# 2013 Annual Report 年報

# 这一碗 让心里好满

"味千拉麵"不是用麵來做人的生意，
而是追求用人來做麵的生意。

AJISEN RAMEN
味千拉麵

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

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

Stock Code 股份代號：538

**Ajisen (China) Holdings Limited (stock code: 0538) ("Ajisen (China)" or the "Company"; together with its subsidiaries, the "Group") is one of the leading fast casual restaurant ("FCR") chain operators in the People's Republic of China ("PRC") and Hong Kong Special Administrative Region ("Hong Kong"). Since its establishment in 1996, the Group has been selling Japanese ramen and Japanese-style dishes under the Ajisen brand in the PRC and Hong Kong by incorporating Chinese people's culinary preferences and the essence of the Chinese cuisine, we have carefully developed over one hundred types of Japanese-style ramen and dishes that cater for the Chinese people's palate. Combining the elements of fast food shops and traditional restaurant elements, the Group has become a fast-growing FCR chain operator.**

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As of the date of this report, the Group's nationwide retail network comprises 638 restaurants. 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 2013 Ajisen restaurants have entered 118 cities and 30 provinces of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 136, followed by 72 in Jiangsu and 58 in Guangdong (excluding Shenzhen), together with the remaining 332 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, Ajisen (China) operates 38 chain restaurants with its chain network covering all major business areas of the city. Moreover, the restaurant network is supported by the Group's Shanghai, Chengdu, Tianjin and Dongguan manufacturing centers, as well as 7 food manufacturing and processing centers in other major cities.

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

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

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

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

## Contents



# Corporate Information

## Board of Directors

### Executive Directors

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

### Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Wong Hin Sun, Eugene

### 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
Mr. Wong Hin Sun, Eugene

## Remuneration Committee

Mr. Lo Peter *(Chairman)*
Mr. Jen Shek Voon
Mr. Wong Hin Sun, Eugene

## Nomination Committee

Mr. Wang Jincheng *(Chairman)*
Mr. Lo Peter
Mr. Wong Hin Sun, Eugene

## Authorised Representatives

Ms. Poon Wai
Mr. Lau Ka Ho, Robert

## Qualified Accountant

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

## Company Secretary

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

## Head Office and Principal Place of Business in Hong Kong

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

## Registered Office

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

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Principal Bankers

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

## Auditor

Deloitte Touche Tohmatsu

## Hong Kong Legal Advisers

Fairbairn Catley Low & Kong

## Investor and Media Relations Consultant

iPR Ogilvy Ltd
www.iprogilvy.com

## Investors Relations ("IR") Contact

Mr. Richard Liu
Ajisen (China) Holdings Limited
18th Floor, Shui On Plaza
No. 333 Middle Huaihai Road
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## Company Website

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

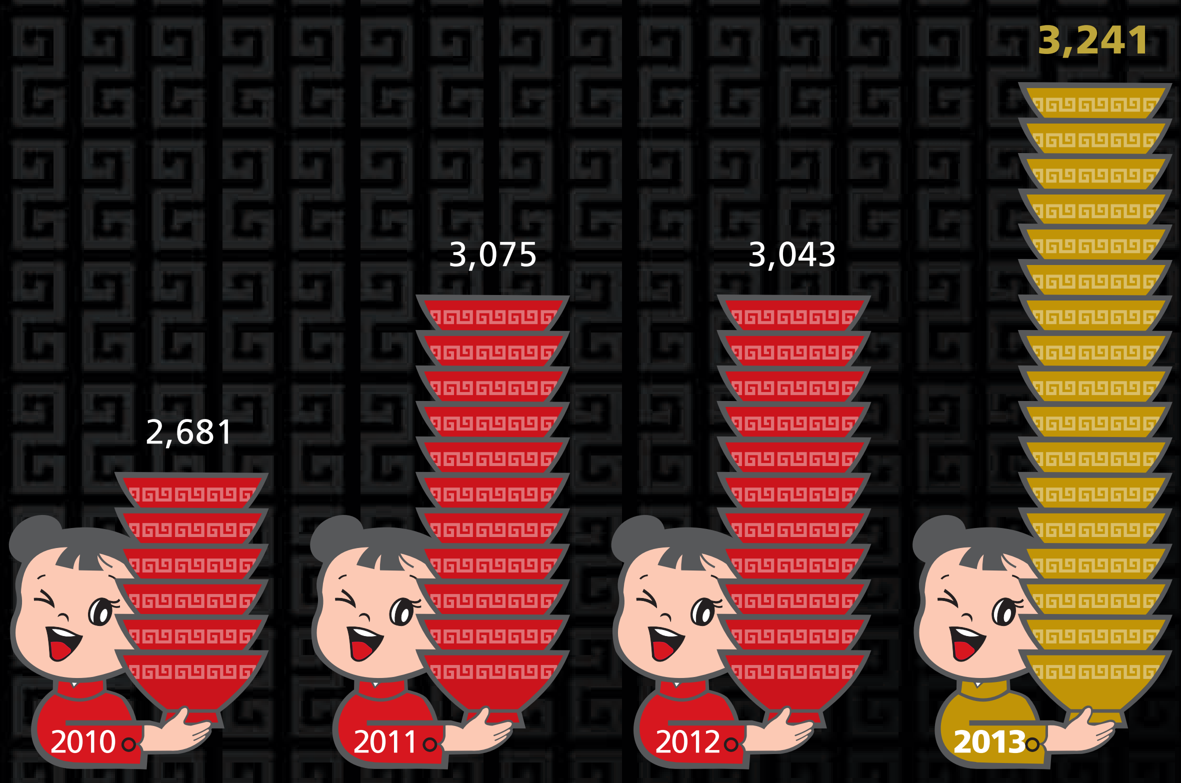
## Stock Code

538

# Financial Highlights

| | 2013 | 2012 | Change |
|---|---|---|---|
| Turnover (HK$'000) | 3,240,650 | 3,043,162 | 6.5% |
| Sales from restaurant operation (HK$'000) | 3,102,626 | 2,936,766 | 5.6% |
| Gross profit (HK$'000) | 2,183,557 | 2,021,730 | 8.0% |
| Profit before taxation (HK$'000) | 370,177 | 236,488 | 56.5% |
| Profit attributable to owners of the Company (HK$'000) | 271,698 | 154,230 | 76.2% |
| Basic earnings per share (HK cents) | 25.03 | 14.37 | 74.2% |
| Total dividend per share (HK cents) | 16.20 | 14.39 | 12.6% |
| Total number of restaurants (at 31 December) | 636 | 661 | -3.8% |
| Total assets (HK$ million) | 4,042.6 | 3,607.6 | 12.1% |
| Net assets (HK$ million) | 3,361.7 | 3,062.0 | 9.8% |
| Bank balances and cash (HK$ million) | 1,708.7 | 1,650.0 | 3.6% |
| Inventory turnover (days) | 40.4 | 31.4 | 9 days |
| Trade payable turnover (days) | 44.8 | 50.3 | -5.5 days |
| Gross profit margin | 67.4% | 66.4% | 1.0 point |
| Net profit margin | 8.4% | 5.1% | 3.3 points |
| Current ratio | 3.7 | 3.5 | 5.7% |
| Return on equity | 8.6% | 5.4% | 3.2 points |
| Gearing ratio | 3.4% | 1.7% | 1.7 points |

## Turnover (in HK$ million)



# Chairman's Statement

As at the end of 2013, the Group had 636 restaurants, representing a decrease of 25 from 661 restaurants during the same period last year. In particular, the Group newly opened 56 restaurants, including 39 and 17 restaurants respectively in Mainland China and Hong Kong, and closed 81 restaurants, including 67 and 14 restaurants respectively in Mainland China and Hong Kong.

During 2013, the continued slowdown of China's economy affected the consumption in the first-, second- and third-tiered cities to different extents. During the reporting period, the Company reorganized and streamlined its existing network of 636 stores. Underperforming stores were closed and the excessive areas in certain stores were reduced to improve the efficiency per square meter, whilst certain stores were renovated to upgrade the image. The Company repositioned its store opening strategy, under which new stores were opened mainly in Beijing, Shanghai, Guangzhou, Jiangsu province and Zhejiang province. Strict cost control was also exercised to improve profitability of the Company.

As at the end of 2013, the Company's turnover increased by 6.5% and gross profit increased by 8.0% from the same period last year. Profit margin attributable to equity owners increased from 5.1% to 8.4%, while food material costs decreased from 33.6% to 32.6%, rent costs decreased from 15.7% to 14.9%, labor costs decreased from 24.2% to 23.1%, and operating costs decreased from 16.8% to 15.0%.

As a part of its continuing multi-brand strategy, the Company is negotiating with a major international coffee chain operator on exclusive agency for its brand in the PRC, and expects to enter into the agency agreement soon.

The Group's three factories in Shanghai, Chengdu and Tianjin have been completed and put into operation. The new production base in Dongguan will commence operation this year. The capities of four factories are able to support the operation of up to 1,800 restaurants, thus laying a solid ground for the expansion in the future.

In the coming year, the Company will strive to improve same-store growth and step up the development of high-quality stores. With respect to same-store growth, the Company will continue to improve its operation and management system to define and refine duties of each post, and establish a transparent and fair employee incentive system to closely link the assessment on employees with turnover. Meanwhile, the Company will strengthen the marketing campaign, amplifying the brand exposure on online platforms such as social networks. With a stance of keeping abreast of times through reform and innovations, the Company will seek to accomplish the online-to-offline ("O2O") project to explore a broader market for Ajisen in the coming year. On new store development in 2014, the Company expects to achieve a net increase of approximately 80 restaurants, mainly in Beijing, Shanghai, Guangzhou, Shenzhen, Jiangsu province, Zhejiang province and Anhui province as well as major transportation hubs.

Last but not least, let me take this opportunity to show my appreciation to the great support of all shareholders and customers. I would also like to extend my gratitude to our Board members, the management and all staff members for their efforts and dedication to the development of the Group. I am confident that with our concerted efforts, Ajisen Group is well positioned to overcome the difficulties and challenges ahead and embrace a fruitful tomorrow.

# Management Discussion and Analysis

## Industry Review

In 2013, the global economy was on a slow path to recovery, and the aftermath of the global financial crisis still lingered on. For the past year, major financial institutions across the world lowered their estimates on global economy growth for a number of times. For the major economies, the US economy continued to recover while Eurozone's economy rebounded after hitting rock bottom and showed feeble growth; for the emerging markets, growth was sluggish across the board. In 2012, the advancing structural reform put a drag on China's growth in gross domestic product (GDP) to 7.8%, which was a thirteen-year low. In 2013, GDP growth slowed further to 7.7% as the downtrend in GDP growth continued, with a GDP of RMB56,884.5 billion. Meanwhile, the consumer price index (CPI) for the whole year grew by 2.6% as compared with that of last year.

Curbed by national policies on combating "three public expenses" (i.e. expenses on official vehicles, banquets and overseas trips using public funds), public fund spending dropped dramatically. Since 2012, the revenue of the catering industry nationwide has been on a downtrend, high-end catering has also been in a plight, and the industry is about to reshuffle. In 2013, the revenue of the catering industry nationwide amounted to RMB2,539.2 billion, a year-on-year increase of 9.0% and the slowest growth in 21 years. The single digit growth demonstrated a steeper decline as it was 4.6 percentage points lower than that of the same period last year.

Given the situation, the high-end catering enterprises have been adjusting their strategies by shifting their focus to the mass catering market, thus intensifying the competition in such market. Meanwhile, the mass catering market is vigorously finding its own position as it undergoes specialisation and integration, exhibiting a strong growth and gradually becoming the main driving force in catering consumption. In 2013, O2O (online-to-offline) became a buzzword for the transformation in operational modes across the catering industry. The O2O mode offers consumers a diverse dining experience with online and offline contents via platforms such as Weibo, dianping.com and WeChat. In addition, catering enterprises also join hands with traditional E-commerce platforms such as Tmall to expand their sales channels and extend their industrial chain.

However, the external pressures faced by catering enterprises were still unabated. Currently, the catering industry has been burdened by the "four highs and one low" phenomenon featuring ever-rising costs in rents, labour, raw materials and utilities, while profits remain at low levels. Meanwhile, the industry also faces risks such as food safety issues, consumer complaints and media exposure.

The year 2013 was a year of adjustment for Ajisen Group. During the reporting period, the Company focused its efforts on optimising its existing stores by closing some underperforming stores and resizing the area of some stores, and adopted a prudent strategy for opening new stores; the Company expanded its restaurant networks in Beijing, Shanghai, Guangzhou, Shenzhen, Jiangsu Province, Zhejiang Province and Anhui Province, as well as in areas along the transportation hubs, thereby realising a structural transformation from store quantity to store quality. As at 31 December 2013, the Company had 636 chain restaurants, approximately 25 restaurants short of the 661 restaurants over the same period last year. Meanwhile, the Company streamlined store operating procedures and stepped up automation to improve operation efficiency and profitability of each store. To tackle skyrocketing raw material costs, the Company improved its supply chains through direct procurement and enhancing the efficiency of factory logistics. In addition, the Company boosted brand promotions and sales promotions to rebrand its image.

