and Operating Officer of Hong Kong and Macau Businesses of the Group, overseeing Hong Kong operation, overseas business development and new brand restaurants of the Group. Ms. Ng is also a director of certain subsidiaries of the Group. After joining the Group in 2011, she has held various managerial roles within the Group, including restaurant operation, R&D and business development. She graduated from Bentley University in Boston, US with Bachelor degrees in Economics and Finance. Ms. Minna Ng is the daughter of Ms. Poon Wai and the niece of Mr. Poon Ka Man, Jason.

Non-executive Director

Katsuaki Shigemitsu (重光克昭), aged 53, has been a non-executive Director since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's franchisor. Mr. Shigemitsu has over 25 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 75, has been an independent non-executive Director since 8 March 2007. He is a sole proprietor of Jen Shek Voon, PAS, a Chartered Accountant and Public Accounting Singapore firm in Singapore that specializes in international and regional financial and business advisory services. Mr. Jen currently holds a certificate of registration issued by the Accounting and Corporate Regulatory Authority of Singapore, authorizing him to practice as a public accountant in Singapore. Mr. Jen also sits as an independent non-executive director of the boards of directors of a number of non-publicly listed companies in Singapore, and, on publicly listed companies in Malaysia and Hong Kong. Mr. Jen is a Fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree (Hons) from the University of Singapore and a M Comm (Hons) degree from the University of New South Wales. He is a Fellow of the Chartered Accountants Australia and NZ, the Association of Chartered Certified Accountants in the UK, and a member of the Malaysian Institute of Accountants, ISACA (Information System Audit and Control Association) and a member of the British Computer Society.

Lo Peter (路嘉星), aged 66, has been an independent non-executive Director since 8 March 2007. Mr. Lo is also an independent non-executive director of Uni-President China Holdings Ltd (stock code: 0220), a company listed on the Stock Exchange. Mr. Lo was the chairman and an executive director of China Outfitters Holdings Limited (stock code: 1146) from March 2010 to June 2018, a company listed on the Stock Exchange. Mr. Lo has more than 25 years of experience in operating businesses in the PRC, including but not limited to trade and investment in various industries such as leather goods, power plants, auto manufacturers, medical equipment and beer brewery. Mr. Lo holds a bachelor degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science.

Wang Jincheng (王金城), aged 67, has been an independent non-executive Director since 9 September 2008. Mr. Wang has over 45 years extensive experience in the hospitality industry in the PRC. He was officially awarded the honor of “World Hotel · Continental Diamond” – Top Ten Outstanding Entrepreneurs. Since 2003, Mr. Wang has served as the president and chairman of Shanghai Baolong (Group) Co. Ltd, the main business of which includes hotel and hostel services, food and beverage services and rental car services in the PRC. He has been a director of the World Cuisine Association since 2003. He was the chairman of the professional committee of career managers of the China Cuisine Association and the vice-chairman and secretary-general of Shanghai Restaurant Cuisine Association. He was awarded Senior Chinese Catering Manager in February 2010, a Distinguished Entrepreneur of the Food & Beverage Industry of China in 2007 and a Distinguished Commercial Venturing Entrepreneur of China in 2006. Mr. Wang was a deputy to 5th and 6th National People’s Congress of the Baoshan District of Shanghai, the PRC.

Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2021.

Principal activities

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

Business Review

A review of the business of the Group during the year ended 31 December 2021, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and a description of the principal risks and uncertainties that the Group may be facing are contained in the Management Discussion and Analysis on pages 6 to 13 of this annual report. The Company's environmental policies and performance, and the Group's relationships with its employees, customers and suppliers are contained in the Environmental, Social and Governance Report on pages 31 to 35 of this annual report.

Results and appropriations

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

Dividend

The Board recommended the payment of a final dividend of RMB0.08 (HK9.8 cents) per ordinary share for the financial year ended 31 December 2021 (2020: RMB0.08 (HK\$9.5 cents)).

Share capital

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

No shares were issued for the year ended 31 December 2021.

Distributable reserves

Distributable reserves of the Company as at 31 December 2021 are set out in note 33 to the consolidated financial statements.

Subsidiaries

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

Principal properties

Details of the principal properties held for development and/or sale and for investment purpose are set out on page 165 to 167 of this annual report.

Pre-emptive rights

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

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers were less than 5.0% of the Group's total turnover. The purchase from the Group's largest supplier, Shanghai Zhan Yu International Trading Limited (上海瞻煜國際貿易有限公司) accounted for approximately 17.8% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 57.2% of the Group's total purchase.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who owns an approximately 44.9% interest in Shigemitsu Industry Co., Ltd. (also known as Shigemitsu Kabushiki Kaisha or Shigemitsu Sangyo Co. Ltd), a company incorporated in Japan on 5 July 1972, which is the franchisor of the Company (details of which are set out on page 51 to page 52 of this annual report), none of the Directors or their respective associates, or the Shareholders who, to the knowledge of the Directors, own more than 5% of the issued shares of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group.

Donations

The Company made RMB6,635 charitable and other donations during the year under review (2020: RMB74,375).

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 2021.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 169 of this annual report.

Directors

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

Executive Directors

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

Non-executive Director

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors

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

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

Confirmation of independence of independent non-executive Directors

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



Report of the Directors

Directors' service contracts

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

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

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

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

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

as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("the SFO"))

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

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

Notes:

- The letter "L" denotes the Director's long position in such shares.
- The 480,123,041 shares were held by Favor Choice Group Limited ("Favor Choice"), which is an investment holding company wholly owned by Anmi Holding Company Limited ("Anmi Holding"). Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the CEO.
- Among the 31,425,380 shares, 10,604,251 shares were held by Shigemitsu Industry Co. Ltd., and 20,821,129 shares were held by Wealth Corner Limited. The aforesaid companies are respectively owned as to approximately 69.89% and 100% by Mr. Katsuaki Shigemitsu, a non-executive Director.

Report of the Directors

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

Name of director	Capacity/Nature of interests	Description of equity derivatives	Number of underlying shares <i>(Note 1)</i>
Mr. Jen Shek Voon	beneficial owner	share option <i>(Note 2)</i>	100,000 (L)
Mr. Lo Peter	beneficial owner	share option <i>(Note 2)</i>	100,000 (L)
Mr. Wang Jincheng	beneficial owner	share option <i>(Note 2)</i>	100,000 (L)
Mr. Katsuaki Shigemitsu	beneficial owner	share option <i>(Note 2)</i>	100,000 (L)

Notes:

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

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

(1) Long position in the shares of Anmi Holding

Name of director	Capacity and nature of interest	Number of shares	Approximate % of shareholding
Ms. Poon Wai	founder of a discretionary trust	1	100% <i>(Note)</i>

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

(2) Long position in the shares of Favor Choice

Name of director	Capacity and nature of interest	Number of shares	Approximate % of shareholding
Ms. Poon Wai	founder of a discretionary trust	10,000	100% <i>(Note)</i>

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

Save as disclosed herein, as at 31 December 2021, none of the Directors and chief executive of the Company, or any of their spouse, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders discloseable under the SFO

So far as is known to the Company, as at 31 December 2021, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares (Note 1)	Approximate % of shareholding
Favor Choice (Note 2)	beneficial owner	480,123,041 (L)	43.99%
Anmi Holding (Note 2)	interest of controlled corporation	480,123,041 (L)	43.99%
HSBC International Trustee Limited (Note 2)	trustee	480,123,041 (L)	43.99%
Invesco Hong Kong Limited	investment manager	95,318,000 (L)	8.73%
The Bank of New York Mellon	interest of controlled corporation	59,854,000 (L)(P)	7.69%

Notes:

- The letter "L" denotes the substantial shareholder's long position in such shares. The letter "P" denotes the substantial shareholder's "lending pool" status in such shares.
- The 480,123,041 shares were held by Favor Choice, which is an investment holding company wholly owned by Anmi Holding. Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the CEO, and HSBC International Trustee Limited (in its capacity as the trustee of Anmi Trust) is the legal owner of the entire issued share capital of Anmi Holding.

Save as disclosed herein, as at 31 December 2021, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept by the Company under section 336 of the SFO.

Report of the Directors

Directors' interests in transaction, arrangement or contract of significance

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

Directors' interests in competing business

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

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

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

- (i) Despite the disposals of the Poons' beneficial ownership interests in Smart Wave prior to the listing of the Company as disclosed in the Prospectus and in compliance with the undertaking given by Mr. Poon Ka Man, Jason to the Company (the "Disposal Undertaking"), the names of the Poons remain on the register of Smart Wave as of now, since Mr. Cheng Wai Tao, Ricky ("Mr. Cheng"), the sole director of Smart Wave, has failed and/or refused to register the incoming shareholder, Fine Elite Group Limited ("Fine Elite") on the register of members of Smart Wave.
- (ii) Subsequent to the Poons' disposals of their beneficial interest in Smart Wave, Fine Elite intended to bring legal proceedings on behalf of Smart Wave against Mr. Cheng for breach of fiduciary duties owed to Smart Wave (the "Proceedings"). Given that only a registered shareholder has locus standi to do so, Mr. Poon Ka Man, Jason agreed with Fine Elite that he would use his name to commence the Proceedings. The Proceedings were concluded at the Court of Final Appeal in 2016 and Mr. Cheng was adjudged liable to Smart Wave for breach of fiduciary duties.
- (iii) In the Proceedings, Mr. Poon Ka Man, Jason only acted in a representative capacity for Smart Wave, and he personally has not received and will not receive any economic benefits from his involvement.

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

- (i) The Poons are merely holding the shares in Smart Wave as bare trustees, and have no equitable, beneficial or financial interest in, or control over, Smart Wave;
- (ii) Since 2010, Smart Wave has ceased operation and no longer been operating any business, competing or otherwise;
- (iii) The Poons have agreed to enter into a new deed on 13 March 2018 with Fine Elite and its beneficial owner to expressly covenant that all rights, benefits, dividends, obligations, and liabilities as attendant to the Poons' ostensible legal shareholding in Smart Wave would accrue to Fine Elite and its beneficial owner; and
- (iv) The Poons have agreed to update the Company as and when they become aware of anything material relating to Smart Wave (including but not limited to updates in the annual confirmation of compliance with the Non-competition Undertaking to be given by them to the Company every year).

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

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

Management contracts

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

Share Option Scheme

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



Report of the Directors

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

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

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

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

As at 31 December 2021, the number of shares in respect of which options under the 2007 Share Option Scheme and 2017 Share Option Scheme had been granted and remained outstanding was 4,680,000 shares and 33,645,000 shares, representing approximately 0.43% and 3.08% of the shares of the Company in issue as at 31 December 2021.

Report of the Directors

Total number of shares available for issue under the 2007 Share Option Scheme was 4,680,000 shares, representing approximately 0.43% of the shares of the Company in issue as at the date of this annual report.

Details of the share options granted under the 2007 Share Option Scheme and the 2017 Share Option Scheme are contained in note 32 to the consolidated financial statements and the movement during 2021 are as follows:

Total number of shares available for issue under the 2017 Share Option Scheme was 1,782,000 shares, representing 0.16% of the shares of the Company in issue as at the date of this annual report.

Grantee	Date of grant of share options	Number of share options					As at 31 December 2021	Exercise price of share options HK\$	Validity period of share options (both dates inclusive)	Vesting Period
		As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year				
Employees (in aggregate)	26 August 2011	5,536,000	-	-	-	(5,536,000)	-	5.530	26 August 2012 to 25 August 2021	Note 1
	15 October 2012	400,000	-	-	-	-	400,000	5.530	15 October 2012 to 25 August 2021	Note 2
	2 July 2013	300,000	-	-	-	(300,000)	-	6.310	2 July 2014 to 1 July 2023	Note 3
	27 August 2013	530,000	-	-	-	-	530,000	8.740	27 August 2014 to 26 August 2023	Note 1
	25 September 2014	100,000	-	-	-	-	100,000	6.450	25 September 2014 to 24 September 2024	Note 1
	8 January 2015	150,000	-	-	-	-	150,000	5.900	8 January 2015 to 7 January 2025	Note 1
	17 April 2015	2,200,000	-	-	-	(800,000)	1,400,000	5.060	17 April 2015 to 16 April 2025	Note 4
	2 July 2015	1,700,000	-	-	-	-	1,700,000	4.104	2 July 2015 to 1 July 2025	Note 1
	19 July 2017	2,500,000	-	-	-	(2,000,000)	500,000	3.504	19 July 2017 to 18 July 2027	Note 1
	1 June 2018	1,900,000	-	-	-	-	1,900,000	3.256	1 June 2018 to 31 May 2028	Note 1
	14 January 2019	55,000	-	-	-	-	55,000	2.214	14 January 2019 to 13 January 2029	Note 1
	3 June 2019	200,000	-	-	-	-	200,000	3.322	3 June 2019 to 2 June 2029	Note 1
27 August 2020	700,000	-	-	-	-	700,000	1.250	27 August 2020 to 26 August 2030	Notes 1, 6	

Report of the Directors

Grantee	Date of grant of share options	Number of share options					As at 31 December 2021	Exercise price of share options HK\$	Validity period of share options (both dates inclusive)	Vesting Period
		As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year				
	8 April 2021	-	500,000	-	-	-	500,000	1.3	8 April 2021 to 7 April 2031	Notes 1, 7
	1 November 2021	-	30,260,000	-	-	(470,000)	29,790,000	1.344	1 November 2021 to 31 October 2031	Notes 1, 8
Directors										
Mr. Jen Shek Voon	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 5
Mr. Lo Peter	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 5
Mr. Katsuaki Shigemitsu	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 5
Mr. Wang Jincheng	15 October 2012	100,000	-	-	-	-	100,000	5.53	15 October 2012 to 14 October 2022	Note 5
		16,671,000	30,760,000	-	-	(9,106,000)	38,325,000			

Notes:

Note 1

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

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

Note 2

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

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
20% of the total number of share options	From 15 October 2012 to 25 August 2013
20% of the total number of share options	From 26 August 2013 to 25 August 2014
20% of the total number of share options	From 26 August 2014 to 25 August 2015
20% of the total number of share options	From 26 August 2015 to 25 August 2016
20% of the total number of share options	From 26 August 2016 to 25 August 2017

Note 3

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

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
10% of the total number of share options	From the expiry of the first anniversary of the date of grant to the date immediately before the second anniversary of the date of grant
10% of the total number of share options	From the second anniversary of the date of grant to the date immediately before the third anniversary of the date of grant
10% of the total number of share options	From the third anniversary of the date of grant to the date immediately before the fourth anniversary of the date of grant
10% of the total number of share options	From the fourth anniversary of the date of grant to the date immediately before the fifth anniversary of the date of grant
10% of the total number of share options	From the fifth anniversary of the date of grant to the date immediately before the sixth anniversary of the date of grant
10% of the total number of share options	From the sixth anniversary of the date of grant to the date immediately before the seventh anniversary of the date of grant
10% of the total number of share options	From the seventh anniversary of the date of grant to the date immediately before the eighth anniversary of the date of grant
10% of the total number of share options	From the eighth anniversary of the date of grant to the date immediately before the ninth anniversary of the date of grant
20% of the total number of share options	From the ninth anniversary of the date of grant to the date immediately before the tenth anniversary of the date of grant

Note 4

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

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

Report of the Directors

Note 5

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

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share options
20% of the total number of share options	From 15 October 2012 to 14 October 2013
20% of the total number of share options	From 15 October 2013 to 14 October 2014
20% of the total number of share options	From 15 October 2014 to 14 October 2015
20% of the total number of share options	From 15 October 2015 to 14 October 2016
20% of the total number of share options	From 15 October 2016 to 14 October 2017

Note 6

The closing price of the Company shares immediately before the date of grant of share option was HK\$1.25 per share. The fair value of the options granted on 27 August 2020 was determined at the grant date using Binomial Pricing Model and was approximately HK\$296,660.

Note 7

The closing price of the Company shares immediately before the date of grant of share option was HK\$1.3 per share. The fair value of the options granted on 8 April 2021 was determined of the grant date using Binomial Pricing Model and was approximately HK\$230,000.

Note 8

The average closing price of the Company for the five business days immediately preceding the date of grant was HK\$1.344 per share. The fair value of the options granted on 1 November 2021 was determined using Binomial Pricing Model and was approximately HK\$13,061,315.

Directors' rights to acquire shares or debentures

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

Retirement scheme

Particulars of the retirement scheme of the Company are set out in note 40 to the consolidated financial statements.

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2021 are as follows:

Shigemitsu transactions

Shigemitsu Industry Co., Ltd. (“Shigemitsu”) is a company incorporated in Japan and owned by the Shigemitsu family. Mr. Katsuaki Shigemitsu, a non-executive Director, personally owns approximately 44.9% interest in Shigemitsu, which is thus a connected person of the Company pursuant to the Listing Rules.

1. *The franchise agreements*

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

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

The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the year ended 31 December 2021 is RMB27,900,000 (HK\$33,641,533). The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2021 is approximately RMB25,270,113.

The annual cap set for the aggregate royalty of airports in Europe is RMB150,000 (HK\$180,868), the aggregate amount of the royalty for the year ended 31 December 2021 is approximately RMBnil.

2. *Supply agreements between the Group and Shigemitsu*

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

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

The annual cap set for the Group’s total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2021 is RMB32,000,000 (HK\$38,585,271). The actual amount payable for the year is approximately RMB31,723,533.

Report of the Directors

3. *Sales agreement between Fortune Choice and Shigemitsu*

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

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement for the year ended 31 December 2021 is RMB1,200,000 (HK\$1,446,948). The actual amount received for the year is approximately RMB908,300.

Design Union transactions

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

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

A framework agreement was entered into between Design Union and the Group on 8 March 2007. As the Group intended to continue carrying out the transactions under the Design Union Agreement, the Group renewed the Design Union Agreement with Design Union on 14 May 2021 for a further three-year term. Pursuant to the Design Union Agreement, Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2021 is RMB6,548,520 (HK\$7,896,138). The actual amount payable for the year is approximately RMB2,031,685.

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

- (i) in the ordinary and usual course of the business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has performed certain pre-determined procedures and reported its findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2021 and stated that:

- (1) nothing has come to their attention that causes them to believe that the above continuing connected transactions have not been approved by the Company's Board of Directors.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the annual cap as set by the Company.

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

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

Apart from the above continuing connected transactions, the related party transaction with Ms. Poon as disclosed in note 41 to the consolidated financial statements also constitutes continuing connected transaction as defined in Chapter 14A of the Listing Rules. However, it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The other related party transactions set out in note 41 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Poon Wai transactions

On 29 June 2020, Weiqian Noodle Food Service (Shenzhen) Co., Limited ("Weiqian Noodle Food Service"), an indirect wholly-owned subsidiary of the Company, and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company) entered into the lease agreement, pursuant to which Ms. Poon has agreed to lease the office premises located at Rooms 2301, 2302, 2303, 2305, 2306, 2307 and 2309, Golden Central Tower, Futian District, Shenzhen, Guangdong Province, the PRC (with an aggregate floor area of approximately 813.06 square meters) to Weiqian Noodle Food Service upon the terms and subject to the conditions set out in the tenancy agreement for a term of three years commencing on 1 July 2020 until 30 June 2023 (both dates inclusive). The office premises will be used by Weiqian Noodle Food Service as its office. Pursuant to the lease agreement, the monthly rent payable to Ms. Poon amounts to RMB138,220.2. The total monthly rents of the office premises incurred during the period from 1 January 2021 to 31 December 2021 were RMB1,658,642.4.

On 29 June 2020, Weiqian Noodle (Shenzhen) Co., Limited ("Weiqian Noodle"), an indirect wholly-owned subsidiary of the Company, and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company) entered into the lease agreement in relation to office premises at Room 2308, Golden Central Tower, Futian District, Shenzhen, Guangdong Province, the PRC (with an aggregate floor area of approximately 92.75 square meters) to Weiqian Noodle upon the terms and subject to the conditions set out in the tenancy agreement for a term of three years commencing on 1 July 2020 until 30 June 2023 (both dates inclusive). The office premises will be used by Weiqian Noodle as its office. Pursuant to the lease agreement, the monthly rent payable to Ms. Poon amounts to RMB15,767.5. The total monthly rents of the office premises incurred during the period from 1 January 2021 to 31 December 2021 were RMB189,210.

Employee's remuneration and policy

As at 31 December 2021, the Group employed 9,000 persons (31 December 2020: 9,951 persons, most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will be changed from time to time as may be necessary and the remuneration will be determined by reference to the practice of the industry.

The Remuneration Committee conducted regular reviews on its remuneration policy and overall remuneration payment. Besides retirement scheme and internal training courses, employees may be granted discretionary bonus and/or share options based on their performances.

The total remuneration payment of the Group for the year ended 31 December 2021 was approximately RMB542,546,000 (31 December 2020: RMB477,510,000).

Report of the Directors

Pursuant to code provision B 1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

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

Details of the remuneration of each of the director of the Company for the year ended 31 December 2021 are set out in note 11 to the financial statements.

Permitted Indemnity

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective articles of associations. Such provisions were in force during the course of the financial year ended 31 December 2021 and remained in force as of the date of this report. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Sufficiency of public float

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

Auditor

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

Subsequent events

The spread of the COVID-19 epidemic in the PRC since February 2022 may have had a negative impact on the Company's operations which are located in the PRC, especially in Hongkong, Shenzhen and Shanghai. Based on the estimation in the impact of COVID-19, the management considered that there would be a material impact to the Company's operating profit in the first quarter of 2022, resulting from the drop in sales and payment of relevant costs and operating expenses. In addition, as the operations of substantially all of the Group's associates, joint venture, investees are located in the PRC, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's investments in these investees, which are subject to impairment assessments as appropriate. The recoverability of the Group's inventories is also expected to be negatively affected. Due to the inherent nature and unpredictability of future development and market sentiment, actual financial impact could be significantly different depending on the outcome and development of the epidemic and when it is settled.

Save as disclosed above, Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this annual report.

On behalf of the Board

Poon Wai

Chairman and Chief Executive Officer

Hong Kong, 24 March 2022

Independent Auditor's Report

Deloitte.

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

德勤

Opinion

We have audited the consolidated financial statements of Ajisen (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 164, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgement was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Independent Auditor's Report

Key Audit Matter *(Continued)*

Key audit matter

Fair value measurement for financial assets at fair value through profit or loss ("FVTPL")

We identified the fair value measurement for financial assets at FVTPL as a key audit matter due to its significance in the context of the consolidated financial statements, combined with management judgements involved in the fair value measurements for such financial assets. As disclosed in note 23 to the consolidated financial statements, as at 31 December 2021, the carrying amount of financial assets at FVTPL amounted to RMB179,320,000.

As disclosed in note 34 to the consolidated financial statements, the fair value of financial assets at FVTPL in an aggregate amount of RMB179,320,000 as at 31 December 2021, are determined by appropriate valuation techniques. These valuation techniques, in particular those that include significant unobservable inputs, involve management subjective judgements and assumptions. Changes in the key inputs and assumptions on which the fair value of these assets are based could significantly affect the Group's assessment resulting in a fair value change being recognised.

How our audit addressed the key audit matter

Our procedures in relation to the fair value measurement for financial assets at FVTPL included:

- Understanding the key controls over the fair value measurements and evaluating the design and implementation of these controls;
- For those investments that the management uses the assistance of the external valuers in the fair value measurement, assessing the objectivity, independence and competence of the external valuers; and
- With the assistance of our internal valuation specialists, evaluating the appropriateness of the valuation techniques and disclosure of the fair value measurement, and challenging the management's key inputs and assumptions with supporting evidence.

Other Information

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

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

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

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

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

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

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



Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	1,996,209	1,820,588
Cost of inventories consumed		(537,336)	(515,561)
Staff costs	10	(542,546)	(477,510)
Depreciation	10	(379,725)	(443,693)
Other operating expenses	10	(512,572)	(421,778)
Profit (loss) from operation		24,030	(37,954)
Other income	7	77,421	96,169
Impairment losses under expected credit loss model, net of reversal		83	(9,263)
Other gains and losses	8	(16,806)	(108,327)
Share of loss of associates		(1,103)	(448)
Share of loss of a joint venture		(1,225)	(1,998)
Finance costs	9	(29,960)	(36,178)
Profit (loss) before tax		52,440	(97,999)
Income tax (expense) credit	12	(34,479)	19,110
Profit (loss) for the year		17,961	(78,889)
Other comprehensive expense, net of income tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(11,906)	(26,188)
Other comprehensive expense for the year, net of income tax		(11,906)	(26,188)
Total comprehensive income (expense) for the year		6,055	(105,077)

(Continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	<i>NOTE</i>	2021 RMB'000	2020 RMB'000
<hr/>			
Profit (loss) for the year attributable to:			
Owners of the Company		20,940	(77,868)
Non-controlling interests		(2,979)	(1,021)
		<hr/> 17,961	<hr/> (78,889)
<hr/>			
Total comprehensive income (expense) attributable to:			
Owners of the Company		10,620	(96,798)
Non-controlling interests		(4,565)	(8,279)
		<hr/> 6,055	<hr/> (105,077)
<hr/>			
		2021	2020
		RMB	RMB
Earnings (loss) per share	14		
– Basic		0.02	(0.07)
		<hr/> 0.02	<hr/> (0.07)
– Diluted		0.02	(0.07)
		<hr/> 0.02	<hr/> (0.07)

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Investment properties	15	996,028	997,956
Property, plant and equipment	16	509,569	532,083
Right-of-use assets	17	615,458	616,312
Goodwill	18	1,264	1,289
Intangible assets	19	128	519
Interests in associates	21	56,308	56,099
Interest in a joint venture	22	8,490	9,715
Rental deposits		88,329	97,980
Deferred tax assets	20	37,210	27,568
Financial assets at fair value through profit or loss ("FVTPL")	23	179,320	236,671
		2,492,104	2,576,192
Current assets			
Inventories	24	120,387	137,202
Trade and other receivables	25	160,342	158,034
Taxation recoverable		846	586
Bank balances and cash	26	1,527,538	1,738,380
		1,809,113	2,034,202
Current liabilities			
Trade and other payables	27	261,168	275,897
Lease liabilities	28	229,974	247,766
Contract liabilities		4,625	7,828
Amounts due to related companies	29	4,047	5,162
Amounts due to directors	29	462	460
Amounts due to non-controlling interests	29	13,509	13,518
Amounts due to associates	29	2,027	2,087
Amount due to a joint venture	29	480	576
Taxation payable		17,160	39,812
Bank borrowings	30	41,686	146,469
		575,138	739,575
Net Current Assets		1,233,975	1,294,627
Total Assets less Current Liabilities		3,726,079	3,870,819

(Continued)