Ajisen Group has always placed food quality and food safety as its top priorities, and has been dedicated to improving the mouthfeel and the quality of its food to provide consumers with superior dining experience.

## Business Review

For the year ended 31 December 2013, although the stores number decreased, the Group's turnover increased from approximately HK$3,043 million in 2012, by approximately 6.5% to approximately HK$3,241 million in 2013. The gross profit of the Group reached approximately HK$2,184 million, an increase of approximately 8.0% from last year. In particular, profit for the year of the Company increased by approximately 75.4% and profit attributable to the owners of the Company increased by approximately 76.2% to approximately HK$272 million from approximately HK$154 million last year. Net profit margin also increased from approximately 5.1% last year to approximately 8.4%. This showed that profitability of the Group gradually recovered during the year. Correspondingly, basic earnings per share increased from HK14.37 cents last year to HK25.03 cents per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of HK2.71 cents and a special dividend of HK9.90 cents per ordinary share for the year ended 31 December 2013 as a return to the shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2013, the Group has three major production bases in Shanghai, Chengdu and Tianjin, and 7 food manufacturing and processing centres throughout China, the Group also steadily pursued the construction of one new production base in order to accommodate the pace and demand from the planned expansion of its fast causal restaurant ("FCR") network. The new production base in Dongguan will commence operation in this year.

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

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 32.6%, indicating a decrease of approximately 1.0 percentage point from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 66.4% last year to approximately 67.4% in 2013. The Company leveraged on the adjustment of manual prices and adoption of means of strategic stocking to stabilize the cost of inventories to the maximum extent. In addition, although prices of certain raw materials are currently rising, the Group is confident that this pressure can be effectively mitigated by ingredient diversification. Together with further optimization of purchasing channels, the Group will be able to maintain a relatively high and stable gross profit margin.

During the year, the Group's labour costs accounted for approximately 23.1% of the turnover, which was approximately 1.1 percentage points lower than that of the corresponding period of last year. During the year, due to the standard of minimum wage in a number of provinces and municipalities in China successively was increased, the Group adjusted the wages of staff according to relevant law and regulations. In addition to this, the Group also continued to apply new human resources policy to the operational level staff, leading to a decrease in labour costs as a proportion to turnover.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 14.9%, which was approximately 0.8 percentage point lower than that of corresponding period last year. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium-and small-size restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. Such an increase was mainly attributable to the fact that the slower turnover growth for the period with the recovery of turnover, rental costs will be diluted further, pushing down the proportion of rental and related costs to turnover.

By leveraging on the business opportunities arising from the gradual recovery of the F&B market, the Group has timely introduced a number of enriched and attractive marketing activities, the results of which within expectation. During the year, the Group featured the promotional sales of various attractive premiums. The feedback was excellent and the promotions facilitated an increase in transaction amount. The traditional redemption activities further improved the sales profit margin. These activities did not only encourage new and existing customers to visit the restaurants, but also helped the Group to fully benefit from the market recovery.

The highly effective operation of over 630 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully mobilize its staff.

## Retail Chain Restaurants

In 2013, 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 HK$3,102,626,000 (2012: HK$2,936,766,000), accounted for approximately 95.7% (2012: 96.5%) of the Group's total revenue.

As at 31 December 2013, the Group's restaurant portfolio consisted of 636 Ajisen chain restaurants, comprising the following:

| | **31 December 2013** | 31 December 2012 | +/– |
|---|---|---|---|
| By type: | | | |
| Owned and managed | **634** | 659 | -25 |
| Owned but not managed | **2** | 2 | 0 |
| Total | **636** | 661 | -25 |
| By provinces: | | | |
| Shanghai | **136** | 132 | 4 |
| Beijing | **35** | 35 | 0 |
| Tianjin | **7** | 6 | 1 |
| Guangdong (excluding Shenzhen) | **58** | 66 | -8 |
| Shenzhen | **33** | 34 | -1 |
| Jiangsu | **72** | 73 | -1 |
| Zhejiang | **46** | 45 | 1 |
| Sichuan | **24** | 26 | -2 |
| Chongqing | **14** | 17 | -3 |
| Fujian | **22** | 26 | -4 |
| Hunan | **16** | 16 | 0 |
| Hubei | **16** | 15 | 1 |
| Liaoning | **11** | 14 | -3 |
| Shandong | **34** | 41 | -7 |
| Guangxi | **7** | 10 | -3 |
| Guizhou | **4** | 6 | -2 |
| Jiangxi | **8** | 6 | 2 |
| Shaanxi | **12** | 12 | 0 |
| Yunnan | **7** | 7 | 0 |
| Henan | **2** | 3 | -1 |
| Hebei | **4** | 4 | 0 |
| Anhui | **11** | 12 | -1 |
| Gansu | **1** | 1 | 0 |
| Xinjiang | **2** | 4 | -2 |
| Hainan | **3** | 3 | 0 |
| Shanxi | **1** | 1 | 0 |
| Neimenggu | **4** | 4 | 0 |
| Heilongjiang | **3** | 3 | 0 |
| Ningxia, Qinghai | **2** | 2 | 0 |
| Jilin | **1** | 0 | 1 |
| Hong Kong | **38** | 35 | 3 |
| Taiwan* | **2** | 2 | 0 |
| Total | **636** | 661 | -25 |
| Total saleable area (sq. meters) | **147,459** | 151,748 | -4,289 |

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

| | 31 December 2013 | 31 December 2012 | +/– |
|---|---|---|---|
| By geographical region: | | | |
| Northern China | **102** | 110 | -8 |
| Eastern China | **254** | 250 | 4 |
| Southern China | **161** | 174 | -13 |
| Central China | **117** | 125 | -8 |
| Taiwan | **2** | 2 | 0 |
| Total | **636** | 661 | -25 |

| | 31 December 2013 | 31 December 2012 | +/– |
|---|---|---|---|
| By scale: | | | |
| Flagship | **44** | 44 | 0 |
| Standard | **582** | 607 | -25 |
| Economic | **10** | 10 | 0 |
| Total | **636** | 661 | -25 |

## Sales of Packaged Noodle and Related Products

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

For the year ended 31 December 2013, revenue from the sales of packaged noodle and related products was approximately HK$138,024,000 (2012: HK$106,396,000), accounted for approximately 4.3% (2012: 3.5%) of the Group's total revenue. The Group has an extensive distribution network for the packaged noodle and related products in China. As of 31 December 2013, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Allday, Kedi and C-Store.

## Financial Review

### *Turnover*

For the year ended 31 December 2013, the Group's turnover increased by approximately 6.5%, or approximately HK$197,488,000, to approximately HK$3,240,650,000 from approximately HK$3,043,162,000 for the corresponding period in 2012. Such increase was mainly due to the fact that the positive same store growth of the Group during the year.

### *Cost of inventories consumed*

For the year ended 31 December 2013, the Group's cost of inventories increased by approximately 3.5%, or approximately HK$35,661,000, to approximately HK$1,057,093,000 from approximately HK$1,021,432,000 for the corresponding period in 2012. The increase of inventories cost was slightly less than the increase in turnover. During the year, the ratio of inventories cost to turnover was approximately 32.6%, slightly lower than 33.6% for the corresponding period in 2012. Such decrease was mainly attributable to raw material prices decrease and less discounts and promotion were offered for the year.

### *Gross profit and gross profit margin*

Driven by the above factors, gross profit for the year ended 31 December 2013 increased by approximately 8.0%, or approximately HK$161,827,000, to approximately HK$2,183,557,000 from approximately HK$2,021,730,000 for the corresponding period in 2012. Gross profit margin of the Group also slightly increased from approximately 66.4% for the corresponding period in 2012 to approximately 67.4%.

### *Property rentals and related expenses*

For the year ended 31 December 2013, property rentals and related expenses of the Group increased by approximately 0.8% from approximately HK$478,457,000 for the corresponding period in 2012 to approximately HK$482,110,000. Its proportion to turnover decreased from approximately 15.7% for the corresponding period in 2012 to approximately 14.9%. Such a decrease was mainly attributable to the fact that the positive same store sales growth for the year.

### *Staff costs*

For the year ended 31 December 2013, staff costs of the Group increased by approximately 1.7% from approximately HK$736,462,000 for the corresponding period in 2012 to approximately HK$748,968,000. Staff costs as a proportion to turnover decreased from approximately 24.2% for the corresponding period in 2012 by 1.1 percentage points to approximately 23.1%, which reflected the new human resources policies adopted and positive same store sales growth for the year.

### *Depreciation*

For the year ended 31 December 2013, depreciation of the Group increased by approximately 5.9% or approximately HK$10,276,000 from approximately HK$175,220,000 for the corresponding period in 2012 to approximately HK$185,496,000. Such an increase was mainly attributable to the commencement of operation of new factories in Shanghai and Chengdu.

### *Other operating expenses*

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the year ended 31 December 2013, other operating expenses decreased by approximately 4.9%, or approximately HK$25,023,000, to approximately HK$487,700,000 from approximately HK$512,723,000 for the corresponding period in 2012. Its proportion to turnover was decreased by 1.8 percentage points from 16.8% to approximately 15.0%, which mainly attributed to the decrease in expenses spent on consumbles, fuel and utility and decrease in number of restaurants for the year, while expenses spent on advertising and promotion had increased to approximately HK$73,786,000 from approximately HK$38,461,000 in 2012.

### *Other income*

For the year ended 31 December 2013, other income of the Group decreased by approximately 3.6%, or approximately HK$3,912,000, to approximately HK$103,625,000 from approximately HK$107,537,000 for the corresponding period in 2012. The decrease mainly originated from the decrease in bank interest income resulting from a downward trend in fixed deposit rates offered by Banks during the year.

### *Other gains and losses*

For the year ended 31 December 2013, other gains and losses of the Group decreased by approximately 185.9% or HK$22,793,000 to approximately loss of HK$10,529,000 from approximately gain of HK$12,264,000 for the corresponding period in 2012. The decrease was primarily due to an increase in loss on disposal and write-off of property, plant and equipment during the year and decrease in change on fair values of investment properties during the year.

The exchange differences arising on translation amounted to approximately gain of HK$3,452,000 for the year ended 31 December 2013 (2012: loss of HK$7,753,000) is due to translation of (i) assets and liabilities and (ii) income and expenses of the Group's PRC operating entities from their functional currency, which is RMB, to the presentation currency of the Group, which is HK$, at the rate of exchange prevailing at the end of the reporting period and the average exchange rate for the year, respectively. Such significant amount recognised in other comprehensive income and accumulated in the translation reserve in the equity for the year ended 31 December 2013 is mainly due to appreciation of RMB as compared to HK$ throughout the year and more RMB denominated assets, including but not limited to bank balances and cash, property, plant and equipment, etc, were resulted at the end of the reporting period as compared to that in the previous year.

### *Finance costs*

For the year ended 31 December 2013, finance costs increased by approximately 1.0%, or approximately HK$21,000, to approximately HK$2,202,000 from approximately HK$2,181,000 for the corresponding period in 2012. The increase was mainly due to increase of loans for the year.

### *Profit before taxation*

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2013 increased by approximately 56.5%, or approximately HK$133,689,000 to approximately HK$370,177,000 from approximately HK$236,488,000 for the corresponding period in 2012.

### *Profit attributable to owners of the Company*

Being affected by the factors referred to above in aggregate, profit attributable to owners of the Company for the year ended 31 December 2013 increased by approximately 76.2%, or approximately HK$117,468,000, to approximately HK$271,698,000 from approximately HK$154,230,000 for the corresponding period in 2012.

### *Assets and liabilities*

The Group's net current assets were approximately HK$1,521,049,000 and the current ratio was 3.7 as at 31 December 2013 (31 December 2012: 3.5). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The increase in current ratio was mainly attributable to the repayment of large portion of loans last year.

### *Cash flows*

Cash generated from operations for the year ended 31 December 2013 was approximately HK$527,691,000, while profit before taxation for the same period was approximately HK$370,177,000. The difference was primarily due to the increase in share-based payment expenses.

### *Capital expenditure*

For the year ended 31 December 2013, the Group's capital expenditure was approximately HK$290,853,000 (2012: HK$205,879,000), which was due to the increase in purchase of property, plant and equipment for new restaurants.

## Key operating ratios for restaurant operations

| | Hong Kong | | | PRC | | |
|---|---|---|---|---|---|---|
| | **1-12/2013** | 1-6/2013 | 1-12/2012 | **1-12/2013** | 1-6/2013 | 1-12/2012 |
| Comparable restaurant sales growth: | **4.3%** | 1.5% | 0.7% | **7.6%** | 4.5% | -12.6% |
| Turnover per GFA (per day/sq.m.): | **HK$228** | HK$225 | HK$224 | **RMB41.2** | RMB41.1 | RMB39.5 |
| Per capita spending: | **HK$64.1** | HK$61.1 | HK$59.9 | **RMB42.3** | RMB42.0 | RMB41.6 |
| Table turnover per day (times per day): | **5.4** | 5.6 | 5.6 | **3.4** | 3.4 | 3.3 |

# Corporate Governance Report

## Introduction

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

## Code on Corporate Governance Practices

The Company has, throughout the year ended 31 December 2013, complied with all applicable code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save and except for the deviation from the code provisions A.2.1 and A.5.6 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer (''CEO'') should be separate and should not be performed by the same individual and under the code provision A.5.6, the nomination committee or the Board should have a policy concerning diversity of board members. Currently, the Company does not comply with such code provisions, namely, the roles of the Chairman and CEO have not been separated and the Board has not adopted a policy concerning diversity of board members.

## 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 2013.

## The Board of Directors

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

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

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

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

## Composition

The Board currently consists of seven Directors as follows:

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

*Non-executive Directors*
Mr. Katsuaki Shigemitsu
Mr. Wong Hin Sun, Eugene

*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. Their Directors' biographies are set out under the section headed "Directors and Senior Management" of this Annual Report.

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

The composition of the Board of the Company 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 advised the Company on its operation and management; provided independent opinion on the Company's connected transactions; participated in the Company's various committees including Audit Committee, Remuneration Committee and Nomination Committee. The INEDs have contributed to provide adequate checks and balance to protect the interests of the Company and the Company's shareholders as a whole, and to advise strategically the development of the Company.

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

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

## Delegation by the Board

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

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

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

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

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

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

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

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

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

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

(iv) implementing measures and procedures in compliance with the laws, regulations, Listing Rules, article of association, 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 of the Company from time to time.

## Corporate Governance Function

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

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

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

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

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

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

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

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

## Chairman and Chief Executive Officer ("CEO")

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

## Induction and Continuing Professional Development of Directors

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

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2013 is as follows:

| Name of Directors | Nature of continuous professional development programmes |
|---|---|
| ***Executive Directors*** | |
| Ms. Poon Wai | A |
| Mr. Yin Yibing (resigned on 18 July 2013) | A |
| Mr. Poon Ka Man, Jason | A |
| ***Non-Executive Directors*** | |
| Mr. Katsuaki Shigemitsu | A |
| Mr. Wong Hin Sun, Eugene | A |
| ***INEDs*** | |
| Mr. Lo Peter | A |
| Mr. Jen Shek Voon | A |
| Mr. Wang Jincheng | A |

*Notes:*

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

## Supply of and Access to Information

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

## Board Meetings

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

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

During the year ended 31 December 2013, 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 (the "2013 AGM") is set out below:

| Name of Directors | Board Meeting Attended/Held | General Meeting Attended/Held |
|---|---|---|
| ***Executive Directors*** | | |
| Ms. Poon Wai | 4/4 | 1/1 |
| Mr. Yin Yibing (resigned on 18 July 2013) | 0/4 | 0/1 |
| Mr. Poon Ka Man, Jason | 4/4 | 1/1 |
| ***Non-Executive Directors*** | | |
| Mr. Katsuaki Shigemitsu | 4/4 | 1/1 |
| Mr. Wong Hin Sun, Eugene | 4/4 | 1/1 |
| ***INEDs*** | | |
| Mr. Lo Peter | 4/4 | 1/1 |
| Mr. Jen Shek Voon | 4/4 | 1/1 |
| Mr. Wang Jincheng | 4/4 | 1/1 |

## Independent Board Committee

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

## Board Committees

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

## Executive Committee

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

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

Ms. Poon Wai *(Chairman and CEO)*
Mr. Poon Ka Man, Jason *(Chief Marketing Officer)*

There were four Executive Committee meetings held during the year ended 31 December 2013. Attendance of each Executive Committee member at the Executive Committee Meeting is set out below:

| **Name of Members** | **Executive Committee Meeting Attended/Held** |
|---|---|
| ***Directors*** | |
| Ms. Poon Wai | 4/4 |
| Mr. Yin Yibing (resigned on 18 July 2013) | 0/4 |
| Mr. Poon Ka Man, Jason | 4/4 |

## Remuneration Committee

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

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

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

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

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

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

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

Currently, the Remuneration Committee comprises one non-executive Director and two INEDs as follows:

Mr. Lo Peter *(chairman)*,
an independent non-executive Director
Mr. Jen Shek Voon,
an independent non-executive Director
Mr. Wong Hin Sun, Eugene,
a non-executive Director

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

For the year ended 31 December 2013, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

| **Name of Members** | **Remuneration Committee Meeting Attended/Held** |
|---|---|
| ***Directors*** | |
| Mr. Lo Peter | 1/1 |
| Mr. Jen Shek Voon | 1/1 |
| Mr. Wong Hin Sun, Eugene | 1/1 |

The Remuneration Committee discussed and reviewed the remuneration policy and packages for Directors and Senior Management.

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of members of the senior management by band for the year ended 31 December 2013 is set out below:

| **Remuneration band** | **Number of individual** |
|---|---|
| HK$nil to HK$1,000,000 | 1 |
| HK1,000,001 to HK$1,500,000 | 2 |
| HK1,500,001 to HK$2,000,000 | – |

## Nomination Committee

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

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

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

(iii) to assess the independence of independent non-executive Directors; 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.

Currently, the Nomination Committee comprises one non-executive Director and two INEDs as follows:

Mr. Wang Jincheng *(Chairman)*,
an independent non-executive Director
Mr. Lo Peter,
an independent non-executive Director
Mr. Wong Hin Sun, Eugene,
a non-executive Director

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

For the year ended 31 December 2013, 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/Held** |
|---|---|
| ***Directors*** | |
| Mr. Wang Jincheng | 1/1 |
| Mr. Lo Peter | 1/1 |
| Mr. Wong Hin Sun, Eugene | 1/1 |

## Board Diversity Policy

The Board has not formally adopted a policy concerning diversity of the Board members, as the Nomination Committee would review the Board composition from time to time and it considered that the board diversity is in place and therefore written policy is not required.

## Audit Committee

The Audit Committee was set up on 8 March 2007 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The principal duties of the Audit Committee include:

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

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

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

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

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

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

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

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

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

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

Mr. Jen Shek Voon (Chairman),
an independent non-executive Director
Mr. Lo Peter, an independent non-executive Director
Mr. Wang Jincheng, an independent
non-executive Director
Mr. Wong Hin Sun, Eugene, a non-executive Director

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

For the year ended 31 December 2013, the Audit Committee convened two committee meetings. Attendance of each Audit Committee member at the Audit Committee meetings is set out below:

| Name of Members | Audit Committee Meeting Attended/Held |
|---|---|
| ***Directors*** | |
| Mr. Jen Shek Voon | 2/2 |
| Mr. Lo Peter | 2/2 |
| Mr. Wang Jincheng | 2/2 |
| Mr. Wong Hin Sun, Eugene | 2/2 |

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2014, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2013 and annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

## 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 of the Company, 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 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.

Pursuant to the final letter sent by the Company to the Stock Exchange with regard to their initial inquiry on the Company's 18 July 2013 announcement of the proposed appointment of a Chief Operating Officer designate, the Company has appointed an external professional services firm who has rendered their report (the "Report"), which was considered and evaluated by the Audit Committee on issues relating to Human Resources function at its meeting of 19 March 2014.

The Audit Committee has satisfied that the Company's management has accepted the Report's principal findings and recommendations, and it was also agreed at the Audit Committee meeting of 19 March 2014, that the Company's Executive Committee shall take the necessary action to make the necessary improvements, and, to issue the requisite internal Financial and Operating Guidelines to management to be proactive to the principal findings and be responsive to the impacts of the Report, as they relate to the Human Resource function.

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 2013, provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

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

## Directors' Responsibility for the Financial Statements

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

In preparing the financial statements of the Group for the year ended 31 December 2013, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

The auditor's statement about their reporting responsibilities on the financial statements is set out on page 42 and page 43 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 2013 was approximately as follows:

| **Type of Services** | **Amount** |
|---|---|
| | *HK$'000* |
| Audit | 3,170 |
| Non-audit services *(Note)* | 800 |
| Total: | 3,970 |

*Note:* Non-audit services include the 2013 interim review.

## Company Secretary

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

During the year ended 31 December 2013, Mr. Lau has undertaken more than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

## Communication with Shareholders and Investor Relations

The Board recognizes the importance of good communications with all shareholders. The Company's 2013 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 2013 AGM of the Company held on 15 May 2013 to answer shareholders' questions. The Company's 2014 annual general meeting will be held on 15 May 2014 (the "2014 AGM").

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

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

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

## Closure of register of members

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 12 May 2014 to 15 May 2014 (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 and the special dividend for the year ended 31 December 2013, the register of members of the Company will be closed from 21 May 2014 to 26 May 2014 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final dividend and the special 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 9 May 2014 and 20 May 2014 respectively.

## Shareholders' Rights

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

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting. At the 2013 AGM, all resolutions were passed by poll by the shareholders of the Company.

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

## Change in Constitutional Documents

During the year ended 31 December 2013, there is no significant change in constitutional documents of the Company.

## Looking Forward

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

# Directors and Senior Management

## Executive Directors

**Poon Wai (潘慰)**, aged 58, is the founder of the Group. She is the Chairman and Chief Executive Officer of the Company. She is responsible for the overall management, including critical decision-making and planning for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. Ms. Poon is an experienced entrepreneur who has over 10 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in US and Hong Kong. Ms. Poon is particularly well versed and experienced in specialty foods from northern and southern regions of China. Ms. Poon currently serves as the vice president of China Catering industry Central Kitchen Industrial Technology and Innovation Strategic Alliance, director of China Association of Enterprises and China Entrepreneur Association. Meanwhile, Ms. Poon is also the vice chairman of Shanghai Restaurants Cuisine Association as well as the vice president of Shanghai Commercial Enterprise Management Association. Ms. Poon was awarded Ernst & Young Entrepreneur Of The Year for Hong Kong/Macau Region in October 2007. Ms. Poon is the sister of Mr. Poon Ka Man, Jason.

**Poon Ka Man, Jason (潘嘉聞)**, aged 57, is the chief marketing officer and an executive Director of the Company. He has been an executive Director of the Company since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon has over 20 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai.

## Non-executive Directors

**Katsuaki Shigemitsu (重光克昭)**, aged 45, has been a non-executive Director of the Company since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's Franchisor. In addition, Mr. Shigemitsu has served as a non-executive director of a Singapore-listed company, namely Japan Food Holdings Limited since November 2008. Mr. Shigemitsu has over 15 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

**Wong Hin Sun, Eugene (黃慶生)**, aged 46, a non-executive Director of the Company since 8 March 2007. In September 2002, Mr. Wong founded Sirius Venture Capital Pte Ltd, which is a venture investment holding company. Mr. Wong also serves as a non-executive director of Japan Food Holdings Limited, Singapore Kitchen Equipment Limited, Jason Marine Group Limited and Neo Group Ltd and as an independent director of TMC Education Group Ltd, all listed on the Catalist Board of the Singapore Stock Exchange. Mr. Wong currently serves on the Board of International Enterprise ("IE") Singapore and Agri-Veterinary Authority ("AVA") Singapore. He is a non-executive Chairman of CrimsonLogic Pte Ltd, a subsidiary of IE Singapore and non-executive director of Cargo Community Network Pte Ltd, a subsidiary of Singapore Airlines Cargo Pte Ltd. He graduated with a Master degree in Business Administration from Imperial College, London, Owner President Management Program from Harvard Business School and a Bachelor degree of Business Administration with First Class Honours from the National University of Singapore. He is a fellow of the Australia Institute of Company Directors (AICD) and fellow of the Hong Kong Institute of Directors. He is a chartered financial analyst (CFA).

## Independent non-executive Directors

**Jen Shek Voon (任錫文)**, aged 67, is an independent non-executive Director of the Company. He is a sole proprietor of Jen Shek Voon, PAS, a Fellow 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 publicly listed companies in Singapore, and, the region in Malaysia. 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 Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants in UK and a Chartered Tax Adviser of the Taxation Institute of Australia respectively, and a member of the Malaysian Institute of Accountants, ISACA (Information System Audit and Control Association) and the British Computer Society.