Consolidated Statement of Financial Position

At 31 December 2021

	<i>NOTES</i>	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	28	374,395	384,985
Bank borrowings	30	35,317	39,575
Deferred tax liabilities	20	166,198	156,338
Financial liabilities at FVTPL	23	36,020	61,067
		611,930	641,965
Net Assets			
		3,114,149	3,228,854
Capital and reserves			
Share capital	31	108,404	108,404
Reserves		2,951,701	3,049,364
Equity attributable to owners of the Company			
		3,060,105	3,157,768
Non-controlling interests		54,044	71,086
Total Equity			
		3,114,149	3,228,854

The consolidated financial statements on pages 60 to 164 were approved and authorised for issue by the Board of Directors on 24 March 2022 and are signed on its behalf by:

Poon Ka Man, Jason
DIRECTOR

Minna Ng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company												Total
	Share capital	Share premium	Special reserve	Share-based payments reserve	Capital reserve	Properties revaluation reserve	Translation reserve	Statutory surplus reserve fund	Other reserve	Retained profits	Subtotal	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	108,404	1,811,881	(234,729)	38,155	1,159	173,305	(207,223)	161,248	(10,005)	1,315,573	3,157,768	71,086	3,228,854
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	20,940	20,940	(2,979)	17,961
Other comprehensive expense for the year	-	-	-	-	-	-	(10,320)	-	-	-	(10,320)	(1,586)	(11,906)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(10,320)	-	-	20,940	10,620	(4,565)	6,055
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(12,716)	(12,716)
Dividends recognised as distribution (note 13)	-	(109,154)	-	-	-	-	-	-	-	-	(109,154)	-	(109,154)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	239	239
Recognition of share-based payment (note 32)	-	-	-	871	-	-	-	-	-	-	871	-	871
Transfer on forfeiture of share options	-	-	-	(30,685)	-	-	-	-	-	30,685	-	-	-
At 31 December 2021	108,404	1,702,727	(234,729)	8,341	1,159	173,305	(217,543)	161,248	(10,005)	1,367,198	3,060,105	54,044	3,114,149

(continued)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share-based payments reserve RMB'000	Capital reserve RMB'000	Properties revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	108,404	1,887,197	(234,729)	40,519	1,159	173,305	(188,293)	160,942	(10,005)	1,390,575	3,329,074	79,365	3,408,439
Loss for the year	-	-	-	-	-	-	-	-	-	(77,868)	(77,868)	(1,021)	(78,889)
Other comprehensive expense for the year	-	-	-	-	-	-	(18,930)	-	-	-	(18,930)	(7,258)	(26,188)
Total comprehensive expense for the year	-	-	-	-	-	-	(18,930)	-	-	(77,868)	(96,798)	(8,279)	(105,077)
Dividends recognised as distribution (note 13)	-	(75,316)	-	-	-	-	-	-	-	-	(75,316)	-	(75,316)
Recognition of share-based payment (note 32)	-	-	-	808	-	-	-	-	-	-	808	-	808
Transfer on forfeiture of share options	-	-	-	(3,172)	-	-	-	-	-	3,172	-	-	-
Transfer	-	-	-	-	-	-	-	306	-	(306)	-	-	-
At 31 December 2020	108,404	1,811,881	(234,729)	38,155	1,159	173,305	(207,223)	161,248	(10,005)	1,315,573	3,157,768	71,086	3,228,854

(continued)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

The special reserve mainly represents the aggregate of:

- (a) An amount of approximately RMB41 million, being the difference between the paid-in capital of Ajisen (China) International Limited (“Ajisen International”) and the subsidiaries involved in the group reorganisation which was effected in 2007.
- (b) A net amount of approximately RMB45 million, being the difference between (i) the share premium which resulted from the issue of shares of the Ajisen International, of RMB219 million to acquire additional interests in subsidiaries (which resulted in a goodwill of approximately RMB36 million) and (ii) an amount of approximately RMB174 million, being the difference between the fair value and the carrying amount of the additional interest in these subsidiaries prior to the acquisition, which represented a revaluation increase in the net assets attributable to the Group’s additional interest in the subsidiaries effected in 2007.
- (c) A net debit amount of approximately RMB321 million, being the difference between (i) the consideration which comprised cash consideration of RMB184 million and share consideration of RMB137 million of the acquisition of Luck Right Limited (“Luck Right”) and its subsidiaries from Ms. Poon Wai in 2008 and (ii) the share capital of Luck Right.

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

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	52,440	(97,999)
Adjustments for:		
Compensation in relation to a prior year financial asset at FVTPL	–	(32,545)
Fair value loss on financial assets at FVTPL	57,351	26,037
Fair value gain on financial liabilities at FVTPL	(25,047)	(1,709)
Fair value (gain) loss on investment properties	(8,688)	10,308
Depreciation of property, plant and equipment	138,472	162,148
Depreciation of right-of-use assets	241,253	281,545
2019 Novel coronavirus (“Covid-19”) – related rent concessions	–	(34,121)
Impairment loss, net of reversal		
– property, plant and equipment	–	3,875
– right-of-use assets	1,865	17,656
– financial assets under expected credit loss model	(83)	9,263
– intangible assets	–	4,616
– interests in associates	(1,348)	77,942
Finance costs	29,960	36,178
Bank interest income	(19,348)	(23,059)
Loss on disposal of property, plant and equipment	7,521	3,968
Gain on disposal of right-of-use assets	(8,565)	(2,444)
Share-based payments	871	808
Share of loss of associates	1,103	448
Share of loss of a joint venture	1,225	1,998
Dividends from financial assets at FVTPL	(1,203)	–
Operating cash flows before movements in working capital	467,779	444,913
Decrease (increase) in inventories	16,618	(10,511)
Decrease in trade and other receivables	12,299	26,496
Decrease in trade and other payables	(18,622)	(23,663)
Decrease in contract liabilities	(3,203)	(2,406)
Cash generated from operations	474,871	434,829
Income tax paid	(57,154)	(29,498)
NET CASH FROM OPERATING ACTIVITIES	417,717	405,331
INVESTING ACTIVITIES		
Interest received	19,337	24,124
Proceeds on disposal of property, plant and equipment	1,004	7,425
Proceeds on disposal of an investment property	–	47,064
Purchase of property, plant and equipment	(121,256)	(125,664)
Payments for rental deposits	(33,297)	(8,571)
Refund of rental deposits	28,435	13,147
Dividends received from financial assets at FVTPL	1,203	–
Compensation received in relation to a prior year financial asset at FVTPL	–	36,135
NET CASH USED IN INVESTMENT ACTIVITIES	(104,574)	(6,340)

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Advance from related companies	–	1,089
Repayment to related companies	(1,115)	–
Advance from directors	15	–
Repayment to directors	–	(44)
Repayment to associates	–	(158)
Advance from non-controlling interests	–	84
Repayment to a joint venture	(96)	(1,500)
Repayment to a shareholder	–	(17,525)
Bank borrowings raised	–	69,338
Repayment of bank borrowings	(105,217)	(78,929)
Repayment of lease liabilities	(289,543)	(242,586)
Interest paid	(2,251)	(4,652)
Dividends paid to shareholders of the Company	(109,154)	(75,340)
Dividends paid to non-controlling interests	(12,716)	–
Contribution from non-controlling interests	239	–
NET CASH USED IN FINANCING ACTIVITIES	(519,838)	(350,223)
Net (decrease) increase in cash and cash equivalents	(206,695)	48,768
Cash and cash equivalents at 1 January	1,738,380	1,705,399
Effect of foreign exchange rate changes on bank balances and cash held in foreign currencies	(4,147)	(15,787)
Cash and cash equivalents at 31 December, represented by bank balances and cash	1,527,538	1,738,380

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*. The Group also applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

2.1 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* (“HKFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* (“HKFRS 7”).

As at 1 January 2021, the Group has several bank borrowings, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of outstanding contracts as at 1 January 2021. The amounts of bank borrowings are shown at their carrying amounts.

	HK\$ Hong Kong Interbank Offered Rate (“HIBOR”) RMB’000
Financial liability	
Bank borrowings	141,395

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 34.

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

2.3 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, 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* ("HKAS 36").

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies

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 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation (Continued)

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

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 (if any) 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 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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 when 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 and then to the other assets 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 and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Interests in associates and a joint venture

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Interests in associates and a joint venture (Continued)

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

The Group continues to use the equity method when an interest in an associate becomes an interest in a joint venture or an interest in a joint venture becomes an interest 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 reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction 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, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

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

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

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

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

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

As the criterias above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities

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

The lease payments include:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

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

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

Lease modifications

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee *(Continued)*

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in HKFRS 16 (see the accounting policy above) to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

Covid-19-related rent concessions

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

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

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

Sale and leaseback transactions

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

The Group as a seller-lessee

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

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 operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies (Continued)

Borrowing costs

All 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 related to income 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. Government grants relating to compensation of expenses are deducted from the related expense, other government grants are presented under "other income".

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Taxation

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets.

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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 acquired in a business combination 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

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

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

Inventories

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

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

(i) Significant increase in credit risk

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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 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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets *(Continued)*

- (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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and lease 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (Continued)

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, 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 of RMB62,728,000 have been recognised as at 31 December 2021 (2020: RMB59,895,000).

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

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties (Continued)

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 the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

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

Fair value measurement of financial instruments

As at 31 December 2021, certain of the Group's financial assets and liabilities, financial assets at FVTPL amounting to RMB179,320,000 (2020: RMB236,671,000) and financial liabilities at FVTPL amounting to RMB36,020,000 (2020: RMB61,067,000) are measured at fair value for financial reporting purposes.

In estimating the fair value of the financial instruments above, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group will engage third party qualified valuers to perform the valuation, if necessary. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the related 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 assets and liabilities. Judgements and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these financial assets and liabilities. Note 34(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various financial assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of interests in associates

As at 31 December 2021, in view of impairment indicators, the Group performed impairment assessment on interests in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associates which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management to estimate the present value of the estimated cash flows expected to arise from dividends to be received from the associate and the proceeds from the ultimate disposal of the investment taking into account factors, including discount rate, dividend payout rate, etc. In cases where change in facts and circumstances which result in revision of those estimation in calculation of fair value less costs of disposal and value in use, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve. The Group engaged an independent qualified valuers to assist the management in calculating the fair values less cost of disposal of the associates. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2021, the carrying amount of interests in associates subject to impairment assessment amounted to RMB19,487,000 (2020: RMB18,266,000), net of accumulated impairment loss of RMB92,733,000 (2020: RMB94,081,000).

Deferred tax asset

As at 31 December 2021, a deferred tax asset of RMB37,210,000 (2020: RMB27,568,000) has been recognised in the consolidated statement of financial position as disclosed in note 20. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the Covid-19 pandemic may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Useful lives and residual value of property, plant and equipment

The 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 2021, the carrying amount of property, plant and equipment amounted to RMB509,569,000 (2020: RMB532,083,000).

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

Key sources of estimation uncertainty (Continued)

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were RMB10,694,000 and RMB53,559,000 (2020: RMB11,364,000 and RMB66,752,000), respectively, net of accumulated impairment losses of RMB1,945,000 and RMB5,531,000 (2020: RMB3,947,000 and RMB21,903,000) in respect of property, plant and equipment and right-of-use assets that have been recognised respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 16 and 17 respectively.

Fair values of investment properties

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

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

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

As at 31 December 2021, the carrying amount of the Group's investment properties was RMB996,028,000 (2020: RMB997,956,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2021 RMB'000	2020 RMB'000
Operation of restaurants	1,880,923	1,702,117
Manufacture and sales of noodles and related products	115,286	118,471
	1,996,209	1,820,588
Timing of revenue recognition		
A point in time	1,996,209	1,820,588

(ii) Performance obligations for contracts with customers

Revenue from operation of restaurants, manufacture and sales of noodles and related products is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. For operation of restaurants, payment of the transaction price is due immediately at the point the customer purchases noodles and related products. For manufacture and sales of noodles and related products, except for those with credit terms, the advance payments received from customers are recognised as contract liabilities throughout the year ended 31 December 2021 before the control on the goods is transferred to customers and are recognised as revenue once the goods are delivered and accepted by customers.

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

Revenue of RMB3,896,000 (2020: RMB6,672,000) was recognised in the current year relates to carried-forward contract liabilities that was included in the contract liability balance at the beginning of the year.

6. OPERATING SEGMENTS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. OPERATING SEGMENTS (Continued)

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

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

Information regarding these segments is presented below.