**Lo Peter (路嘉星)**, aged 58, has been an independent non-executive Director of the Company since 8 March 2007. Mr. Lo is a director of China Enterprise Capital Limited. Mr. Lo is the chairman and an executive director of China Outfitters Holdings Limited (stock code: 1146) and resigned as the chairman and non-executive director of Sino Distillery Group Limited (stock code: 0039) in May 2013, companies listed on the Stock Exchange. Mr. Lo has more than 15 years of experience in operating businesses in the PRC, including but not limited to trade and investment in various industries such as leather goods, power plants, auto manufacturers, medical equipment and beer brewery. Mr. Lo is also an independent non-executive director of Uni-President China Holdings Ltd (stock code: 0220), a company listed on the Stock Exchange. Mr. Lo holds a bachelor degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science.

**Wang Jincheng (王金城)**, aged 59, has been an independent non-executive Director of the Company since 9 September 2008. Mr. Wang has over 35 years extensive experience in the hospitality industry in the PRC. Since 2003, Mr. Wang has served as the president of Shanghai Baolong (Group) Co. Ltd, the main business of which includes hotel and hostel services, food and beverage services and rental car services in the PRC. He has been a director of the World Cuisine Association since 2003, and is currently the chairman of the professional committee of career managers of the China Cuisine Association and the vice-chairman of both the Shanghai Cuisine Association and the Shanghai Restaurants Association. He was awarded Senior Chinese Catering Manager in February 2010, a Distinguished Entrepreneur of the Food & Beverage Industry of China in 2007 and a Distinguished Commercial Venturing Entrepreneur of China in 2006. Mr. Wang was a deputy to 5th and 6th National People's Congress of the Baoshan District of Shanghai, the PRC.

## Senior Management

**Lau Ka Ho, Robert (劉家豪)**, aged 39, is the Chief Financial Officer, the Company Secretary and the Qualified Accountant of the Company. Mr. Lau is an independent non-executive Director of Huscoke Resources Holdings Limited (stock code: 0704) Mr. Lau has over 10 years' experience in audit, finance and business advisory, during which he worked for Deloitte Touche Tohmatsu and various listed companies in Hong Kong. Mr. Lau graduated from Hong Kong Polytechnic University with a bachelor degree in Accountancy. He is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

# Report of the Directors

The directors of the Company (the "Directors'' or the ''Board") are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2013.

## Principal activities

The Company is a fast casual restaurant ("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 5 to the consolidated financial statements.

## Results and appropriations

The results and appropriations of the Group are set out in page 44 and page 82 of the consolidated financial statements.

The Board recommended the payment of a final dividend of HK2.71 cents per ordinary share and a special dividend of HK9.90 cents per ordinary share for the financial year ended 31 December 2013.

## Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 27 and 28 to the consolidated financial statements.

## Reserves

Movements in the reserves of the Group are set out in page 47 to page 48 of the consolidated financial statements.

## Distributable reserves

As at 31 December 2013, the Company has no reserve available for distribution.

## Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

## Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## Borrowings

Details of the borrowings of the Group are set out in note 26 to the consolidated financial statements.

## Pre-emptive rights

There are no pre-emptive or similar rights under the Cayman Islands law or the Articles of Association of the Company 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 1.8% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 5.0% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 15.1% of the Group's total purchase.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who owns an approximately 44.5% interest in Shigemitsu Industry Co. Ltd (also known as Shigemitsu Kabushiki Kaisha or Shigemitsu Sangyo Co. Ltd), a company incorporated in Japan on 5 July 1972, which is the franchisor of the Company (details of which are set out on page 38 to page 39 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 share capital of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group.

## Donations

The Company did make HK$270,000 charitable and other donations during the year under review (2012: HK$305,000).

## 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 2013.

## 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 128 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. Yin Yibing (resigned on 18 July 2013)
Mr. Poon Ka Man, Jason

### Non-executive Directors:

Mr. Wong Hin Sun, Eugene
Mr. Katsuaki Shigemitsu

### Independent Non-executive Directors:

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

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

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

In accordance with Article 108 of the Articles of Association of the Company, Mr. Lo Peter, 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 Annual General Meeting (the "AGM").

## Confirmation of independence of independent non-executive Directors

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

## Directors' service contracts

Each of Ms. Poon Wai and Mr. Poon Ka Man, Jason, being the executive Directors, has entered into a service contract with the Company for a term of three years commencing from 30 March 2007, and will continue thereafter for successive terms of one year until terminated by not less than three months notice in writing served by either party on the other.

Each of the non-executive Directors of the Company and Mr. Lo Peter and Mr. Jen Shek Voon have entered into a letter of appointment with the Company for a period of two years subject to retirement by rotation in accordance with Article 108 of the Articles of Association of the Company, which may be terminated according to the Articles of Association of the Company.

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

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

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

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("the SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out below:

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

| **Name of Director** | **Capacity and Nature of Interest** | **Number of Shares** *(Note 1)* | **Approximate% of Shareholding** |
|---|---|---|---|
| Ms. Poon Wai | founder of a discretionary trust *(Note 2)* | 476,625,041 shares (L) | 43.74% |
| | beneficial owner | 30,262,347 shares (L) | 2.78% |
| Mr. Poon Ka Man, Jason | beneficial owner | 2,500,000 shares (L) | 0.23% |
| Mr. Yin Yibing (Resigned as Director on 18 July 2013) | founder of a discretionary trust *(Note 3)* | 23,898,679 shares (L) | 2.19% |
| Mr. Katsuaki Shigemitsu | beneficial owner | 950,000 shares (L) | 0.09% |
| | interest of controlled corporation *(Note 4)* | 31,425,380 shares (L) | 2.88% |
| Mr. Wong Hin Sun, Eugene | beneficial owner | 100,000 shares (L) | 0.01% |
| | interest of spouse *(Note 5)* | 300,000 shares (L) | 0.03% |
| Mr. Wang Jincheng | beneficial owner | 12,500 shares (L) | 0.00% |
| Mr. Jen Shek Voon | beneficial owner | 95,000 shares (L) | 0.01% |

*Notes:*

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

2. The 476,625,041 shares were held by Favor Choice Group Limited ("Favor Choice"), which is an investment holding company wholly owned by Anmi Holding Company Limited ("Anmi Holding"). Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the Chief Executive Officer of the Company.

3. The 23,898,679 shares were held by Brilinda Hilltop Inc., which is an investment holding company wholly owned by Royal Century Investment Ltd ("Royal Century") and its issued share capital is wholly owned by Dalian Trust, which is founded by Mr. Yin Yibing. Mr. Yin Yibing, is a former Director of the Company who resigned on 18 July 2013.

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

5. The 300,000 shares were held by Mr. Wong Hin Sun, Eugene's wife, Ms. Chin May Yee, Emily.

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

| Name of Director | Capacity and Nature of Interest | Description of Equity Derivatives | Number of Underlying Shares *(Note 1)* |
|---|---|---|---|
| Mr. Jen Shek Voon | beneficial owner | share option *(Note 2)* | 200,000 (L) |
| Mr. Lo Peter | beneficial owner | share option *(Note 2)* | 175,000 (L) |
| Mr. Wang Jincheng | beneficial owner | share option *(Note 2)* | 137,500 (L) |
| Mr. Wong Hin Sun, Eugene | beneficial owner | share option *(Note 2)* | 100,000 (L) |
| Mr. Katsuaki Shigemitsu | beneficial owner | share option *(Note 2)* | 100,000 (L) |

*Notes:*

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

2. The share options were granted under the share option scheme of the Company.

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

*(1) Long position in the shares of Anmi Holding*

| Name of Director | Capacity and Nature of Interest | Number of Shares | Approximate% of Shareholding |
|---|---|---|---|
| Ms. Poon Wai | founder of a discretionary trust *(Note)* | 1 *(Note)* | 100% *(Note)* |

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

*(2) Long position in the shares of Favor Choice*

| Name of Director | Capacity and Nature of Interest | Number of Shares | Approximate% of Shareholding |
|---|---|---|---|
| Ms. Poon Wai | founder of a discretionary trust *(Note)* | 10,000 *(Note)* | 100% *(Note)* |

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

Save as disclosed herein, as at 31 December 2013, none of the Directors and chief executive of the Company, or any of their spouse, or children under eighteen years of age, has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Interests and short positions of substantial shareholders discloseable under the SFO

So far as is known to the Company, as at 31 December 2013, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

| Name | Capacity and Nature of Interest | Number of Shares | Approximate% of Shareholding |
|---|---|---|---|
| Favor Choice *(Note 2)* | beneficial owner | 476,625,041 (L) | 43.74% |
| Anmi Holding *(Notes 2 and 3)* | interest of controlled corporation | 476,625,041 (L) | 43.74% |
| HSBC International Trustee Limited *(Note 3)* | trustee (other than a bare trustee) | 500,523,720 (L) | 45.93% |
| JPMorgan Chase & Co. *(Note 4)* | beneficial owner | 64,987,375 (L) | 5.96% |
| | custodian | 52,308,000 (L) | 4.80% |

*Notes:*

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

2. The 476,625,041 shares were held by Favor Choice, which is an investment holding company wholly owned by Anmi Holding. Anmi Holding is incorporated in the British Virgin Islands and its issued share capital is wholly owned by Anmi Trust, which is founded by Ms. Poon Wai. Ms. Poon Wai is an executive Director and the Chief Executive Officer of the Company.

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

4. JPMorgan Chase & Co. holds equity interest in shares of the Company through companies controlled directly or indirectly by it.

Save as disclosed herein, as at 31 December 2013, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

## Directors' interests in contract of significance

Save as disclosed in the section headed "continuing connected transactions" below, no 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 of the Company, 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") and information regarding her/his investment and engagement in any F&B business (other than the Company's business or as disclosed in the Prospectus) and the nature of such investment and engagement.

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

## Management contracts

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

## Compliance with Corporate Governance Code

Details of the compliance by the Company with the "Corporate Governance Code" contained in Appendix 14 to the Listing Rules are set out in the Corporate Governance Report on page 14 to page 26 of this Annual Report.

## Share option scheme

The Company conditionally adopted its share option scheme (the "Share Option Scheme") on 8 March 2007 for a period of ten years. The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants in recognition of their contribution made or to be made to the Group. Under the Share Option Scheme, the Board may offer to grant an option to any director or employee, or any advisor, consultant, individual or entity who, in the opinion of the Board, has contributed or will contribute to the growth and development of the Group. The amount payable by a participant upon acceptance of a grant of options is HK$1.00.

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any twelve-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in general meeting. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme i.e. a total of 100,000,000 shares.

The subscription price in respect of an option granted under the Share Option Scheme will be determined by the Board provided that it shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, and (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of the shares.

At 31 December 2013, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 22,083,500 Shares (2012: 20,827,500 Shares), representing approximately 2.03% of the shares of the Company in issue as at 31 December 2013 (2012: 1.94%).

Details of the share options granted under the Share Option Scheme contained in note 28 to the consolidated financial statements and the movement during 2013 are as follows:

| Grantee | Date of Grant | Outstanding as at 1 January 2013 | Number of share options Granted | Exercised | Cancelled | Lapsed | Outstanding as at 31 December 2013 |
|---|---|---|---|---|---|---|---|
| Employees | | | | | | | |
| (in aggregate) | 25 June 2008 | 40,000 | – | – | – | – | 40,000 |
| | 31 December 2008 | 368,000 | – | (258,000) | – | – | 110,000 |
| | 3 July 2009 | 27,500 | – | – | – | – | 27,500 |
| | 2 July 2010 | 1,068,500 | – | – | – | (168,000) | 900,500 |
| | 6 July 2010 | 50,000 | – | – | – | – | 50,000 |
| | 26 August 2011 | 17,861,000 | – | (1,468,000) | – | (1,580,000) | 14,813,000 |
| | 15 October 2012 | 600,000 | – | – | – | – | 600,000 |
| | 7 January 2013 | – | 300,000 | – | – | (300,000) | – |
| | 2 July 2013 | – | 600,000 | – | – | – | 600,000 |
| | 19 July 2013 | – | 400,000 | – | – | – | 400,000 |
| | 27 August 2013 | – | 2,330,000 | – | – | – | 2,330,000 |
| | 23 September 2013 | – | 300,000 | – | – | – | 300,000 |
| | 25 October 2013 | – | 1,150,000 | – | – | – | 1,150,000 |
| | 19 December 2013 | – | 50,000 | – | – | – | 50,000 |
| Directors | | | | | | | |
| (in aggregate) | 22 January 2009 | 312,500 | – | (100,000) | – | – | 212,500 |
| | 15 October 2012 | 500,000 | – | – | – | – | 500,000 |
| | | 20,827,500 | 5,130,000 | (1,826,000) | – | (2,048,000) | 22,083,500 |

## Pre-IPO share option scheme

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

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

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

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

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

| Grantees | Number of Options Granted on 8 March 2007 *(Notes 1 & 3)* | Number of Options Outstanding up to 1 January 2013 | Number of Options: Exercise During the Year *(Note 4)* | Number of Options: Forfeited During the Year | Number of Options: Lapsed During the Year | Outstanding up to 31 December 2013 |
|---|---|---|---|---|---|---|
| **(1) Directors** | | | | | | |
| Ms. Poon Wai *(Note 2)* | 8,485,000 | 8,485,000 | (8,485,000) | – | – | – |
| Mr. Poon Ka Man, Jason *(Note 2)* | 2,500,000 | 2,500,000 | (2,500,000) | – | – | – |
| Mr. Yin Yibing *(Note 2)* | 2,500,000 | 2,500,000 | (2,500,000) | – | – | – |
| **(2) Employees and others** | 6,515,000 | 639,000 | (230,500) | – | – | 408,500 |
| | 20,000,000 | 14,124,000 | (13,715,500) | – | – | 408,500 |

*Notes:*

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

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

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

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

(4) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$6.264 (2012: HK$10.503). During the year ended 31 December 2013, no (2012: Nil) share options granted to employees of the Group lapsed due to departure of the employees.

As at 31 December 2013, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 408,500 (2012: 14,124,000) share options, representing approximately 0.04% (2012: 1.31%) of the shares of the Company in issue as at 31 December 2013.

(5) The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Pre-IPO Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in general meeting.

## Directors' rights to acquire shares or debentures

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

## Retirement scheme

Particulars of the retirement scheme of the Company are set out in note 38 to the consolidated financial statements.

## Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2013 are as follows:

## Shigemitsu transactions

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

### 1. The franchise agreements

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

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

The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the year ending 31 December 2013 is HK$47,296,886. The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2013 is approximately HK$33,169,884.

## 2. Supply agreements between the Group and Shigemitsu

Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same parties on 16 September 2006 and renewed for a term of three years from 14 May 2012 by a renewal supply agreement dated 14 May 2012 (the "Supply Agreement"). Pursuant to the Supply Agreement, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Business.

Festive Profits Limited ("Festive Profits"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu Food (Shanghai) Co., Ltd. ("Shigemitsu Food") on 14 May 2009 and renewed for a term of three years from 14 May 2012 by a renewal supply agreement dated 14 May 2012 (the "Supply Agreement (PRC)"). Shigemitsu Food is wholly owned by Eagle Sky International Limited, which is in turn owned by Mr. Katsuaki Shigemitsu and Shigemitsu as to 60% and 30% respectively. Pursuant to the Supply Agreement (PRC), Shigemitsu Food agrees to sell materials and supplies which are required by the Group for the operation of the Franchise Business in the PRC, including the soup base and other goods.

The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2013 is HK$80,119,077. The actual amount payable for the year is approximately HK$61,180,120.

## 3. Sales agreement between Fortune Choice and Shigemitsu

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 which was renewed for a term of three years from 14 May 2012 by a renewal sales agreement dated 14 May 2012 (the "Sales Agreement (Japan)"), pursuant to which Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried union crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement (Japan) for the year ended 31 December 2013 is HK$584,631. The actual amount received for the year is approximately HK$493,268.

# Design Union transactions

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

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

A framework agreement was entered into between Design Union and the Group on 8 March 2007 which was renewed for a term of three years from 14 May 2012 by a renewal agreement dated 14 May 2012 (the "Design Union Agreement"), pursuant to which Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2013 is HK$9,060,016. The actual amount payable for the year is HK$7,660,523.

## Leasing agreements

The Group has a continuing connected transaction with Ms. Poon Wai, an executive Director, whereby Ms. Poon Wai leases to Weiqian Noodle Food Services (Shenzhen) Co. Ltd ("Shenzhen Weiqian") certain premises for use by Shenzhen Weiqian as offices for a term of three years commencing from 1 July 2008 pursuant to a leasing agreement dated 20 June 2008, which was renewed for a term of three years from 30 June 2011 (the "Shenzhen Lease Agreement").

The Group also has a continuing connected transaction with Ms. Poon Wai, an executive Director, whereby Ms. Poon Wai leases to Chongqing Weiqian Food Culture Co., Ltd ("Chongqing Weiqian") certain premises for use by Chongqing Weiqian as offices for a term of three years commencing from 1 July 2011 pursuant to a leasing agreement dated 30 June 2011 (the "Chongqing Lease Agreement").

An independent professional property valuer has reviewed the Shenzhen Lease Agreement and Chongqing Lease Agreement (collectively, the "Lease Agreements") and confirmed that the rental does not exceed the reasonable range of the prevailing market rent.

As each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction under the Leasing Agreements is on an annual basis less than 2.5%, the transaction falls under Rule 14A.34 of the Listing Rules and is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders approval of Chapter 14A of the Listing Rules.

The annual rent payable under the Leasing Agreements for the year ended 31 December 2013 is HK$2,619,104. The actual amount paid for the year is HK$2,619,104.

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

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

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

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

The auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2012 and state that:

(1) the transactions have received the approval of the Company's Board of Directors;

(2) the transactions have been entered into in accordance with the relevant terms of agreements governing the transactions;

(3) the aggregate amounts of the transactions have not exceeded the relevant cap amounts as disclosed in the announcements of the Company dated 9 July 2008, 22 May 2009, 30 June 2011 and 15 May 2012; and

(4) the transactions have been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties.

As Ms. Poon Wai, 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.

## Employee's remuneration and policy

As at 31 December 2013, the Group employed 12,970 persons (31 December 2012: 11,535 persons), most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will be changed from time to time as may be necessary and the remuneration will be determined by reference to the practice of the industry.

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

The total remuneration payment of the Group for the year ended 31 December 2013 was approximately HK$748,968,000 (31 December 2012: HK$736,462,000).

## Sufficiency of public float

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

## Auditor

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

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

Hong Kong, 19 March 2014

# Independent Auditor's Report

Deloitte.
德勤

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

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 44 to 125, which comprise the consolidated statement of financial position as at 31 December 2013, 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 a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
19 March 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the Year ended 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Turnover | 5 | **3,240,650** | 3,043,162 |
| Other income | 6 | **103,625** | 107,537 |
| Other gains and losses | 7 | **(10,529)** | 12,264 |
| Cost of inventories consumed | | **(1,057,093)** | (1,021,432) |
| Staff costs | | **(748,968)** | (736,462) |
| Depreciation | | **(185,496)** | (175,220) |
| Property rentals and related expenses | | **(482,110)** | (478,457) |
| Other operating expenses | | **(487,700)** | (512,723) |
| Finance costs | 8 | **(2,202)** | (2,181) |
| Profit before taxation | 9 | **370,177** | 236,488 |
| Taxation | 11 | **(80,405)** | (71,303) |
| Profit for the year | | **289,772** | 165,185 |
| **Other comprehensive income (expense)** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Gain on revaluation of properties | | **42,241** | 5,304 |
| Income tax relating to components of other comprehensive income | | **(17,099)** | (1,326) |
| | | **25,142** | 3,978 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation | | **71,472** | 10,904 |
| | | **71,472** | 10,904 |
| Other comprehensive income for the year, net of income tax | | **96,614** | 14,882 |
| Total comprehensive income for the year | | **386,386** | 180,067 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **271,698** | 154,230 |
| Non-controlling interests | | **18,074** | 10,955 |
| | | **289,772** | 165,185 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **365,394** | 167,364 |
| Non-controlling interests | | **20,992** | 12,703 |
| | | **386,386** | 180,067 |
| | | **HK cents** | HK cents |
| Earnings per share | 13 | | |
| – Basic | | **25.03** | 14.37 |
| – Diluted | | **24.96** | 14.28 |

# Consolidated Statement of Financial Position

*At 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | 14 | **376,710** | 378,273 |
| Property, plant and equipment | 15 | **1,321,235** | 1,083,272 |
| Prepaid lease payments | 16 | **110,398** | 110,541 |
| Intangible assets | 32 | **6,400** | 6,400 |
| Deposits paid for acquisition of property, plant and equipment | | **–** | 10,238 |
| Deposits paid for acquisition of land leases | | **–** | 15,429 |
| Rental deposits | | **87,853** | 84,943 |
| Goodwill | 17 | **37,135** | 37,135 |
| Deferred tax assets | 18 | **3,548** | 3,032 |
| Available-for-sale investments | 19 | **21,173** | 21,154 |
| | | **1,964,452** | 1,750,417 |
| Current assets | | | |
| Inventories | 20 | **117,003** | 87,847 |
| Trade and other receivables | 21 | **109,589** | 118,346 |
| Amount due from a related party | 22 | **15** | 14 |
| Taxation recoverable | | **4,267** | 887 |
| Structured deposits | 23 | **138,636** | – |
| Bank balances and cash | 23 | **1,708,672** | 1,650,048 |
| | | **2,078,182** | 1,857,142 |
| Current liabilities | | | |
| Trade and other payables | 24 | **378,301** | 352,530 |
| Amounts due to related companies | 25 | **7,348** | 4,891 |
| Amounts due to directors | 25 | **544** | 544 |
| Amount due to a shareholder | 25 | **29,617** | 34,831 |
| Amounts due to non-controlling shareholders | 25 | **29,416** | 18,394 |
| Dividend payable | | **20** | 14 |
| Taxation payable | | **48,529** | 53,608 |
| Bank loans | 26 | **63,358** | 60,000 |
| | | **557,133** | 524,812 |

(continued)

## Consolidated Statement of Financial Position

*At 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Net current assets | | **1,521,049** | 1,332,330 |
| Total assets less current liabilities | | **3,485,501** | 3,082,747 |
| Non-current liabilities | | | |
| Long-term bank loans | *26* | **74,642** | – |
| Deferred tax liabilities | *18* | **49,133** | 20,735 |
| | | **123,775** | 20,735 |
| Net assets | | **3,361,726** | 3,062,012 |
| Capital and reserves | | | |
| Share capital | *27* | **108,970** | 107,416 |
| Reserves | | **3,156,531** | 2,866,693 |
| Equity attributable to owners of the Company | | **3,265,501** | 2,974,109 |
| Non-controlling interests | | **96,225** | 87,903 |
| Total equity | | **3,361,726** | 3,062,012 |

The consolidated financial statements on pages 44 to 125 were approved and authorised for issue by the Board of Directors on 19 March 2014 and are signed on its behalf by:

**Poon Wai**
*DIRECTOR*

**Poon Ka Man, Jason**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

*For the Year ended 31 December 2013*

| | Share capital HK$'000 | Share premium HK$'000 | Special reserve HK$'000 | Share options reserve HK$'000 | Capital reserve HK$'000 | Properties revaluation reserve HK$'000 | Translation reserve HK$'000 | Statutory surplus reserve fund HK$'000 | Retained profits HK$'000 | Attributable to owners of the Company HK$'000 | Non–controlling interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2012 | 107,302 | 1,822,870 | (277,655) | 32,861 | 1,159 | 5,376 | 207,414 | 102,356 | 920,391 | 2,922,074 | 75,011 | 2,997,085 |
| Profit for the year | – | – | – | – | – | – | – | – | 154,230 | 154,230 | 10,955 | 165,185 |
| Exchange differences | – | – | – | – | – | – | 10,946 | – | – | 10,946 | (42) | 10,904 |
| Recognition of gain on revaluation of properties | – | – | – | – | – | 2,917 | – | – | – | 2,917 | 2,387 | 5,304 |
| Deferred tax liability on recognition of revaluation of properties | – | – | – | – | – | (729) | – | – | – | (729) | (597) | (1,326) |
| Total comprehensive income for the year | – | – | – | – | – | 2,188 | 10,946 | – | 154,230 | 167,364 | 12,703 | 180,067 |
| Dividends paid to non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | (370) | (370) |
| Dividends recognised as distribution *(note 12)* | – | – | – | – | – | – | – | – | (153,215) | (153,215) | – | (153,215) |
| Recognition of equity-settled share based payments | – | – | – | 32,979 | – | – | – | – | – | 32,979 | – | 32,979 |
| Shares issued upon exercise of share options | 114 | 8,328 | – | (3,113) | – | – | – | – | – | 5,329 | – | 5,329 |
| Transfer | – | – | – | – | – | – | – | 8,639 | (8,639) | – | – | – |
| Partial disposal of equity interests in a subsidiary without losing control | – | – | – | – | – | – | – | – | (422) | (422) | 559 | 137 |
| At 31 December 2012 | 107,416 | 1,831,198 | (277,655) | 62,727 | 1,159 | 7,564 | 218,360 | 110,995 | 912,345 | 2,974,109 | 87,903 | 3,062,012 |

(continued)