Segment revenues and results

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

For the year ended 31 December 2021

	Operation of restaurants			Manufacture and sales of noodles and related products	Investment holding	Total reportable segments		Eliminations	Total
	Mainland China	Hong Kong	Total			segments	Eliminations		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE									
– external sales	1,720,905	160,018	1,880,923	115,286	–	1,996,209	–	–	1,996,209
– inter-segment sales	–	–	–	728,024	–	728,024	(728,024)	–	–
	1,720,905	160,018	1,880,923	843,310	–	2,724,233	(728,024)	–	1,996,209
Segment profit	30,787	4,665	35,452	5,490	35,590*	76,532	–	–	76,532
Interest income									19,348
Unallocated administrative expenses									(41,264)
Unallocated finance costs									(2,176)
Profit before tax									52,440
Income tax expense									(34,479)
Profit for the year									17,961

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. OPERATING SEGMENTS (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2020

	Operation of restaurants			Manufacture and sales of noodles and related products RMB'000	Investment holding RMB'000	Total reportable segments RMB'000	Eliminations RMB'000	Total RMB'000
	Mainland		Total RMB'000					
	China RMB'000	Hong Kong RMB'000						
SEGMENT REVENUE								
– external sales	1,569,565	132,552	1,702,117	118,471	–	1,820,588	–	1,820,588
– inter-segment sales	–	–	–	665,600	–	665,600	(665,600)	–
	1,569,565	132,552	1,702,117	784,071	–	2,486,188	(665,600)	1,820,588
Segment (loss) profit	(43,889)	822	(43,067)	9,363	(58,980)*	(92,684)	–	(92,684)
Interest income								23,059
Unallocated administrative expenses								(23,822)
Unallocated finance costs								(4,552)
Loss before tax								(97,999)
Income tax credit								19,110
Loss for the year								(78,889)

* Share of loss of associates and a joint venture are included in segment profit (2020: segment loss) of RMB2,328,000 for the year ended 31 December 2021 (2020: RMB2,446,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. OPERATING SEGMENTS (Continued)

Other information

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

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

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

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

	Revenue from external customers		Non-current assets	
	Year ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,831,816	1,683,057	1,724,574	1,752,873
Hong Kong	164,393	137,531	461,449	459,842
	1,996,209	1,820,588	2,186,023	2,212,715

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Royalty income from sub-franchisee (<i>note i</i>)	8,384	6,094
Gross rental income from investment properties (<i>note ii</i>)	31,344	25,437
Less: direct operating expenses incurred for investment properties that generated rental income during the year	(2,112)	(1,938)
	29,232	23,499
Bank interest income	19,348	23,059
Government grants (<i>note iii</i>)	8,064	23,779
Compensation received from landlord for early termination of operating leases of restaurants	10	1,164
Others	12,383	18,574
	77,421	96,169

Notes:

- (i) The Group grants the royalties to the sub-franchisees and provides rights for them to operate restaurants with the brand "Ajisen" for fixed contract terms. Royalty income are recognised over time by reference to the amounts specified in the contract.
- (ii) Property rental income are recognised on a straight-line basis over the terms of the relevant leases. All the leases for the years ended 31 December 2021 and 2020 were operating leases with fixed lease payments.
- (iii) During the year ended 31 December 2021, under the Covid-19-related subsidies provided by the Hong Kong government, the Group recognized government grants of RMB3,234,000 (2020: RMB18,926,000), of which RMB3,234,000 (2020: RMB5,849,000) related to Subsidy Schemes under Anti-epidemic Fund and nil (2020: RMB13,077,000) related to Employment Support Scheme. The remaining amounts of government grants represent the incentive subsidies received from the Mainland China local district authorities for the business activities carried out by the Group. There are no specific conditions attached to the grants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	RMB'000
Compensation in relation to a prior year financial asset at FVTPL	–	32,545
Fair value gain (loss) on investment properties	8,688	(10,308)
Loss on disposal of property, plant and equipment	(7,521)	(3,968)
Gain on disposal of right-of-use assets	8,565	2,444
Fair value loss on financial assets at FVTPL	(57,351)	(26,037)
Fair value gain on financial liabilities at FVTPL	25,047	1,709
Dividends from financial assets at FVTPL	1,203	–
Net foreign exchange gain (loss)	5,080	(623)
Impairment loss (recognised) reversed in respect of		
– intangible assets (note 19)	–	(4,616)
– property, plant and equipment (note 16)	–	(3,875)
– right-of-use assets (note 17)	(1,865)	(17,656)
– interests in associates (note 21)	1,348	(77,942)
	(16,806)	(108,327)

9. FINANCE COSTS

	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	27,784	31,626
Interest on bank borrowings	2,176	4,552
	29,960	36,178

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. PROFIT (LOSS) BEFORE TAX

	2021	2020
	RMB'000	RMB'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Directors' remuneration (<i>note 11</i>)	3,518	3,747
Salaries, wages and other benefits	479,174	428,953
Retirement benefits scheme contributions	58,983	44,002
Share-based payment	871	808
Total staff costs	542,546	477,510
Depreciation of property, plant and equipment	138,472	162,148
Depreciation of right-of-use assets	241,253	281,545
Total depreciation	379,725	443,693
Impairment losses recognised on property, plant and equipment, right-of-use assets and intangible assets included in – other gains and losses	1,865	26,147
Covid-19-related rent concessions (<i>note 17</i>)	–	(34,121)
Auditor's remuneration		
– Audit fee	2,600	2,600
– Non-audit services	700	700
	3,300	3,300

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

	2021					2020				
	Fees	Salaries and other benefits	Performance related incentive bonuses	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Performance related incentive bonuses	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors										
Ms. Poon	-	1,710	-	15	1,725	-	1,681	142	16	1,839
Mr. Poon Ka Man Jason	-	731	-	15	746	-	747	65	16	828
Ms. Minna Ng	-	415	34	15	464	-	417	37	-	454
Non-executive director										
Mr. Katsuaki Shigenitsu	104	-	-	-	104	111	-	-	-	111
Independent non-executive directors										
Mr. Peter Lo	168	-	-	-	168	181	-	-	-	181
Mr. Jen Shek Voon	168	-	-	-	168	181	-	-	-	181
Mr. Wang Jincheng	143	-	-	-	143	153	-	-	-	153
	583	2,856	34	45	3,518	626	2,845	244	32	3,747

Note: The performance related incentive bonuses for the years ended 31 December 2021 and 2020 were determined based on performance of the Group and individuals.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(Continued)

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2020: three) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Employees		
– Salaries and other benefits	1,733	1,682
– Performance related incentive bonuses	96	78
– Share-based payment	136	276
– Retirement benefits scheme contributions	373	195
	2,338	2,231

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

	No. of employees	
	2021	2020
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1
	5	5

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2021 and 2020.

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12. INCOME TAX EXPENSE (CREDIT)

	2021 RMB'000	2020 RMB'000
Hong Kong Profits Tax		
– Current year	2,165	1,572
– Over provision in prior years	(1,298)	(631)
	867	941
Mainland China Income Tax		
– Current year	15,930	17,110
– Over provision in prior years	(994)	(5,123)
	14,936	11,987
Withholding tax	18,457	5,470
Deferred taxation expense (credit) (note 20)	219	(37,508)
	34,479	(19,110)

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%.

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

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing in 2016, Chongqing Weiqian Food & Culture Co., Ltd. 重慶味千餐飲文化有限公司, which is located in Chongqing, Mainland China, applied a preferential tax rate of 15% in 2021.

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12. INCOME TAX EXPENSE (CREDIT) (Continued)

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

Tax expense (credit) for the year is reconciled to profit (loss) before tax as follows:

	Hong Kong				Mainland China				Total			
	2021		2020		2021		2020		2021		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit (loss) before tax	21,501		(7,965)		30,939		(90,034)		52,440		(97,999)	
Tax at the applicable income tax rate	3,548	16.5	(1,314)	16.5	7,735	25.0	(22,509)	25.0	11,283	21.5	(23,823)	24.3
Tax effect of expenses not deductible for tax purposes	64	0.3	6,518	(81.8)	1,122	3.6	446	(0.5)	1,186	2.3	6,964	(7.1)
Tax effect of income not taxable for tax purpose	(2,021)	(9.4)	(9,791)	122.9	-	-	-	-	(2,021)	(3.9)	(9,791)	10.0
Tax effect of tax losses not recognised	1,910	8.9	6,659	(83.6)	6,786	21.9	5,813	(6.5)	8,696	16.6	12,472	(12.7)
Tax effect of utilisation of tax losses previously not recognised	(528)	(2.5)	(985)	12.4	(1,336)	(4.3)	(7)	0.0	(1,864)	(3.6)	(992)	1.0
Income tax at concessionary rate	-	-	-	-	(1,790)	(5.8)	(543)	(0.6)	(1,790)	(3.4)	(543)	0.6
Withholding tax on dividends from subsidiaries in Mainland China	-	-	-	-	20,411	66.0	-	-	20,411	38.9	-	-
Over provision in prior years	(1,298)	(6.0)	(631)	7.9	(994)	(3.2)	(5,123)	5.7	(2,292)	(4.4)	(5,754)	5.9
Others	(825)	(3.8)	(283)	3.6	(721)	(2.3)	(468)	0.5	(1,546)	(2.9)	(751)	0.8
Land appreciation tax effect	-	-	-	-	2,416	7.8	3,108	(3.5)	2,416	4.6	3,108	(3.2)
Tax expense (credit) and effective rate for the year	850	4.0	173	(2.2)	33,629	108.7	(19,283)	21.4	34,479	65.7	(19,110)	19.5

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13. DIVIDENDS

	2021	2020
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK\$0.024) per share for 2021 (2020: paid – RMB0.02 (HK\$0.022) per share for 2020)	21,831	21,831
Final, paid – RMB0.08 (HK\$0.095) per share for 2020 (2020: paid – RMB0.049 (HK\$0.053) per share for 2019)	87,323	53,485
	109,154	75,316

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB0.08 (HK\$0.098) (2020: final dividend in respect of the year ended 31 December 2020 of RMB0.08 (HK\$0.095) per ordinary share, in an aggregate amount of RMB87,323,000 (HK\$106,971,000) (2020: RMB87,323,000 (HK\$103,696,000)), has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	2021	2020
	RMB'000	RMB'000
Earnings (loss) for the purposes of basic and diluted earnings per share, being earnings (loss) for the year attributable to owners of the Company	20,940	(77,868)

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14. EARNINGS (LOSS) PER SHARE *(Continued)*

Number of shares

	2021	2020
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	3,940	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	1,091,542,760	1,091,538,820

During the year ended 31 December 2021, the computation of diluted earnings per share was calculated on certain outstanding options where the exercise price of which are lower than the average market price of the shares of the Company for 2021. Where the exercise price of the Company's outstanding options is higher than the average market price of the Company's share, the computation of diluted earnings per share does not assume the exercise of these options.

During the year ended 31 December 2020, the computation of diluted loss per share did not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

15. INVESTMENT PROPERTIES

The Group leases out various offices and warehouses under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 20 years (2020: 1 to 20 years). Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

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

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15. INVESTMENT PROPERTIES (Continued)

	RMB'000
FAIR VALUE	
At 1 January 2020	1,032,120
Exchange alignment	(23,856)
Net decrease in fair value recognised in profit or loss	(10,308)
At 31 December 2020	997,956
Exchange alignment	(10,616)
Net increase in fair value recognised in profit or loss	8,688
At 31 December 2021	996,028

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

The Group engages a third party qualified valuer International Valuation Limited (2020: International Valuation Limited) to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities.

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

	2021 RMB'000	2020 RMB'000
Commercial property units located in Hong Kong	363,364	369,396
Commercial property units located in Mainland China	632,664	628,560
	996,028	997,956

The following table gives information about how the fair values of these investment properties as at 31 December 2021 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

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15. INVESTMENT PROPERTIES (Continued)

Carrying value of investment properties held by the Group in the consolidated statements of financial positions	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range
Completed investment properties in Mainland China RMB126,700,000 (2020: RMB136,300,000)	Level 3	Direct comparison approach	Price per square meter (note i)	RMB3,997 to RMB88,412 (2020: RMB3,181 to RMB105,509)
Completed investment properties in Mainland China RMB504,884,000 (2020: RMB491,300,000)	Level 3	Income capitalisation approach	Market rent per square meter per month (note i) Capitalisation rate (note ii)	RMB4.04 to RMB237 (2020: RMB4.73 to RMB320) 3% to 9% (2020: 3% to 7%)
Car parking spaces in Mainland China RMB1,080,000 (2020: RMB960,000)	Level 3	Direct comparison approach	Price per unit (note i)	RMB540,000 (2020: RMB480,000)
Completed investment properties in Hong Kong RMB181,785,000 (2020: RMB174,388,000)	Level 3	Direct comparison approach	Price per square foot (note i)	RMB3,108 to RMB3,755 (2020: RMB3,040 to RMB3,652)
Completed investment properties in Hong Kong RMB166,872,000 (2020: RMB180,868,000)	Level 3	Income capitalisation approach	Market rent per square meter per month (note i)	RMB12.08 to RMB112.83 (2020: RMB15.27 to RMB130)
Car parking spaces in Hong Kong RMB14,707,000 (2020: RMB14,140,000)	Level 3	Direct comparison approach	Price per unit (note i)	RMB1,779,354 to RMB2,762,555 (2020: RMB2,134,381 to RMB2,592,576)

Notes:

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

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

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

At 31 December 2021 and 2020, the Group pledged certain of its investment properties to secure the general banking facilities granted to the Group. Details are set out in note 37.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2020	445,685	1,002,802	151,055	6,410	365,753	26,856	1,998,561
Exchange alignment	(485)	(3,196)	(256)	(103)	(1,192)	-	(5,232)
Additions	2,111	51,787	27,816	214	12,865	5,190	99,983
Transfer	-	1	16,181	-	73	(16,255)	-
Disposals	-	(20,032)	(7,493)	-	(6,283)	-	(33,808)
At 31 December 2020	447,311	1,031,362	187,303	6,521	371,216	15,791	2,059,504
Exchange alignment	(215)	(1,953)	(137)	(51)	(734)	-	(3,090)
Additions	-	67,697	25,970	1,419	15,702	14,436	125,224
Transfer	-	16,032	12,973	-	48	(29,053)	-
Disposals	-	(35,620)	(3,534)	(1,001)	(3,378)	(56)	(43,589)
At 31 December 2021	447,096	1,077,518	222,575	6,888	382,854	1,118	2,138,049
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2020	156,893	834,878	104,597	5,916	289,344	-	1,391,628
Exchange alignment	(1,984)	(3,484)	(530)	(379)	(1,438)	-	(7,815)
Provided for the year	19,315	101,817	29,263	262	11,491	-	162,148
Eliminated on disposals	-	(14,648)	(3,547)	-	(4,220)	-	(22,415)
Impairment loss recognised in profit or loss (note 17)	-	3,875	-	-	-	-	3,875
At 31 December 2020	174,224	922,438	129,783	5,799	295,177	-	1,527,421
Exchange alignment	(75)	(1,485)	(108)	(44)	(637)	-	(2,349)
Provided for the year	18,639	76,776	29,081	264	13,712	-	138,472
Eliminated on disposals	-	(28,783)	(3,169)	(15)	(3,097)	-	(35,064)
Impairment loss recognised in profit or loss (note 17)	-	-	-	-	-	-	-
At 31 December 2021	192,788	968,946	155,587	6,004	305,155	-	1,628,480
CARRYING VALUES							
At 31 December 2021	254,308	108,572	66,988	884	77,699	1,118	509,569
At 31 December 2020	273,087	108,924	57,520	722	76,039	15,791	532,083

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line method at the following rates per annum:

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

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

At 31 December 2021 and 2020, the Group pledged certain of its property, plant and equipment to secure the general banking facilities granted to the Group. Details are set out in note 37.