# Consolidated Statement of Changes in Equity

*For the Year ended 31 December 2013*

| | Share capital HK$'000 | Share premium HK$'000 | Special reserve HK$'000 | Share options reserve HK$'000 | Capital reserve HK$'000 | Properties revaluation reserve HK$'000 | Translation reserve HK$'000 | Statutory surplus reserve fund HK$'000 | Retained profits HK$'000 | Attributable to owners of the Company HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2013 | 107,416 | 1,831,198 | (277,655) | 62,727 | 1,159 | 7,564 | 218,360 | 110,995 | 912,345 | 2,974,109 | 87,903 | 3,062,012 |
| Profit for the year | – | – | – | – | – | – | – | – | 271,698 | 271,698 | 18,074 | 289,772 |
| Exchange differences | – | – | – | – | – | – | 68,554 | – | – | 68,554 | 2,918 | 71,472 |
| Recognition of gain on revaluation of properties | – | – | – | – | – | 42,241 | – | – | – | 42,241 | – | 42,241 |
| Deferred tax liability on recognition of revaluation of properties | – | – | – | – | – | (17,099) | – | – | – | (17,099) | – | (17,099) |
| Total comprehensive income for the year | – | – | – | – | – | 25,142 | 68,554 | – | 271,698 | 365,394 | 20,992 | 386,386 |
| Dividends paid to non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | (11,271) | (11,271) |
| Dividends recognised as distribution *(note 12)* | – | – | – | – | – | – | – | – | (171,857) | (171,857) | – | (171,857) |
| Recognition of equity-settled share based payments | – | – | – | 23,276 | – | – | – | – | – | 23,276 | – | 23,276 |
| Shares issued upon exercise of share options | 1,554 | 86,411 | – | (14,785) | – | – | – | – | – | 73,180 | – | 73,180 |
| Transfer | – | – | – | – | – | – | – | 7,000 | (7,000) | – | – | – |
| Partial acquisition of equity interests in a subsidiary | – | – | – | – | – | – | – | – | 1,399 | 1,399 | (1,399) | – |
| At 31 December 2013 | 108,970 | 1,917,609 | (277,655) | 71,218 | 1,159 | 32,706 | 286,914 | 117,995 | 1,006,585 | 3,265,501 | 96,225 | 3,361,726 |

The special reserve mainly represents the aggregate of:

(a) An amount of approximately HK$41 million, being the difference between the paid-in capital of Ajisen (China) International Limited ("Ajisen International") and the subsidiaries involved in the group reorganisation which was effected in 2007.

(b) A net amount of approximately HK$45 million, being the difference between (i) the share premium which resulted from the issue of shares of the Ajisen International, of HK$221 million to acquire additional interests in subsidiaries (which resulted in a goodwill of approximately HK$336 million) and (ii) an amount of approximately HK$176 million, being the difference between the fair value and the carrying amount of the additional interest in these subsidiaries prior to the acquisition, which represented a revaluation increase in the net assets attributable to the Group's additional interest in the subsidiaries effected in 2007.

(c) A net debit amount of approximately HK$363 million, being the difference between (i) the consideration which comprised cash consideration of HK$207 million and share consideration of HK$155 million of the acquisition of Luck Right Limited ("Luck Right") and its subsidiaries from Ms. Poon Wai in 2008 and (ii) the share capital of Luck Right.

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

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

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

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

# Consolidated Statement of Cash Flows

*For the Year ended 31 December 2013*

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Operating activities | | |
| Profit before taxation | **370,177** | 236,488 |
| Adjustments for: | | |
| Gain on fair value changes of investment properties | **(9,647)** | (39,031) |
| Depreciation of property, plant and equipment | **182,574** | 173,725 |
| Finance costs | **2,202** | 2,181 |
| Bank interest income | **(32,026)** | (56,333) |
| Loss on disposal of property, plant and equipment | **23,628** | 19,014 |
| Operating lease rentals in respect of prepaid lease payments | **2,922** | 1,495 |
| Share-based payment expenses | **23,276** | 32,979 |
| Impairment loss recognised in respect of intangible assets | **–** | 9,400 |
| Impairment loss recognised in respect of goodwill | **–** | 7,656 |
| Operating cash flows before movements in working capital | **563,106** | 387,574 |
| Increase in rental deposits | **(2,910)** | (10,796) |
| (Increase) decrease in inventories | **(29,156)** | 10,411 |
| Decrease in trade and other receivables | **8,840** | 32,016 |
| Decrease in trade and other payables | **(12,188)** | (53,268) |
| (Increase) decrease in amounts due from related parties | **(1)** | 1,070 |
| Cash generated from operations | **527,691** | 367,007 |
| Tax paid | **(78,589)** | (80,885) |
| Net cash from operating activities | **449,102** | 286,122 |

(continued)

## Consolidated Statement of Cash Flows

*For the Year ended 31 December 2013*

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Investing activities | | |
| Interest received | **32,026** | 56,333 |
| Proceeds from disposal of property, plant and equipment | **1,477** | 1,430 |
| Proceeds on disposal of partial interest a subsidiary without losing control | **–** | 137 |
| Purchase of investment properties | **(91,642)** | – |
| Deposits paid and addition of land leases | **–** | (10,821) |
| Government grant in relation to land leases | **–** | 14,279 |
| Purchase of property, plant and equipment | **(199,211)** | (203,085) |
| Purchase of prepaid lease payment | **–** | (2,794) |
| Purchase of available-for-sales investment | **–** | (15,617) |
| Purchase of structured deposits | **(138,636)** | – |
| Net cash used in investing activities | **(395,986)** | (160,138) |
| Financing activities | | |
| Bank borrowings raised | **80,600** | – |
| Proceeds from issue of shares | **73,180** | 5,329 |
| Advance from related companies | **2,457** | 669 |
| Advance from non-controlling shareholders | **11,022** | 5,083 |
| Repayment to a shareholder | **(5,214)** | – |
| Repayment of bank loans | **(2,600)** | (233,490) |
| Interest paid | **(2,202)** | (2,181) |
| Dividends paid | **(171,851)** | (153,212) |
| Dividends paid to non-controlling shareholders | **(11,271)** | – |
| Advance from a shareholder | **–** | 3,662 |
| Net cash used in financing activities | **(25,879)** | (374,140) |
| Net increase (decrease) in cash and cash equivalents | **27,237** | (248,156) |
| Cash and cash equivalents at 1 January | **1,650,048** | 1,887,104 |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | **31,387** | 11,100 |
| Cash and cash equivalents at 31 December, representing bank balances and cash | **1,708,672** | 1,650,048 |

# Notes to the Consolidated Financial Statements

*For the Year ended 31 December 2013*

## 1. General

The Company is 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007. Its immediate holding company is Favour Choice Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Holdings Limited, a company which is incorporated in the British Virgin Islands and wholly-owned by Anmi Trust and controlled by Ms. Poon Wai ("Ms. Poon") who is also the Chairman and Managing Director of the Company. The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The functional currency of the Company and the PRC operating subsidiaries of the Company is Renminbi ("RMB"). The functional currency of Hong Kong operating subsidiaries is Hong Kong dollars. Details of the subsidiaries of the Company (together with the company hereinafter defined as the "Group") are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). The directors of the Company consider that the presentation of the consolidated financial statements in HK$ is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company.

## 2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS11 and HKAS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (As revised in 2011) | Employee Benefits |
| HKAS 27 (As revised in 2011) | Separate Financial Statements |
| HKAS 28 (As revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |

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

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[4] |
| Amendments to HKASs | Annual Improvements to HKFRSs 2011-2013 Cycle[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HK(IFRIC)-Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

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

### Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

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

### Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and
(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

### HKFRS 9 Financial Instruments *(continued)*

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. The directors are of the opinion that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## 3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments that are measured at fair values, and in accordance with the accounting policies set out below which are in conformity with HKFRSs.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

## 3. Significant Accounting Policies *(continued)*

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.

### 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.

# 3. Significant Accounting Policies *(continued)*

## Basis of consolidation *(continued)*

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted 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, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## Business combinations

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

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

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

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

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

## 3. Significant Accounting Policies *(continued)*

### Business combinations *(continued)*

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

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

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

# 3. Significant Accounting Policies *(continued)*

## Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

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

Royalty income, which is earned based on a percentage of the sales of franchisee, is recognised on an accrual basis in the period in which the sales of the franchisee take place, in accordance with the terms of the relevant agreements.

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

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

## Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

# 3. Significant Accounting Policies *(continued)*

## Property, plant and equipment *(continued)*

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

## Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

# 3. Significant Accounting Policies *(continued)*

## Leasing

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

### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rents are recognised and charged as expense in the period in which they are incurred.

### *Leasehold land and building*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

## 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. 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 interest as appropriate).

## 3. Significant Accounting Policies *(continued)*

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Retirement benefit costs

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

### 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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

## 3. Significant Accounting Policies *(continued)*

### Taxation *(continued)*

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

## 3. Significant Accounting Policies *(continued)*

### Intangible assets

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

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

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognisition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

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

Income is recognised on an effective interest basis for debt instruments.

# 3. Significant Accounting Policies *(continued)*

## Financial instruments *(continued)*

### *Loans and receivables*

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

### *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either designated or not classified as financial assets with fair value through profit or loss, loans and receivables or held-to-maturity investment. At the end of each reporting period subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of reporting period (see accounting policy on impairment loss on financial assets below).

### *Impairment of financial assets*

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

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

## 3. Significant Accounting Policies *(continued)*

### Financial instruments *(continued)*

#### *Impairment of financial assets (continued)*

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

# 3. Significant Accounting Policies *(continued)*

## Financial instruments *(continued)*

### *Other financial liabilities*

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

### *Equity instruments*

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

## Share-based payment transactions

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

### Share options granted to employees

The fair value of services received determined by reference to the fair value of share options at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the accumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

## 3. Significant Accounting Policies *(continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

## 4. Critical Accounting Judgements and Key Source of Estimation Uncertainty

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

### Critical judgements in applying accounting policies

*Deferred taxation on investment properties*

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

As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties and deferred taxes on changes in fair value of investment properties located in the PRC have been properly accounted for in the consolidated financial statements of the Group.

### Key source of estimation uncertainty

*Estimated impairment of Restaurant Cash Generating Units and Domon Cash Generating Units (as defined in notes 17 and 32, respectively), containing goodwill and indefinite life intangible assets acquired through business combinations*

Determining whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the Restaurant Cash Generating Units and Domon Cash Generating Units to which the relevant goodwill and indefinite life intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the Restaurant Cash Generating Units and Domon Cash Generating Units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill and intangible assets of the Group was approximately HK$37,135,000 (2012: HK$37,135,000) and HK$6,400,000 (2012: HK$6,400,000), respectively. Details of the recoverable amount calculations are disclosed in notes 17 and 32.

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

### Key source of estimation uncertainty *(continued)*

#### *Estimated fair values of investment properties*

Management reviews the carrying amounts of the Group's property interests held for purposes to earn rentals and/or for capital appreciation with aggregate carrying amount of approximately HK$376,710,000 (2012: HK$378,273,000) with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets change. Changes in carrying amounts of the assets are recognised in profit and loss when there is objective evidence that the carrying amounts fluctuate.

In determining the carrying amounts of the investment properties, the Group takes into consideration the current market environment, the estimated market value of the properties held and to be acquired and/or the estimated net sale proceeds it expects to receive on disposals of the properties. If the market environment/circumstances changes significantly, resulting in a change of carrying amounts of these property interests, change in carrying amounts will be recognised. For the year ended 31 December 2013, an aggregate change in carrying amounts on the Group's property interests held for rental and capital appreciation purpose amounted to approximately HK$9,647,000 (2012: HK$39,031,000) has been recognised in the profit or loss.

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

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

At 31 December 2013, the carrying amount of property, plant and equipment amounted to approximately HK$1,321,235,000 (2012: HK$1,083,272,000).

## 5. Segment Information

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

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

| | | |
|---|---|---|
| Operation of restaurants | – | operation of restaurants in the PRC |
| | – | operation of restaurants in Hong Kong |
| Manufacture and sales of noodles and related products | – | manufacture and sales of packaged noodles and related products in the PRC |
| Investment holding | – | leasing of property interests |

Information regarding these segments is presented below.

## 5. Segment Information *(continued)*

### Segment revenue and results

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

*For the year ended 31 December 2013*

| | Operation of restaurants | | | Manufacture and sales of noodles and related products | Investment holding | Segment total | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | PRC HK$'000 | Hong Kong HK$'000 | Total HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | | | | | | | | |
| – external sales | 2,802,493 | 300,133 | 3,102,626 | 138,024 | – | 3,240,650 | – | 3,240,650 |
| – inter-segment sales | – | – | – | 706,670 | – | 706,670 | (706,670) | – |
| | 2,802,493 | 300,133 | 3,102,626 | 844,694 | – | 3,947,320 | (706,670) | 3,240,650 |
| Segment profits | 379,365 | 24,743 | 404,108 | 18,131 | 24,456 | 446,695 | – | 446,695 |
| Unallocated income | | | | | | | | 32,026 |
| Unallocated expenses | | | | | | | | (106,342) |
| Finance costs | | | | | | | | (2,202) |
| Profit before taxation | | | | | | | | 370,177 |
| Taxation | | | | | | | | (80,405) |
| Profit for the year | | | | | | | | 289,772 |

(continued)

## 5. Segment Information *(continued)*

### Segment revenue and results *(continued)*

*For the year ended 31 December 2012*

| | Operation of restaurants | | | Manufacture and sales of noodles and related products | Investment holding | Segment total | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | PRC | Hong Kong | Total | | | | | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | | | | | | | | |
| – external sales | 2,612,737 | 324,029 | 2,936,766 | 106,396 | – | 3,043,162 | – | 3,043,162 |
| – inter-segment sales | – | – | – | 634,013 | – | 634,013 | (634,013) | – |
| | 2,612,737 | 324,029 | 2,936,766 | 740,409 | – | 3,677,175 | (634,013) | 3,043,162 |
| Segment profits | 201,772 | 27,702 | 229,474 | 10,355 | 54,009 | 293,838 | – | 293,838 |
| Unallocated income | | | | | | | | 56,333 |
| Unallocated expenses | | | | | | | | (111,502) |
| Finance costs | | | | | | | | (2,181) |
| Profit before taxation | | | | | | | | 236,488 |
| Taxation | | | | | | | | (71,303) |
| Profit for the year | | | | | | | | 165,185 |

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

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

## 5. Segment Information *(continued)*

### Other information

All of the Group's non-current assets other than available-for-sale investments and deferred tax assets, including investment properties, property, plant and equipment, prepaid lease payments, deposits paid for acquisition of property, plant and equipment, deposits paid for acquisition of land leases, intangible assets, goodwill and rental deposits, are located in the Group entities' countries of domicile, the PRC and Hong Kong, at the end of each reporting period.

The following is an analysis of the Group's non-current assets other than available-for-sale investments and deferred tax assets by geographical location of assets:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| The PRC | **1,521,610** | 1,434,401 |
| Hong Kong | **418,121** | 291,830 |
| | **1,939,731** | 1,726,231 |

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the years ended 31 December 2013 and 31 December 2012.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2013 and 31 December 2012.

## 6. Other Income

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Royalty income from sub-franchisee | **25,191** | 19,041 |
| Government grant | **18,982** | 3,692 |
| Bank interest income | **32,026** | 56,333 |
| Property rental income, net of negligible outgoings | **14,809** | 14,978 |
| Compensation received from landlord for early termination of operating leases of restaurants | **1,994** | 3,735 |
| Others | **10,623** | 9,758 |
| | **103,625** | 107,537 |

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

## 7. Other Gains and Losses

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Change on fair values of investment properties | **9,647** | 39,031 |
| Loss on disposal/write-off of property, plant and equipment | **(23,628)** | (19,014) |
| Net foreign exchange gain (loss) | **3,452** | (7,753) |
| | **(10,529)** | 12,264 |

## 8. Finance Costs

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Interest on bank borrowings: | | |
| – wholly repayable within five years | **2,202** | 2,181 |

## 9. Profit Before Taxation

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Cost of inventories consumed *(note a)* | **1,057,093** | 1,021,432 |
| Directors' remuneration *(Note 10)* | **5,027** | 5,993 |
| Other staff's salaries, wages and other benefits | **644,822** | 624,204 |
| Other staff's retirement benefits scheme contributions | **76,663** | 74,382 |
| Other staff's share-based payment expenses | **22,456** | 31,883 |
| Total staff costs | **748,968** | 736,462 |
| Advertising and promotion expenses | **73,786** | 38,461 |
| Auditor's remuneration | **3,170** | 3,000 |
| Non-audit services | **800** | 600 |
| | **3,970** | 3,600 |
| Fuel and utility expenses | **172,706** | 181,003 |
| Operating lease rentals in respect of | | |
| – land lease | **2,922** | 1,495 |
| – rented premises *(note b)* | **423,847** | 418,291 |

*Notes:*

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

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately HK$255,074,000 (2012: HK$264,012,000) and contingent rent of approximately HK$168,773,000 (2012: HK$154,279,000).

## 10. Directors' and Chief Executive's Employees' Remuneration

The emoluments paid or payable to each of the eight (2012: eight) directors and the chief executive were as follows:

| | 2013 | | | | | | 2012 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits HK$'000 | Performance related incentive bonuses HK$'000 *(Note)* | Share-based payment expenses HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 | Fees HK$'000 | Salaries and other benefits HK$'000 | Performance related incentive bonuses HK$'000 *(Note)* | Share-based payment expenses HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
| Executive directors | | | | | | | | | | | | |
| Ms. Poon | – | 2,075 | 141 | – | 15 | 2,231 | – | 1,770 | 142 | 668 | 13 | 2,593 |
| Mr. Yin Yibing | – | 263 | – | – | 17 | 280 | – | 622 | 612 | 197 | 47 | 1,478 |
| Mr. Poon Ka Man Jason | – | 882 | 73 | – | 15 | 970 | – | 882 | 70 | 197 | 13 | 1,162 |
| Non-executive directors | | | | | | | | | | | | |
| Mr. Wong Hin Sin, Eugene | 163 | – | – | 164 | – | 327 | 163 | – | – | 10 | – | 173 |
| Mr. Katsuaki Shigenitsu | 100 | – | – | 164 | – | 264 | 100 | – | – | – | – | 100 |
| Independent non-executive directors | | | | | | | | | | | | |
| Mr. Peter Lo | 163 | – | – | 164 | – | 327 | 163 | – | – | 10 | – | 173 |
| Mr. Jen Shek Voon | 163 | – | – | 164 | – | 327 | 163 | – | – | 10 | – | 173 |
| Mr. Wang Jincheng | 137 | – | – | 164 | – | 301 | 137 | – | – | 4 | – | 141 |
| | 726 | 3,220 | 214 | 820 | 47 | 5,027 | 726 | 3,274 | 824 | 1,096 | 73 | 5,993 |

*Note:* The performance related incentive bonuses for the years ended 31 December 2013 and 31 December 2012 were determined based on performance of the Group and individuals.

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

Of the five individuals with the highest emoluments in the Group, two (2012: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2012: two) individuals were as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Employees | | |
| – Basic salaries and allowances | 2,749 | 1,799 |
| – Performance related incentive bonuses | 442 | 815 |
| – Share-based payment expenses | 1,789 | 110 |
| – Retirement benefits scheme contributions | 105 | 103 |
| | 5,085 | 2,827 |

## 10. Directors' and Chief Executive's Employees' Remuneration *(continued)*

Their emoluments were within the following bands:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| HK$nil to HK$1,000,000 | **1** | – |
| HK$1,000,001 to HK$1,500,000 | **2** | 1 |
| HK$1,500,001 to HK$2,000,000 | **–** | 1 |

During the years ended 31 December 2013 and 31 December 2012, 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 2013 and 31 December 2012.

## 11. Taxation

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Hong Kong Profits Tax | | |
| – Current year | **7,155** | 7,725 |
| – Overprovision in prior years | **(1,370)** | – |
| | **5,785** | 7,725 |
| PRC income tax | | |
| – Current year | **90,353** | 52,923 |
| – (Over)underprovision in prior years | **(27,389)** | 6,084 |
| | **62,964** | 59,007 |
| Deferred taxation *(Note 18)* | **11,656** | 4,571 |
| | **80,405** | 71,303 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2013 and 31 December 2012.

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

Pursuant to the relevant provincial policy and written approval obtained from the State Tax Bureau in Chongqing ("Chongqing STB") in 2009, Chongqing Weiqian Food & Restaurant Management Co., Ltd. 重慶味千餐飲管理有限公司 ("Chongqing Weiqian"), which is located in Chongqing, China, applied a preferential tax rate of 15% ("Preferential Tax Treatment") from 2009 to 2010.

## 11. Taxation *(continued)*

During 2011, the Company received notice that the PRC National Audit Office recently issued a letter to the Chongqing STB stating that a few restaurant companies, including Chongqing Weiqian, should not have been granted the Preferential Tax Treatment for the year 2009. The PRC National Audit Office's ruling was that Chongqing Weiqian should pay enterprise income tax at the standard rate of 25%. During 2011, the Group made additional enterprise income tax provision of approximately HK$3.8 million (equivalent to approximately RMB3.2 million) for the year 2009 and paid such amount to the Chongqing STB in a timely manner as requested. In addition, the Group made provision of approximately HK$11.4 million (equivalent to approximately RMB9.0 million) for the potential payment of additional enterprise income tax based on the standard rate of 25% for the year 2010. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian from the year 2011 onwards.

During the year ended 31 December 2013, the Chongqing STB issued a written notice to the Company which confirmed that Chongqing Weiqian would be permitted to apply the Preferential Tax Treatment for 2009. Accordingly, the Company reversed the income tax liability of approximately HK$15.2 million (equivalent to approximately RMB12.2 million) which was previously recognized during 2011 in relation to the change in the Preferential Tax Treatment for the years 2009 and 2010. In addition, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2011 and 2012, the Company reversed the income tax liability of approximately HK$11.2 million (equivalent to approximately RMB8.9 million) which was previously recognized for the year 2011 and 2012.

According to the Chongqing STB, the preferential tax rate needs to be applied by the Company and approved year by year. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian for the year 2013.

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

## 11. Taxation *(continued)*

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

| | Hong Kong | | | | PRC | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | | 2012 | | **2013** | | 2012 | | **2013** | | 2012 | |
| | **HK$'000** | **%** | HK$'000 | % | **HK$'000** | **%** | HK$'000 | % | **HK$'000** | **%** | HK$'000 | % |
| Profit before taxation | **4,792** | | 22,605 | | **365,385** | | 213,883 | | **370,177** | | 236,488 | |
| Tax at the applicable income tax rate | **791** | **16.5** | 3,730 | 16.5 | **91,346** | **25.0** | 53,471 | 25.0 | **92,137** | **24.9** | 57,201 | 24.2 |
| Tax effect of expenses not deductible for tax purposes | **1,954** | **40.8** | 5,036 | 22.3 | **295** | **0.1** | 792 | 0.4 | **2,249** | **0.6** | 5,828 | 2.5 |
| Tax effect of income not taxable for tax purpose | **(7,484)** | **(156.2)** | (5,894) | (26.1) | **–** | **–** | – | – | **(7,484)** | **(2.0)** | (5,894) | (2.5) |
| Tax effect of tax losses not recognised | **7,691** | **160.5** | 5,319 | 23.5 | **1,683** | **0.5** | 2,337 | 1.1 | **9,374** | **2.5** | 7,656 | 3.2 |
| Tax effect of utilization of tax losses previously not recognised | **(93)** | **(1.9)** | (466) | (2.1) | **(2,429)** | **(0.7)** | (1,149) | (0.6) | **(2,522)** | **(0.7)** | (1,615) | (0.7) |
| Withholding tax provision on dividends from PRC subsidiaries | **–** | **–** | – | – | **7,000** | **1.9** | 3,743 | 1.8 | **7,000** | **1.9** | 3,743 | 1.6 |
| (Over)underprovision in prior years | **(1,370)** | **(28.6)** | – | – | **(27,389)** | **(7.5)** | 4,384 | 2.0 | **(28,759)** | **(7.8)** | 4,384 | 1.9 |
| Land appreciation tax effect | **–** | **–** | – | – | **8,410** | **2.3** | – | – | **8,410** | **2.3** | – | – |
| Tax charge and effective rate for the year | **1,489** | **31.1** | 7,725 | 34.1 | **78,916** | **21.6** | 63,578 | 29.7 | **80,405** | **21.7** | 71,303 | 30.2 |

## 12. Dividends

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| Interim, paid – HK3.59 cents per share for 2013 (2012: HK2.19) | **39,105** | 23,514 |
| Final, paid – HK1.40 cents per share for 2012 (2012: paid – HK2.28 cents per share for 2011) | **15,234** | 24,480 |
| Special, paid – HK10.80 cents per share for 2012 (2012: paid – HK9.80 cents per share for 2011) | **117,518** | 105,221 |
| | **171,857** | 153,215 |

A final dividend of HK2.71 cents per ordinary share (2012: HK1.40 cents per share) and special dividend of HK9.90 cents per share (2012: HK10.80 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

## 13. Earnings Per Share

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

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company | **271,698** | 154,230 |

| | Number of shares | |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **1,085,436,338** | 1,073,629,875 |
| Effect of dilutive potential ordinary shares relating to: – outstanding share options | **2,921,073** | 6,374,323 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **1,088,357,411** | 1,080,004,198 |

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2013 and 31 December 2012 because the exercise prices of these options were higher than the average market prices of the Company's shares during both years.