17. RIGHT-OF-USE ASSETS

	Land use right RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2021			
Carrying amount	35,561	579,897	615,458
As at 31 December 2020			
Carrying amount	36,923	579,389	616,312
For the year ended 31 December 2021			
Depreciation charge	(1,186)	(240,067)	(241,253)
Exchange alignment	(176)	(1,030)	(1,206)
For the year ended 31 December 2020			
Depreciation charge	(1,289)	(280,256)	(281,545)
Exchange alignment	(416)	(1,271)	(1,687)

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17. RIGHT-OF-USE ASSETS (Continued)

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	18,012	12,282
Variable lease payments not included in the measurement of lease liabilities	34,018	34,646
Total cash outflow for leases	341,573	289,514
Additions to right-of-use assets	272,944	285,049
Disposal of right-of-use assets	(29,474)	(49,532)
Impairment loss of right-of-use assets recognised in profit or loss	(1,865)	(17,656)

For the year ended 31 December 2021 and 2020, the Group leased various offices and chain stores for its operations. Lease contracts were entered into for fixed term of 2 to 8 years (2020: 2 to 8 years). Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determined the period for which the contract is enforceable.

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

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17. RIGHT-OF-USE ASSETS (Continued)

Variable lease payments

Leases of chain stores are either with fixed lease payments or contain variable lease payments that are based on 5% to 30% of sales together with minimum annual lease payments that are fixed over the lease term. The payment terms are common in chain stores where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors for the years ended 31 December 2021 and 2020 are set out below:

For the year end 31 December 2021

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Chain stores without variable lease payments	344	158,425	–	158,425
Chain stores with variable lease payments	320	131,118	34,018	165,136

For the year end 31 December 2020

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Chain stores without variable lease payments	295	135,623	–	135,623
Chain stores with variable lease payments	368	106,963	34,646	141,609

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

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

Restrictions or covenants on leases

In addition, lease liabilities of RMB604,369,000 (2020: RMB632,751,000) are recognised with related right-of-use assets of RMB579,897,000 (2020: RMB579,389,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended 31 December 2021, no rent concessions were provided to the Company. During the year ended 31 December 2020, lessors of chain stores provided rent concessions that occurred as a direct consequence of the Covid-19 pandemic to the Group through rent reductions ranging from 10% to 100% over one to nine months.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year ended 31 December 2020, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB34,121,000 were recognised as negative variable lease payments.

Impairment assessment

As at 31 December 2021, due to the poor performance of certain restaurants operated in Mainland China and Hong Kong, the management concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment and right-of-use assets with carrying amounts of RMB10,694,000 and RMB53,559,000 (2020: RMB11,364,000 and RMB66,752,000), respectively, net of accumulated impairment losses of RMB1,945,000 and RMB5,531,000 (2020: RMB3,947,000 and RMB21,903,000) in respect of property, plant and equipment and right-of-use assets that have been recognized respectively.

The recoverable amount of each cash-generating unit ("CGU"), representing each restaurant, has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering the lease terms with pre-tax discount rates 11% (2020:12.0%) for Mainland China and 9% (2020: 8.0%) for Hong Kong as at 31 December 2021, respectively. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development.

Based on the result of the assessment, the management determined that the recoverable amounts of certain CGUs or group of CGUs were lower than the carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment loss of nil and RMB1,865,000 (2020: RMB3,875,000 and RMB17,656,000), respectively, has been recognised against the carrying amount of property, plant and equipment and right-of-use assets.

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18. GOODWILL

	Group of certain Mainland China Restaurants CGUs RMB'000	Group of certain Hong Kong Restaurants CGUs RMB'000	Total RMB'000
COST			
At 1 January 2020	1,344	31,920	33,264
Exchange alignment	(55)	(1,955)	(2,010)
At 31 December 2020	1,289	29,965	31,254
Exchange alignment	(25)	(720)	(745)
At 31 December 2021	1,264	29,245	30,509
IMPAIRMENT			
At 1 January 2020	–	(31,920)	(31,920)
Exchange alignment	–	1,955	1,955
At 31 December 2020	–	(29,965)	(29,965)
Exchange alignment	–	720	720
At 31 December 2021	–	(29,245)	(29,245)
CARRYING VALUES			
At 31 December 2021	1,264	–	1,264
At 31 December 2020	1,289	–	1,289

As at 31 December 2021, goodwill before impairment amounting to RMB29,245,000 is allocated to the cash-generating units of certain restaurants operated in Hong Kong (“the group of certain Hong Kong Restaurants CGUs”) and goodwill amounting to RMB1,264,000 is allocated to the cash-generating units of certain restaurants operated in Mainland China. The Group has recognized total impairment loss of RMB29,245,000 as at 31 December 2021 (2020: RMB29,965,000) in relation to the goodwill allocated to the group of certain Hong Kong Restaurant CGUs.

Based on the management’s assessment, no further impairment loss is required for the year ended 31 December 2021 (2020: nil).

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19. INTANGIBLE ASSETS

	Trademark RMB'000
COST	
At 1 January 2020	14,264
Exchange alignment	(855)
At 31 December 2020	13,409
Exchange alignment	(428)
At 31 December 2021	12,981
IMPAIRMENT	
At 1 January 2020	(8,262)
Exchange alignment	(12)
Recognised during the year	(4,616)
At 31 December 2020	(12,890)
Exchange alignment	37
Recognised during the year	–
At 31 December 2021	(12,853)
CARRYING VALUES	
At 31 December 2021	128
At 31 December 2020	519

The trademark is considered by the management as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

As at 31 December 2020, due to the poor performance of certain restaurants operated in Hong Kong, the management concluded there was indication for impairment and conducted impairment assessment on certain intangible assets with carrying amounts of RMB519,000, net of accumulated impairment loss of RMB12,890,000 recognized. Based on the management's assessment, no further impairment loss is required for the year ended 31 December 2021 (2020: RMB4,616,000).

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20. DEFERRED TAXATION

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets	37,210	27,568
Deferred tax liabilities	(166,198)	(156,338)
	(128,988)	(128,770)

The following is the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year.

	Revaluation of properties in Mainland China RMB'000	Land appreciation tax in Mainland China RMB'000 <i>(note)</i>	Timing difference arising from the leases RMB'000	Withholding tax on undistributed dividends RMB'000	Revaluation of financial assets and liabilities at FVTPL RMB'000	Difference in depreciation RMB'000	Impairment of interests in associates RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	(58,540)	(104,649)	5,783	(6,780)	1,406	(90)	-	-	(3,416)	(166,286)
Exchange alignment	4	-	-	-	-	4	-	-	-	8
(Charge) credit to profit or loss	(1,359)	(3,108)	7,607	5,470	6,082	32	15,326	5,025	2,433	37,508
At 31 December 2020	(59,895)	(107,757)	13,390	(1,310)	7,488	(54)	15,326	5,025	(983)	(128,770)
Exchange alignment	-	-	-	-	-	1	-	-	-	1
(Charge) credit to profit or loss	(2,833)	(2,416)	105	(1,954)	8,076	18	-	(719)	(496)	(219)
At 31 December 2021	(62,728)	(110,173)	13,495	(3,264)	15,564	(35)	15,326	4,306	(1,479)	(128,988)

Note: As the Group's investment properties located in Mainland China are held under a business model whose objective is to gain the economic benefits through sale or lease, land appreciation tax is calculated and provided on properties revaluation reserves (charge to other comprehensive income) when such property, plant and equipment are transferred to investment properties and on change in fair values of investment properties (charge to profit or loss) when fair values change at the end of the year.

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20. DEFERRED TAXATION (Continued)

As at 31 December 2021, the Group has accumulated unutilised tax losses of RMB504,281,000 (2020: RMB512,341,000) available for offset against future profits. During the year ended 31 December 2021, no deferred tax asset (2020: RMB5,025,000) has been recognised in respect of the unutilised tax losses of other subsidiaries due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses which expire as follows:

	2021 RMB'000	2020 RMB'000
Year of expiry		
2021	–	7,637
2022	4,785	7,241
2023	447	739
2024	10,644	11,340
2025	21,748	23,253
2026	27,145	–
	64,769	50,210

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by subsidiaries in Mainland China from 1 January 2008 onwards. Except for the deferred tax liabilities provided for the undistributed profits of certain operating subsidiaries in Mainland China of RMB39,091,000 (2020: RMB10,977,000), deferred tax liabilities have not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of subsidiaries in Mainland China as at 31 December 2021 amounting to RMB1,486,787,000 (2020: RMB1,454,804,000) as the Group is able to control the timing of the reversal of these temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

21. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investment in associates	151,341	151,341
Share of post-acquisition results and other comprehensive expense, net of dividends received	(3,522)	(2,419)
	147,819	148,922
Less: Impairment losses recognised (note i)	(92,733)	(94,081)
Loan to an associate (note ii)	1,222	1,258
	56,308	56,099

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21. INTERESTS IN ASSOCIATES (Continued)

Note i: During the year ended 31 December 2021, in view of the poor performance of certain associates, in the opinion of the directors of the Company, the recoverable amount of the interests in these associates, which is the higher of value in use and fair value less costs of disposal, was estimated to be less than its carrying amount, and the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount accordingly.

For an interest in associate, Guangzhou Yunnex Information Technology Co., Ltd. (“Yunnex”), the recoverable amount is determined based on fair value less costs of disposal. As at 31 December 2021, the carrying amount of Yunnex amounted to RMB19,487,000 (2020: RMB18,266,000), with an initial investment cost, share of post-acquisition loss and accumulated impairment loss of RMB64,791,000, RMB13,877,000 and RMB31,427,000 (2020: RMB64,791,000, RMB13,750,000 and RMB32,775,000), respectively. For the year ended 31 December 2021, the Group engaged an independent qualified professional valuer to assist the management in determining the fair value less costs of disposal of Yunnex. Based on the valuation, a reversal of impairment loss of RMB1,348,000 (2020: an impairment loss of RMB16,636,000) has been recognised for the year ended 31 December 2021.

For another interest in associate, Jiangsu Hong Xuan Ecological Agriculture Company Limited (江蘇鴻軒生態農業有限公司) (“Hong Xuan”), the recoverable amount is determined based on value in use under the impairment review performed by the management. As at 31 December 2021 and 2020, the gross carrying amount of Hong Xuan amounted to RMB61,306,000, with an initial investment cost and share of post-acquisition gain of RMB43,354,000 and RMB17,952,000, respectively. For the year ended 31 December 2020, in view of the poor operating performance of Hong Xuan, the directors of the Company conducted a review of impairment and considered that the recoverability of the investments would be remote. As a result, the directors of the Company determined to recognise an impairment loss of RMB61,306,000 for the year ended 31 December 2020, equivalent to the gross carrying amount of interest in Hong Xuan. The management assessed and considered no impairment loss was required to reverse for the year ended 31 December 2021.

Note ii: Loan to an associate forms part of the net interests in the associate. The amounts are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders.

22. INTEREST IN A JOINT VENTURE

	2021	2020
	RMB'000	RMB'000
Cost of investment in a joint venture	12,858	12,858
Share of post-acquisition results and other comprehensive expense	(4,368)	(3,143)
	8,490	9,715

On 28 April 2017, the Group entered into a joint venture cooperation agreement with two independent third parties on the establishment of Beijing Feicui Jinghua & Restaurant Management Co., Ltd. (“Feicui Jinghua”), which is principally engaged in operating restaurants. The Group owned approximately 42% equity interest in Feicui Jinghua.

Pursuant to its articles of association, the financial and operating policies of Feicui Jinghua are governed by resolutions resolved in the Feicui Jinghua’s shareholders’ meeting. Although the Group holds 42% of total voting rights, while a valid resolution of shareholders’ meeting requires more than two-thirds of total votes. Decisions about relevant activities of Feicui Jinghua require unanimous consent from the Group and the other equity holders sharing control. Therefore, Feicui Jinghua is accounted for as a joint venture in the consolidated financial statements of the Group.

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23. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

Financial assets FVTPL

	31 December 2021 RMB'000	31 December 2020 RMB'000
Unlisted equity investments and fund investments	179,320	236,671

The components of financial assets at FVTPL are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Guangzhou Yunxi Information Technology Co., Ltd. ("Yunxi")	83,695	134,238
Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership) ("Jiahua Anyuan Fund")	61,566	51,947
Guangzhou Hezhi Investment Center (Limited Partnership) ("Hezhi")	29,817	46,244
Others	4,242	4,242
	179,320	236,671

	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial liabilities at FVTPL	36,020	61,067

Note: Financial assets and liabilities at FVTPL are classified as non-current as the directors of the Company expect to realize and/or settle these financial assets and liabilities not earlier than twelve months from the end of the reporting period.

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24. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials and consumables	99,148	112,746
Work in progress	22	97
Finished goods	21,217	24,359
	120,387	137,202

25. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables		
– contracts with customers (third parties)	19,096	31,739
Less: allowance for credit losses	(232)	(3,306)
	18,864	28,433
Other receivables		
Rental and utility deposits	28,929	14,323
Prepaid management fee and property rental (note)	5,729	4,994
Advance to suppliers	28,117	35,874
Deductible value added tax	45,093	45,411
Lease receivables	12,028	11,833
Prepayments	9,364	8,531
Staff advance	5,911	3,873
Others	15,770	14,190
	150,941	139,029
Less: allowance for credit losses	(9,463)	(9,428)
	141,478	129,601
	160,342	158,034

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

Customers relating to manufacture and sales of noodles and related products are normally granted 0 to 90 days (2020: 0 to 90 days) credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days (2020: 180 days), while there is no credit period for customers relating to sales from operation of restaurants, unless when the payments are made through payment platforms, in which case the trade receivables are normally settled within 30 days.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB20,311,000.

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25. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2021 RMB'000	2020 RMB'000
0 to 30 days	13,988	24,248
31 to 60 days	2,599	1,447
61 to 90 days	1,602	1,472
91 to 180 days	675	1,266
	18,864	28,433

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB684,000 (2020: RMB1,282,000) which are past due 90 days or more as at the reporting date. These past due balances are not considered as default as these balances are mainly due from customers with good credit quality. The Group does not hold any collateral over the balances.

Details of impairment assessment of trade and other receivables are set out in note 34.

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank deposits with original maturity of three months or less which carry interest at market rates ranging from 0.001% to 1.75% (2020: 0.001% to 2.90%) per annum.

The Group's bank balances and cash that were denominated in other foreign currency of the relevant group entities, representing United States dollars ("US\$"), were re-translated in RMB and stated for reporting purposes as:

	2021 RMB'000	2020 RMB'000
– US\$	256,590	261,680

Certain bank balances and cash of RMB1,222,732,000 (2020: RMB1,441,871,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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27. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables		
– related parties (note)	43,976	34,177
– third parties	73,542	85,656
	117,518	119,833
Other payables		
Payroll and welfare payables	38,926	49,238
Rental deposits received	10,500	19,638
Payable for acquisition of property, plant and equipment	30,360	26,392
Payable for variable lease payments	9,190	6,196
Other taxes payable	9,292	8,856
Others	45,382	45,744
	261,168	275,897

Note: The related parties are the companies in which Mr. Katsuaki Shigemitsu, a director and shareholder of the Company, or Ms. Poon has controlling interests.

The average credit period for purchase of goods is 60 days (2020: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

Ageing	2021 RMB'000	2020 RMB'000
0 to 30 days	89,825	84,611
31 to 60 days	20,277	23,624
61 to 90 days	1,051	3,296
91 to 180 days	283	2,018
Over 180 days	6,082	6,284
	117,518	119,833

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28. LEASE LIABILITIES

	2021	2020
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	229,974	247,766
In more than one year but not more than two years	263,595	225,848
In more than two years but not more than five years	89,157	155,258
In more than five years	21,643	3,879
	604,369	632,751
Less: Amount due for settlement within 12 months shown under current liabilities	(229,974)	(247,766)
Amount due for settlement after 12 months shown under non-current liabilities	374,395	384,985

The weighted average incremental borrowing rates applied to lease liabilities range from 2.92% to 5.79% (2020: from 2.92% to 5.79%)

All lease obligations are denominated in the functional currencies of the relevant group entities.

29. AMOUNT(S) DUE TO RELATED COMPANIES/DIRECTORS/NON-CONTROLLING INTERESTS/ASSOCIATES/A JOINT VENTURE

The amount(s) due to related companies/directors/non-controlling interests/associates/a joint venture are unsecured, non-trade related, interest-free and repayable on demand.

Either Ms. Poon or Mr. Katsuaki Shigemitsu has controlling interests in these related companies.

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30. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured bank borrowings with carrying amounts repayable:		
Within one year or repayable on demand	41,686	146,469
In more than one year but not more than two years	4,993	5,177
In more than two years but not more than five years	15,599	16,174
In more than five years	14,725	18,224
	77,003	186,044
Less: Amounts due within one year shown under current liabilities	(41,686)	(146,469)
Amounts shown under non-current liabilities	35,317	39,575

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

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

Denominated in	Interest rate	2021 RMB'000	2020 RMB'000
HK\$	Prime rate of the counterparty bank minus 3.25% (2020: prime rate of the counterparty bank minus 3.25%)	36,257	40,276
HK\$	Prime rate of the counterparty bank minus 2.80% (2020: prime rate of the counterparty bank minus 2.80%)	3,954	4,373
HK\$	HIBOR plus 1.05% (2020: 1.20%)	36,792	141,395
		77,003	186,044

30. BANK BORROWINGS (Continued)

Loan covenants

In respect of bank borrowings with carrying amounts of RMB36,257,000 as at 31 December 2021 (2020: RMB40,276,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

- The loan-to-value ratio (i.e. the aggregate outstanding of the banking facilities over the market value of the mortgaged properties as determined by the Bank from time to time) shall not exceed 65%. Otherwise, the Company is required to provide additional security acceptable to the Bank and/or repay part of the facilities to reduce the outstanding so as to maintain the loan-to-value ratio at 50% or below within the time limit.

In respect of a bank borrowings with carrying amount of RMB3,954,000 as at 31 December 2021 (2020: RMB4,373,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

- The loan-to-value ratio (i.e. the ratio of aggregate outstanding amount of Property Instalment Loan facility to the current market value (in the opinion of the Bank's approved valuer) of the Property) shall not exceed 50%. Otherwise, the Company shall provide additional security acceptable to the Bank or pay down the outstanding balance of the Property Instalment Loan facility within one month upon receipt the notice from the Bank to restore the loan-to-value ratio at 40% or below in any event if the loan-to-value ratio exceeds 50%.

The Group has complied with these covenants throughout the reporting period.

As at 31 December 2021, the weighted average effective interest rate on the bank borrowings are analysed as follows:

	2021	2020
Denominated in HK\$	1.22%	1.97%

Detail of the assets of the Group as at 31 December 2021 and 2020 that have been pledged as collateral to secure the general bank facilities of the Group are set out in note 37.

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31. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,091,538,820	108,404

32. SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant option to the eligible participants in recognition of their contribution made or to be made to the Group. Under the Share Option Scheme, the board of directors of the Company (the "Board") may offer to grant an option to any director or employee, or any advisor, consultant, individual or entity who in the opinion of the Board has contributed or will contribute to the growth and development of the Group.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the shares in issue at the date of approval of the Share Option Scheme, i.e. a total of 109,153,882 shares.

No consideration is payable on the grant of the Company's options. The exercise price of a share in respect of option granted under the Share Option Scheme will be determined by the Board provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

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32. SHARE OPTION SCHEMES (Continued)

Details of specific categories of options are as follows:

Grant date	Vesting period	Exercise Period	Exercise Price
Employees			
2 July 2010	2 July 2011 to 1 July 2015	2 July 2011 to 1 July 2020	HK\$8.884
26 August 2011	26 August 2012 to 25 August 2017	26 August 2012 to 25 August 2021	HK\$5.530
15 October 2012	15 October 2012 to 25 August 2017	15 October 2012 to 25 August 2021	HK\$5.530
2 July 2013	2 July 2014 to 1 July 2023	2 July 2014 to 1 July 2023	HK\$6.310
27 August 2013	27 August 2014 to 26 August 2019	27 August 2014 to 26 August 2023	HK\$8.740
25 September 2014	25 September 2015 to 24 September 2020	25 September 2014 to 24 September 2024	HK\$6.450
8 January 2015	8 January 2016 to 7 January 2021	8 January 2015 to 7 January 2025	HK\$5.900
17 April 2015	17 April 2016 to 16 April 2024	17 April 2015 to 16 April 2025	HK\$5.060
2 July 2015	2 July 2016 to 1 July 2021	2 July 2015 to 1 July 2025	HK\$4.104
19 July 2017	19 July 2018 to 18 July 2023	19 July 2017 to 18 July 2027	HK\$3.504
1 June 2018	1 June 2019 to 31 May 2024	1 June 2018 to 31 May 2028	HK\$3.256
14 January 2019	14 January 2020 to 13 January 2025	14 January 2019 to 13 January 2029	HK\$2.214
3 June 2019	3 June 2020 to 2 June 2025	3 June 2019 to 2 June 2029	HK\$3.322
27 August 2020	27 August 2021 to 26 August 2026	27 August 2020 to 26 August 2030	HK\$1.250
8 April 2021	8 April 2022 to 7 April 2027	8 April 2021 to 7 April 2031	HK\$1.300
1 November 2021	1 November 2022 to 31 October 2027	1 November 2021 to 31 October 2031	HK\$1.344
Directors			
15 October 2012	15 October 2012 to 14 October 2017	15 October 2012 to 14 October 2022	HK\$5.530

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32. SHARE OPTION SCHEMES (Continued)

The following table disclosed movements of the Company's share options under the Share Option Scheme during the years ended 31 December 2021 and 2020.

For the year ended 31 December 2021

Grant date	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
Employees					
26 August 2011	5,536,000	-	-	(5,536,000)	-
15 October 2012	400,000	-	-	-	400,000
2 July 2013	300,000	-	-	(300,000)	-
27 August 2013	530,000	-	-	-	530,000
25 September 2014	100,000	-	-	-	100,000
8 January 2015	150,000	-	-	-	150,000
17 April 2015	2,200,000	-	-	(800,000)	1,400,000
2 July 2015	1,700,000	-	-	-	1,700,000
19 July 2017	2,500,000	-	-	(2,000,000)	500,000
1 June 2018	1,900,000	-	-	-	1,900,000
14 January 2019	55,000	-	-	-	55,000
3 June 2019	200,000	-	-	-	200,000
27 August 2020	700,000	-	-	-	700,000
8 April 2021 (note)	-	500,000	-	-	500,000
1 November 2021 (note)	-	30,260,000	-	(470,000)	29,790,000
	16,271,000	30,760,000	-	(9,106,000)	37,925,000
Directors					
15 October 2012	400,000	-	-	-	400,000
	16,671,000	30,760,000	-	(9,106,000)	38,325,000
Exercisable at the end of the year	13,627,000				6,112,000
Weighted average exercise price (HK\$)	4.67	1.34	-	4.85	1.96

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32. SHARE OPTION SCHEMES (Continued)

For the year ended 31 December 2020

Grant date	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
Employees					
2 July 2010	318,000	–	–	(318,000)	–
26 August 2011	5,879,000	–	–	(343,000)	5,536,000
15 October 2012	400,000	–	–	–	400,000
2 July 2013	300,000	–	–	–	300,000
27 August 2013	530,000	–	–	–	530,000
25 September 2014	100,000	–	–	–	100,000
8 January 2015	150,000	–	–	–	150,000
17 April 2015	2,200,000	–	–	–	2,200,000
2 July 2015	1,800,000	–	–	(100,000)	1,700,000
19 July 2017	2,500,000	–	–	–	2,500,000
1 June 2018	2,100,000	–	–	(200,000)	1,900,000
14 January 2019	55,000	–	–	–	55,000
3 June 2019	200,000	–	–	–	200,000
27 August 2020	–	700,000	–	–	700,000
	16,532,000	700,000	–	(961,000)	16,271,000
Directors					
15 October 2012	400,000	–	–	–	400,000
	16,932,000	700,000	–	(961,000)	16,671,000
Exercisable at the end of the year	11,887,000				13,627,000
Weighted average exercise price (HK\$)	4.89	1.25	–	6.02	4.67

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32. SHARE OPTION SCHEMES (Continued)

Note: The details of the share options granted during the year ended 31 December 2021 are set out below:

- (i) For the share options granted on 8 April 2021, the options will be vested in 5 tranches, i.e. the first 20% on 8 April 2022, the second 20% on 8 April 2023, the third 20% on 8 April 2024, the fourth 20% on 8 April 2025 and the remaining 20% on 8 April 2026.

For the share options granted on 1 November 2021, the options will be vested in 5 tranches, i.e. the first 20% on 1 November 2022, the second 20% on 1 November 2023, the third 20% on 1 November 2024, the fourth 20% on 1 November 2025 and the remaining 20% on 1 November 2026.

- (ii) During the year ended 31 December 2021, the estimated fair values of the options granted on 8 April and 1 November 2021 are RMB190,000 and RMB10,295,000, respectively. During the year ended 31 December 2020, the estimated fair value of the option granted on 27 August 2020 was RMB250,000.
- (iii) The fair values of the share options of the Company at the grant date were calculated using the Binomial option pricing model. The inputs into the model were as follows:

	2021	2020
Weighted average share price	HK\$1.330	HK\$1.250
Exercise price	HK\$1.300-HK\$1.344	HK\$1.250
Expected volatility	41.804%-43.046%	42.632%
Expected life (years)	10 years	10 years
Risk-free interest rates	1.285%-1.398%	0.415%
Expected dividend yield	3.13%-4.37%	3.24%
Exercise multiple	2.2	2.2

The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

The Group recognised the total expense of RMB871,000 (2020: RMB808,000) for the year ended 31 December 2021 in relation to share options granted by the Company under the Share Option Scheme. The Group transferred the expense of RMB30,685,000 (2020: RMB3,172,000) which was previously recognised to retained profits because the share options were forfeited after the vesting date.

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33. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current asset		
Interests in a subsidiary	60,506	60,506
	60,506	60,506
Current assets		
Amounts due from subsidiaries	91,199	28,957
Bank balances and cash	1,060	174,526
	92,259	203,483
Current liabilities		
Other payables	2,610	2,800
Bank borrowings	36,792	37,874
	39,402	40,674
Net current assets	52,857	162,809
Total assets less current liabilities	113,363	223,315
Capital and reserves		
Share capital	108,404	108,404
Reserves	4,959	114,911
Total equity	113,363	223,315

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33. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in Company's reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Special reserve RMB'000 (note)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	1,887,197	40,519	(320,594)	(1,404,660)	202,462
Total comprehensive expense for the year	–	–	–	(13,043)	(13,043)
Dividends recognised as distribution (note 13)	(75,316)	–	–	–	(75,316)
Recognition of share-based payment	–	808	–	–	808
Transfer on forfeiture of share options	–	(3,172)	–	3,172	–
At 31 December 2020	1,811,881	38,155	(320,594)	(1,414,531)	114,911
Total comprehensive expense for the year	–	–	–	(1,669)	(1,669)
Dividends recognised as distribution (note 13)	(109,154)	–	–	–	(109,154)
Recognition of share-based payment	–	871	–	–	871
Transfer on forfeiture of share options	–	(30,685)	–	30,685	–
At 31 December 2021	1,702,727	8,341	(320,594)	(1,385,515)	4,959

Note: At 31 December 2021, the distributable reserve of the Company amounted to RMB317,212,000 (2020: RMB397,350,000) represents the aggregate balance of share premium and accumulated losses. A debit amount of approximately RMB321 million represents the aggregate amount of the consideration which was settled by the Company with (i) cash consideration of approximately RMB184 million and (ii) share consideration of approximately RMB137 million for the acquisition of Luck Right and its subsidiaries from Ms. Poon in 2008.

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34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	1,683,217	1,896,969
Financial assets at FVTPL	179,320	236,671
	1,862,537	2,133,640
Financial liabilities		
Financial liabilities measured at amortised cost	310,478	425,650
Financial liabilities at FVTPL	36,020	61,067
	346,498	486,717
Lease liabilities	604,369	632,751
	950,867	1,119,468

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, rental deposits, loan to an associate, trade and other receivables, bank balances and cash, trade and other payables, lease liabilities, amount(s) due to related companies/directors/non-controlling interests/associates/a joint venture, bank borrowings and financial liabilities at FVTPL. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's exposure to foreign currency risk is arising mainly from the bank balances of the Group which are denominated in foreign currencies of the relevant group entities. Except for the bank balances denominated in foreign currencies of the relevant group entities, the group entities did not have any other monetary assets or liabilities denominated in foreign currencies as at the end of the reporting period.

The carrying amounts of the Group's bank balances that are denominated in other than the Mainland China's entities' functional currency, i.e. US\$, as at 31 December 2021 and 2020 are RMB14,918,000 and RMB16,257,000, respectively. The directors of the Company consider that exposure of the Group's Hong Kong operating subsidiaries to US\$ is insignificant as that HK\$ is pegged to US\$.

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Currency risk (Continued)

The Group currently does not have a foreign exchange hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% appreciation and depreciation in US\$ against functional currency RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year end for a 5% change in foreign currency rates. A positive number below indicates a increase in post-tax profit for the year (2020: an decrease in post-tax loss) and a negative number below indicates an decrease of post-tax profit for the year (2020: a increase in post-tax loss) where US\$ fluctuate 5% against RMB.

	2021 RMB'000	2020 RMB'000
US\$ impact		
– US\$ strengthens against RMB by 5%	559	610
– US\$ weakens against RMB by 5%	(559)	(610)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period end exposures do not reflect the exposure during the year.

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

As at 31 December 2021, the Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 26 for details), variable-rate bank borrowings (see note 30 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, Hong Kong and prime rate and HIBOR arising from the Group's Hong Kong dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 15 basis point (2020: 15 basis point) increase or decrease in variable-rate bank balances and 50 basis point (2020: 50 basis point) increase or decrease in variable-rate bank borrowings are used and represent management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 15 basis points (2020: 15 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 (2020: post-tax loss) would increase/decrease by RMB1,864,000 (2020: decrease/increase by RMB2,185,000).

If interest rates on variable-rate bank borrowings had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 (2020: post-tax loss) would decrease/increase by RMB174,000 (2020: increase/decrease by RMB612,000).

Credit risk and impairment assessment

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables. To measure the ECL of trade receivables, they are assessed individually for debtors with significant balances and/or collectively for other debtors using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate and loss allowance of RMB118,000 (2020: loss allowance of RMB123,000 recognised) was reversed.

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For the year ended 31 December 2021

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Loan to an associate, other receivables (except lease receivables) and rental deposits

For loan to an associate, other receivables (except lease receivables) and rental deposits, the directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2021 and 2020, the Group assessed the ECL for loan to an associate, other receivables (except lease receivables) and rental deposits and loss allowance of nil (2020: nil) was recognised respectively.

Lease receivables

For lease receivables, the management makes periodic assessment on the recoverability of lease receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the year ended 31 December 2021, the directors of the Company believe that there is no evidence indicating certain lease receivable is credit-impaired (2020: evidence indicating certain lease receivable is credit-impaired) and loss allowance of RMB 35,000 (2020: RMB9,140,000) was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets and other item, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2021 gross carrying amount RMB'000	2020 gross carrying amount RMB'000
Financial assets at amortised cost					
Bank balances	26	N/A	12m ECL	1,527,538	1,738,380
Loan to an associate	21	Low risk	12m ECL	1,222	1,258
Other receivables and rental deposits	25	Low risk	12m ECL	133,028	126,493
Other item					
Lease receivables	25	Low risk	Lifetime ECL (not credit-impaired)	2,888	2,693
		Loss	Lifetime ECL (credit-impaired)	9,140	9,140
				12,028	11,833
Trade receivables	25	Low risk	Lifetime ECL (not credit-impaired)	18,412	27,501
		Watch list	Lifetime ECL (not credit-impaired)	684	1,282
		Loss	Lifetime ECL (credit-impaired)	–	2,956
				19,096	31,739

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2020	227	2,956	3,183
Impairment losses reversed	(227)	–	(227)
Impairment losses recognized	350	–	350
At 31 December 2020	350	2,956	3,306
Impairment losses reversed	(350)	–	(350)
Impairment losses recognized	232	–	232
Write-off	–	(2,956)	(2,956)
At 31 December 2021	232	–	232

The following table shows reconciliation of loss allowance that has been recognised for other receivables and rental deposits using the general approach under HKFRS 9:

	12m ECL RMB'000
At 1 January 2021	160
Impairment losses recognised	–
At 31 December 2021	160

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows reconciliation of loss allowance that has been recognised for lease receivables using the simplified approach under HKFRS 9:

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2020	128	–	128
Impairment losses recognised	–	9,140	9,140
At 31 December 2020	128	9,140	9,268
Impairment losses recognised	35	–	35
At 31 December 2021	163	9,140	9,303

Liquidity risk management

The directors of the Company have adopted a liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2021							
Financial liabilities							
Trade and other payables	-	212,950	-	-	-	212,950	212,950
Amounts due to related companies	-	4,047	-	-	-	4,047	4,047
Amounts due to directors	-	462	-	-	-	462	462
Amounts due to non-controlling interests	-	13,509	-	-	-	13,509	13,509
Amounts due to associates	-	2,027	-	-	-	2,027	2,027
Amount due to a joint venture	-	480	-	-	-	480	480
Lease liabilities	4.90%	133,762	126,612	398,117	24,563	683,054	604,369
Bank borrowings-variable interest rate	1.22%	38,834	2,005	16,040	24,945	81,824	77,003
		406,071	128,617	414,157	49,508	998,353	914,847

	Weighted average effective interest rate %	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2020							
Financial liabilities							
Trade and other payables	-	217,803	-	-	-	217,803	217,803
Amounts due to related companies	-	5,162	-	-	-	5,162	5,162
Amounts due to directors	-	460	-	-	-	460	460
Amounts due to non-controlling interests	-	13,518	-	-	-	13,518	13,518
Amounts due to associates	-	2,087	-	-	-	2,087	2,087
Amount due to a joint venture	-	576	-	-	-	576	576
Lease liabilities	4.90%	133,301	126,606	429,521	4,927	694,355	632,751
Bank borrowings-variable interest rate	1.97%	151,771	2,180	22,377	19,100	195,428	186,044
		524,678	128,786	451,898	24,027	1,129,389	1,058,401

34. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies (Continued)

Interest rate benchmark reform

As disclosed in note 30, several of the Group's HIBOR bank borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

For a floating rate loan amounted to RMB36,792,000 as at 31 December 2021 (2020: RMB141,395,000) that is linked to HIBOR, the Group had confirmed with the relevant counterparty HIBOR will continue to maturity. And there is no significant risk arising from the interest rate benchmark reform.

(c) Fair value measurements of financial instruments

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

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages an independent qualified professional valuer to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs for the valuation model. The management reports the valuation findings to the Board regularly to explain the cause of fluctuations in the fair value.

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34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

- (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31/12/2021

	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Unlisted equity investments	–	159,737	159,737
Fund investments	19,583	–	19,583
	19,583	159,737	179,320
Financial liabilities			
Financial liabilities at FVTPL	–	36,020	36,020

Fair value hierarchy as at 31/12/2020

	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Unlisted equity investments	–	200,717	200,717
Fund investments	35,954	–	35,954
	35,954	200,717	236,671
Financial liabilities			
Financial liabilities at FVTPL	–	61,067	61,067

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34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ liabilities	Fair value as at 31/12/2021	Fair value as at 31/12/2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets at FVTPL – unlisted equity investments	155,495,000	196,475,000	Level 3	Market approach The key inputs include equity value of investees, risk free rate, volatility, expected option life and probability of conversion, redemption and liquidation.	Equity value. Expected option life. Probability of conversion, redemption and liquidation.
Financial assets at FVTPL – unlisted equity investments	4,242,000	4,242,000	Level 3	Income approach - in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee based on an appropriate discount rate	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries (note i). Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model (note ii).
Financial assets at FVTPL – fund investments	19,583,000	35,954,000	Level 2	Discounted cash flow Future cash flows are estimated based on expected return.	N/A
Financial liabilities at FVTPL	36,020,000	61,067,000	Level 3	Based on the net asset values/ fair value of the underlying investments, which are determined by market approach and adjustments of related expenses.	The significant unobservable inputs are the same as the underlying investments, which are determined by market approach.

Note i: Any increases (decreases) in long-term revenue growth rate would result in an increase (decrease) in fair value.

Note ii: Any increases (decreases) in discount rate would result in a decrease (increase) in fair value.

There were no transfers between Level 1 and 2 during the years ended 31 December 2021 and 2020.

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34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
At 1 January 2020	225,008	(62,776)	162,232
Transfer into level 3	1,746	–	1,746
(Loss) gain on fair value change	(26,037)	1,709	(24,328)
At 31 December 2020	200,717	(61,067)	139,650
(Loss) gain on fair value change	(40,980)	25,047	(15,933)
At 31 December 2021	159,737	(36,020)	123,717

Of the total gains or losses for the period included in profit or loss, loss of RMB40,980,000 (2020:RMB26,037,000) and gain of RMB25,047,000 (2020: RMB1,709,000) relates to financial assets and liabilities at FVTPL held at the end of the current reporting period. Fair value gains or loss on financial assets at FVTPL are included in 'other gains and losses'.

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2021 and 2020 approximate their fair values.

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35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (bank borrowings and lease liabilities as detailed in notes 30 and 28), net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated financial statements.

The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank borrowings.

36. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	10,445	15,755
	10,445	15,755

37. PLEDGE OF ASSETS

	2021 RMB'000	2020 RMB'000
Right-of-use assets	585,761	585,640
Investment properties	363,364	369,396
Property, plant and equipment	4,927	5,222
	954,052	960,258

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38. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group's properties with carrying amounts of RMB996,028,000 (2020: RMB997,956,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 2.9% (2020: 2.5%) on an ongoing basis.

Undiscounted lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	45,199	27,724
In the second year	46,522	59,129
In the third year	38,666	32,982
In the fourth year	34,383	33,851
In the fifth year	27,470	25,940
After five years	397,898	424,206
	590,138	603,832

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Amounts due to related companies RMB'000	Amounts due to directors RMB'000	Amounts due to a shareholder RMB'000	Amounts due to non- controlling interests RMB'000	Amounts due to associates RMB'000	Amount due to a joint venture RMB'000	Dividend payable RMB'000	Interests payable RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	5,162	460	-	13,518	2,087	576	-	123	186,044	632,751	840,721
Financing cash flows	(1,115)	15	-	-	-	(96)	(121,870)	(2,251)	(105,217)	(289,543)	(520,077)
Exchange alignment	-	(13)	-	(9)	(60)	-	-	-	(3,824)	(1,528)	(5,434)
Dividends declared	-	-	-	-	-	-	121,870	-	-	-	121,870
New lease entered	-	-	-	-	-	-	-	-	-	272,944	272,944
Disposal of right-of-use assets	-	-	-	-	-	-	-	-	-	(38,039)	(38,039)
Interest expenses	-	-	-	-	-	-	2,176	-	-	27,784	29,960
At 31 December 2021	4,047	462	-	13,509	2,027	480	-	48	77,003	604,369	701,945

Notes to the Consolidated Financial Statements

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39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Amounts due to related companies	Amounts due to directors	Amount due to a shareholder	Amounts due to non- controlling interests	Amounts due to associates	Amount due to a joint venture	Dividend payable	Interests payable	Bank borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	4,073	504	17,525	13,434	2,245	2,076	26	223	207,676	646,223	894,005
Financing cash flows	1,089	(44)	(17,525)	84	(158)	(1,500)	(75,340)	(4,652)	(9,591)	(242,586)	(350,223)
Exchange alignment	-	-	-	-	-	-	(2)	-	(12,041)	(1,464)	(13,507)
Dividends declared	-	-	-	-	-	-	75,316	-	-	-	75,316
New lease entered	-	-	-	-	-	-	-	-	-	285,049	285,049
Disposal of right-of-use assets	-	-	-	-	-	-	-	-	-	(51,976)	(51,976)
Covid-19-related rent concessions	-	-	-	-	-	-	-	-	-	(34,121)	(34,121)
Interest expenses	-	-	-	-	-	-	-	4,552	-	31,626	36,178
At 31 December 2020	5,162	460	-	13,518	2,087	576	-	123	186,044	632,751	840,721

40. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of RMB1,333 (HK\$1,500) per month or 5% of the relevant payroll costs to the MPF Scheme.

The employees of the Mainland China subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Mainland China subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

No vesting policy exists for the MPF scheme and the state-merged retirement benefits scheme.

The total cost charged to profit or loss for the year is RMB59,028,000 (2020: RMB44,034,000) and as at 31 December 2021, amounts due to the MPF Scheme and state-managed retirement plans included in trade and other payables is RMB568,000 (2020: RMB509,000).

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41. RELATED PARTY TRANSACTIONS

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

Relationship with related party	Nature of transaction	2021 RMB'000	2020 RMB'000
Shigemitsu Industry Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Sales of noodles and related products	908	829
	Purchases of food products, materials and supplies	(31,723)	(31,092)
	Franchise commissions		
	– for restaurant operating in Hong Kong	(488)	(615)
	– for restaurant operating in Mainland China	(26,121)	(20,461)
	Technical fee paid/payable	(476)	(587)
	Royalty fee paid/payable	–	(12)
	Rental income	1,616	
Ajisen Overseas Franchising Co., Ltd. a company Mr. Katsuaki Shigemitsu has controlling interests	Royalty fee paid/payable	–	(12)
Ms. Poon	Property rental expenses (note i)	(1,941)	(1,941)
	Lease liabilities (note ii)	(10,869)	(12,629)
	Interest expense on lease liabilities	(595)	(755)
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Fees for decoration and renovation services	(2,031)	(1,424)
Japan Foods Holding Ltd., non-controlling interests of a subsidiary	Franchise commissions paid/payable	(1,569)	(986)
Hubei Jupeng Kitchen Equipment Co., Ltd. an associate of the Company	Purchase of property, plant and equipment	(22,171)	(1,419)
Yunnex an associate of the Company	Purchase of services	(17,917)	–

Note (i): During the year ended 31 December 2021 and 2020, the Group entered into two short term lease agreements with Ms. Poon.

Note (ii): During the year ended 31 December 2020, the Group entered into a tenancy agreement for the use of office premises with Ms. Poon for an initial term of 3 years. The Group has recognised a reduction of right-of-use assets and lease liabilities of RMB1,880,000 and RMB1,760,000 (2020: RMB4,920,000 and RMB4,920,000 recognised added), respectively, for the year ended 31 December 2021.

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41. RELATED PARTY TRANSACTIONS (Continued)

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

	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	5,302	4,319
Retirement benefits scheme contributions	402	144
Share-based payment	136	276
	5,840	4,739

The remuneration of directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

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42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2021 and 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2021	2020	
Ajisen International (note)	British Virgin Islands	US\$1,000	100%	100%	Investment holding
Ajisen (Hong Kong) Limited	British Virgin Islands	US\$990	100%	100%	Investment holding
Ajisen Investments Limited	British Virgin Islands	US\$50,000	100%	100%	Investment holding
Ajisen China Group Management Limited	Hong Kong	HK\$10,000	100%	100%	Provision of management services to group companies
Brilliant China Holdings Limited	Hong Kong	HK\$10,000	100%	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US\$100	100%	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK\$10,000	100%	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Nice Concept Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK\$10,000	70%	100%	Operating an Ajisen chain restaurant

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42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2021	2020	
Ocean Talent Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Pacific Smart Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK\$10,000	70%	100%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK\$10,000	100%	100%	Operating an Ajisen chain restaurant
Ajisen International Limited	Hong Kong	US\$1,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Colour Rise Limited	Hong Kong	HK\$10,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Miyamoto Holdings Ltd	Hong Kong	HK\$10,000	100%	–	Investment holding
Golden Bird Group Ltd	British Virgin Islands	US\$50,000	70%	–	Investment holding
Miyamoto Int'l Ltd	British Virgin Islands	US\$50,000	55%	–	Investment holding
Leadwind Enterprise Holding Ltd	Hong Kong	HK\$282,471,485	100%	–	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2021	2020	
Big Benefit Group Limited	British Virgin Islands	US\$50,000	100%	100%	Investment holding
So Pho International Limited	British Virgin Islands	US\$100	70%	70%	Investment holding
Fully Brave Limited	Hong Kong	HK\$10,000	70%	70%	Investment holding
領先食品(上海)發展有限公司 Lead Food (Shanghai) Development Co. Ltd.	Mainland China wholly foreign owned enterprise	US\$1,200,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
上海領先餐飲管理有限公司 Shanghai Lead Food & Restaurant Management Co. Ltd.	Mainland China wholly foreign owned enterprise	US\$20,000,000	100%	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, Mainland China
南京味千餐飲管理有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	RMB30,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing, Mainland China
杭州味千餐飲管理有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	RMB20,000,000	100%	100%	Operating Ajisen chain restaurants in Hangzhou, Mainland China
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd.	Mainland China limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Shandong, Mainland China
北京味千餐飲管理有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	US\$2,200,000	55%	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, Mainland China
重慶味千餐飲文化有限公司 Chongqing Weiqian Food & Culture Co., Ltd.	Mainland China limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, Mainland China

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2021	2020	
大連味千餐飲有限公司 Dalian Weiqian Food Co., Ltd.	Mainland China limited liability enterprise	RMB500,000	51%	51%	Operating Ajisen chain restaurants in Dalian, Mainland China
味千拉麵飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	Mainland China limited liability enterprise	US\$10,000,000	100%	100%	Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, Mainland China
領鮮食品(上海)有限公司 Lingxian Food (Shanghai) Co., Ltd.	Mainland China limited liability enterprise	US\$15,000,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd.	Mainland China wholly foreign owned enterprise	HK\$18,800,000	100%	100%	Operating a noodle factory in Shenzhen, Mainland China
領馳食品發展(上海)有限公司 Lingchi Food Development (Shanghai) Co., Ltd.	Mainland China wholly foreign owned enterprise	US\$20,000,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
東莞領馳食品有限公司 Dongguan Lingchi Food., Ltd.	Mainland China wholly foreign owned enterprise	US\$20,000,000	100%	100%	Operating a noodle factory in Dongguan, Mainland China
青島領馳食品有限公司 Qingdao Lingchi Food Co., Ltd.	Mainland China wholly foreign owned enterprise	RMB3,000,000	100%	100%	Operating a noodle factory in Shandong, Mainland China
上海領食餐飲管理有限公司 Shanghai Lingshi Food & Restaurant Management Co., Ltd.	Mainland China wholly foreign owned enterprise	US\$1,000,000	70%	70%	Operating So Pho chain restaurants in Shanghai, Mainland China
Hina Group Fund III, Limited Partnership	Cayman Islands limited partnership	US\$70,000,000	86%	86%	Investment holding
Shanghai JingJing Investment Center (Limited Partnership)	Mainland China limited partnership	RMB115,010,000	52%	52%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2021	2020	
Jiahua Mingde (Tianjin) Enterprise Management and Consulting partnership (Limited Partnership)	Mainland China limited partnership	RMB70,010,000	71.4%	71.4%	Investment holding

Note: This company was directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

43. EVENTS AFTER THE REPORTING PERIOD

The spread of the COVID-19 epidemic in the PRC since February 2022 may have had a negative impact on the Company's operations which are located in the PRC, especially in Hongkong, Shenzhen and Shanghai.

Based on the estimation in the impact of COVID-19, the management considered that there would be a material impact to the Company's operating profit in the first quarter of 2022, resulting from the drop in sales and payment of relevant costs and operating expenses.

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

Due to the inherent nature and unpredictability of future development and market sentiment, actual financial impact could be significantly different depending on the outcome and development of the epidemic and when it is settled.

Properties Held for Investment

Name/Location	Type	Carrying values in existing state at 31 December 2021 RMB'000	Lease term
1. Workshops 1 to 24 on 10/F and Car Parking Space No. 52 on Level 3, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	100,700	Medium-term lease
2. Storage B on Base Floor, Storages/Workshops B on G/F and 1/F, Workshops B on 1/F, 3/F 5/F and Roof B, Storage B on B/F Ajsen Group Tower, Nos. 24-26 Sze Shan Street, Yau Tong, Kowloon, Hong Kong	C	238,428	Medium-term lease
3. Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong	C	17,900	Medium-term lease
4. 9/F, Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong	C	87,400	Medium-term lease
5. Unit 3101, 31/F, Golden Bell Plaza, No. 98 Huaihai Zhong Road, Luwan District, Shanghai, the PRC	C	45,700	Medium-term lease
6. Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 1 Tongyan Road, Gaoxin District, Xi'an City Shaanxi Province, the PRC	C	5,300	Medium-term lease

Properties Held for Investment

Name/Location	Type	Carrying values in existing state at 31 December 2021 RMB'000	Lease term
7. Unit 2602, 22/F, Full Town No. 9 Dongsanhuan Zhong Road, Chaoyang District Beijing City, the PRC	C	9,200	Medium-term lease
8. Units 903 to 908, Block A, Xinian Centre, Tairanjiu Road, Shennan Da Road South, Futian District, Shenzhen City, Guangdong Province, the PRC	C	9,500	Medium-term lease
9. Units 2110 to 2116, 2118, 2121, 2214 and Two Underground Car Parking spaces, No. 1399 Haining Road, Zhabei District, Shanghai City, the PRC	C	10,180	Medium-term lease
10. An Industry Property located at 398 Yongan Road, Ande Town Industrial Zone, Pi County, Chengdu City, Sichuan Province, The PRC	C	5,265	Medium-term lease
11. No. 2, Block D, No. 951 Xinfei Road, Songjiang District, Shanghai City, The PRC	C	18,300	Medium-term lease
12. Units B-613, 614, A-1216 and A-1217, Tai'an Court, Tairan Nineth Road, Futian District, Shenzhen City, Guangdong Province, The PRC	C	15,700	Medium-term lease
13. Unit 4206-4207, No. 67 Zhujiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC	C	6,419	Medium-term lease

Properties Held for Investment

Name/Location	Type	Carrying values in existing state at 31 December 2021 RMB'000	Lease term
14. Unit B of Block 11, No. 951 Xinfei Road Songjiang District, Shanghai City, The PRC	C	17,600	Medium-term lease
15. Shop 2, Level 2, Block A and Shop 4 Level 2, Block C, Hua Ye Commercial and Residential Estate, No. 65 Meijiang 2nd Road, Jiangnan District, Meizhou City, Guangdong Province, the PRC,	C	14,000	Medium-term lease
16. Various Protions of level 1 to 3 Block 1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	6,000	Medium-term lease
17. Site No.1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	12,500	Medium-term lease
18. 115, podium of Dingcheng Building, Zhonghangyuan, Zhenhua Road, Futian District, Shenzhen City, Guangdong Province, the PRC	C	28,400	Medium-term lease
19. Unit 2-1, 2-2, 2-3 and 2-5, Block 5, No. 88 Wuxing Street, Liouzhou City, Zhuang Autonomous Region, Guangxi Province, the PRC	C	17,600	Medium-term lease
20. A parcel of land Songkai IV-110-2 with buildings and structures erected thereon, No.961 Xinfei Road, Songjiang District Industrial Zone, Songjiang District, Shanghai, The PRC	C	411,000	Medium-term lease

Type of properties: C- commercial

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

Financial Summary

	Year ended 31 December				2021
	2017	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Turnover	2,332,283	2,377,745	2,565,102	1,820,588	1,996,209
(Loss) profit before taxation	(533,862)	673,865	231,257	(97,999)	52,440
Income tax (expense) credit	(50,793)	(108,525)	(62,947)	19,110	(34,479)
(Loss) profit for the year	(584,655)	565,340	168,310	(78,889)	17,961
Attributable to:					
– owners of the Company	(486,650)	551,020	156,441	(77,868)	20,940
– non-controlling interests	(98,005)	14,320	11,869	(1,021)	(2,979)
	(584,655)	565,340	168,310	(78,889)	17,961
ASSET AND LIABILITIES					
Total assets	3,673,422	4,137,947	4,927,276	4,610,394	4,301,217
Total liabilities	(727,473)	(832,203)	(1,518,837)	(1,381,540)	(1,187,068)
Net assets	2,945,949	3,305,744	3,408,439	3,228,854	3,114,149



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S I N G A P O R E F I N L A N D
T H A I L A N D I T A L Y
P H I L I P P I N E S N E W Z E A L A N D

“味千拉面”不是用面来做人的生意，
而是追求用人来做面的生意。