## 14. Investment Properties

| | HK$'000 |
|---|---|
| FAIR VALUE | |
| At 1 January 2012 | 327,161 |
| Exchange alignment | (5) |
| Transfers from property, plant and equipment | 12,086 |
| Net increase in fair value recognised in profit or loss | 39,031 |
| At 31 December 2012 | 378,273 |
| Exchange alignment | 4,467 |
| Additions | 91,642 |
| Transfers from property, plant and equipment | 65,426 |
| Transfers to property, plant and equipment | (172,745) |
| Net increase in fair value recognised in profit or loss | 9,647 |
| At 31 December 2013 | 376,710 |

During the year ended 31 December 2013, the Group transferred certain of its property interests held under operating leases with carrying values of approximately HK$22,693,000 (2012: HK$6,782,000) from property, plant and equipment to investment properties. The resulting revaluation surplus of approximately HK$42,733,000 (2012: HK$5,304,000) relating to such property interests as at the date of transfer had been credited to the properties revaluation in equity.

During the year ended 31 December 2013, the Group transferred investment properties with carrying values of approximately HK$172,745,000 (2012:N/A) to property, plant and equipment.

The fair values of the Group's investment properties were valued by CB Richard Ellis Limited, independent qualified professional valuer not related to the Group, at 1 June 2012 (date of change of intention of the use of the property interests), 31 December 2012, 1 July 2013 (date of change of intention of the use of the property interests) and 31 December 2013. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions at respective dates which were meant to the fair value defined by the HKIS Valuation Standards on Properties. The fair value was also defined on the assumption that one party sells properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which will serve to affect the value of the properties. There has been no change from the valuation technique used in the prior year.

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.

## 14. Investment Properties *(continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Commercial property units located in Hong Kong: | | |
| Medium-term lease | **263,420** | 164,300 |
| Commercial property units located in PRC: | | |
| Medium-term lease | **113,290** | 213,973 |
| | **376,710** | 378,273 |

### Fair value measurements and valuation processes

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

Information about the valuation techniques and inputs used in determining the fair value of the financial assets and liabilities are disclosed above.

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

At 31 December 2013, the Group pledged certain of its investment properties to secure general banking facilities granted to the Group. Details are set out in note 35.

## 15. Property, Plant and Equipment

| | Buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Plant and machinery HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| At 1 January 2012 | 320,625 | 714,994 | 91,485 | 11,098 | 337,427 | 201,775 | 1,677,404 |
| Currency realignment | (75) | (124) | (14) | (2) | (59) | (27) | (301) |
| Additions | 14,579 | 26,107 | 860 | 897 | 18,509 | 148,292 | 209,244 |
| Transfer to investment properties | (7,844) | – | – | – | – | – | (7,844) |
| Disposals/write-off | – | (15,911) | (16,381) | (911) | (2,833) | – | (36,036) |
| Transfer | 203,122 | 11,591 | 147 | – | 12,020 | (226,880) | – |
| At 31 December 2012 | 530,407 | 736,657 | 76,097 | 11,082 | 365,064 | 123,160 | 1,842,467 |
| Currency realignment | 16,286 | 21,346 | 2,282 | 310 | 10,458 | 5,596 | 56,278 |
| Additions | 42,432 | 33,578 | 15,290 | 1,231 | 12,035 | 158,271 | 262,837 |
| Transfer from investment properties | 172,745 | – | – | – | – | – | 172,745 |
| Transfer to investment properties | (38,154) | – | – | – | – | – | (38,154) |
| Disposals/write-off | – | (35,309) | (15,060) | (405) | (33,593) | – | (84,367) |
| Transfer | 23,073 | 15,203 | 5,202 | – | 3,721 | (47,199) | – |
| At 31 December 2013 | 746,789 | 771,475 | 83,811 | 12,218 | 357,685 | 239,828 | 2,211,806 |
| DEPRECIATION | | | | | | | |
| At 1 January 2012 | 57,958 | 318,866 | 42,658 | 7,465 | 175,290 | – | 602,237 |
| Currency realignment | (12) | (59) | (8) | (1) | (33) | – | (113) |
| Provided for the year | 20,222 | 88,540 | 13,053 | 1,274 | 50,636 | – | 173,725 |
| Transfer to investment properties | (1,062) | – | – | – | – | – | (1,062) |
| Eliminated on disposals/write-off | – | (7,905) | (5,906) | (295) | (1,486) | – | (15,592) |
| At 31 December 2012 | 77,106 | 399,442 | 49,797 | 8,443 | 224,407 | – | 759,195 |
| Currency realignment | 2,633 | 12,446 | 1,483 | 246 | 6,717 | – | 23,525 |
| Provided for the year | 35,985 | 95,715 | 11,956 | 2,150 | 36,768 | – | 182,574 |
| Transfer to investment properties | (15,461) | – | – | – | – | – | (15,461) |
| Eliminated on disposals/write-off | – | (26,371) | (9,609) | (158) | (23,124) | – | (59,262) |
| At 31 December 2013 | 100,263 | 481,232 | 53,627 | 10,681 | 244,768 | – | 890,571 |
| CARRYING VALUES | | | | | | | |
| At 31 December 2013 | 646,526 | 290,243 | 30,184 | 1,537 | 112,917 | 239,828 | 1,321,235 |
| At 31 December 2012 | 453,301 | 337,215 | 26,300 | 2,639 | 140,657 | 123,160 | 1,083,272 |

## 15. Property, Plant And Equipment *(continued)*

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

| | |
|---|---|
| Buildings | 20 years |
| Leasehold improvements | Over the shorter of the period of the respective lease or 10 years |
| Furniture, fixtures and equipment | 15% – 20% |
| Motor vehicles | 20% |
| Plant and machinery | 15% – 20% |

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

At 31 December 2013 and 31 December 2012, 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 35.

## 16. Prepaid Lease Payments

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| CARRYING VALUES | | |
| At 1 January | **113,416** | 112,117 |
| Currency realignment | **2,862** | (16) |
| Additions during the year | **–** | 2,810 |
| Charged to profit or loss | **(2,922)** | (1,495) |
| At 31 December | **113,356** | 113,416 |
| Less: Amount to be amortised within one year included in trade and other receivables | **(2,958)** | (2,875) |
| Non-current portion | **110,398** | 110,541 |
| Prepaid lease payments comprises: | | |
| Land use rights situated in the PRC under medium-term lease | **86,131** | 84,841 |
| Leasehold land situated in Hong Kong under medium-term lease | **20,234** | 20,828 |
| Property rentals paid in advance for rental of restaurant premises | **6,991** | 7,747 |
| | **113,356** | 113,416 |

At 31 December 2013 and 31 December 2012, the Group pledged certain of its leasehold land to secure the general banking facilities granted to the Group. Details are set out in note 35.

## 17. Goodwill

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| COST | | |
| At 1 January and December | **44,791** | 44,791 |
| IMPAIRMENT | | |
| At 1 January | **7,656** | – |
| Impairment loss recognised in the year (note 32) | **–** | 7,656 |
| At December | **7,656** | 7,656 |
| CARRYING VALUES | | |
| At 31 December | **37,135** | 37,135 |

Included above, the goodwill with carrying amounts of approximately HK$35.6 million and HK$1.5 million is allocated to the cash generating units of certain restaurants operating in Hong Kong and the PRC, respectively ("Restaurants Cash Generating Units").

In 2011, the Group acquired another cash generating unit of subsidiaries ("Domon Cash Generating Units"). There was no goodwill attached to Domon Cash Generating Units as at 31 December 2013 and 31 December 2012 as the cost of goodwill of approximately HK$7.7 million was fully impaired in the year ended 31 December 2012.

Management of the Group determined that there are no impairment indicators of the Restaurants Cash Generating Units containing goodwill during the year ended 31 December 2013 and 31 December 2012.

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

During the year ended 31 December 2013, the Group performed impairment review for goodwill of the Restaurant Cash Generating Units based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using a discount rate of 14.1% (2012: 14.0%) which reflects current market assessments of the time value of money and the risks specific to the Restaurants Cash Generating Units. The cash flows beyond the next five years are explorated using a growth rate of 3.0% (2012: 3.0%) per annum. The growth rates are by reference to industry growth forecasts.

## 17. Goodwill *(continued)*

During the year ended 31 December 2012, the Group performed impairment review on goodwill of the Domon Cash Generating Units with cash flow projections based on financial budgets approved by management covering five year period and a discount rate of 16%. The discount rate is the return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the Domon Cash Generating Units, after taking into account of the weighted average cost of equity and debt. The cashflows for the years beyond the five year period are explored using a growth rate of 5% per annum. Impairment loss is mainly resulted from lower growth rate than expected and increased direct costs of operations.

## 18. Deferred Taxation

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

| | Difference in depreciation HK$'000 | Revaluation of properties HK$'000 | Accrued rentals HK$'000 | Withholding tax on undistributed dividends HK$'000 | Land Appreciation Tax HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2012 | 2,741 | (7,565) | (5,047) | (9,450) | – | (19,321) |
| (Charge) credit to profit or loss | – | (828) | – | (3,743) | – | (4,571) |
| Reversal on payment of withholding tax | – | – | – | 7,515 | – | 7,515 |
| Charge to equity for the year | – | (1,326) | – | – | – | (1,326) |
| At 31 December 2012 | 2,741 | (9,719) | (5,047) | (5,678) | – | (17,703) |
| Currency realignment | 51 | (419) | (158) | 18 | – | (508) |
| Credit (charge) to profit or loss | – | 3,754 | – | (7,000) | (8,410) | (11,656) |
| Reversal on payment of withholding tax | – | – | – | 1,381 | - | 1,381 |
| Charge to equity for the year | – | (8,381) | – | – | (8,718) | (17,099) |
| At 31 December 2013 | 2,792 | (14,765) | (5,205) | (11,279) | (17,128) | (45,585) |

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

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Deferred tax assets | **3,548** | 3,032 |
| Deferred tax liabilities | **(49,133)** | (20,735) |
| | **(45,585)** | (17,703) |

## 18. Deferred Taxation *(continued)*

The Group has unutilised tax losses of approximately HK$140,251,000 (2012: HK$90,460,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses which expire as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Year of expiry | | |
| 2013 | **–** | 6,214 |
| 2014 | **1,005** | 1,016 |
| 2015 | **1,006** | 2,234 |
| 2016 | **2,438** | 7,012 |
| 2017 | **5,373** | 9,346 |
| 2018 | **11,977** | – |
| | **21,799** | 25,822 |

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately HK$225,580,000 (2012: HK$113,560,000), deferred tax liabilities have not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries derived in the year ended 31 December 2013 amounting to approximately HK$882,060,000 (2012: HK$767,000,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 19. Available-for-Sale Investments

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Unlisted equity investments in British Virgin Islands, at cost | **20,000** | 20,000 |
| Unlisted equity investments in PRC, at cost | **1,173** | 1,154 |
| | **21,173** | 21,154 |

The unlisted equity investments are equity securities issued by a private entity established in PRC and British Virgin Islands at 31 December 2013 and 31 December 2012.

## 19. Available-for-Sale Investments *(continued)*

On 26 January 2012, an indirect wholly-owned subsidiary of the Company, namely Ajisen Project Limited ("Ajisen Project"), acquired additional 10% equity interests in the private entity established in British Virgin Islands carrying out food and beverage business (including but not limit to barbecue) in the PRC (the "Investments") for a cash consideration of HK$15,000,000 from an independent third party (the "Vendor") in which Ajisen Project, Amni Trust and the Vendor which is not related to the Company owned 5%, 5% and 90% equity interests, respectively, immediately prior to such acquisition in 2012. Immediately upon completion of the transaction, the Group owned 15% equity interests in the Investments and would neither gain control nor significant influence of the Investments. Therefore, the Investments would remain as available-for-sale investments as reflected in the consolidated statement of financial position at the end of the reporting period in 2013 and 2012.

The Investments are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair values cannot be measured reliably.

## 20. Inventories

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Raw materials and consumables | **97,274** | 77,311 |
| Work in progress | **5,514** | 2,711 |
| Finished goods | **14,215** | 7,825 |
| | **117,003** | 87,847 |

## 21. Trade and Other Receivables

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Trade receivables | | |
| – a related company | **1,190** | 602 |
| – others | **18,178** | 18,207 |
| | **19,368** | 18,809 |
| Rental and utility deposits | **33,279** | 25,577 |
| Property rentals paid in advance for restaurants | **22,104** | 21,963 |
| Advance to suppliers | **10,788** | 17,867 |
| Other receivables and prepayments | **24,050** | 34,130 |
| | **109,589** | 118,346 |

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

## 21. Trade and Other Receivables *(continued)*

Customers including both independent third parties and related company of noodles and related products are normally granted 60 to 90 days credit period upon issuance of invoices, except for certain well established customers for which the credit terms are up to 180 days. There was no credit period for customers relating to sales from operation of restaurants. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Age | | |
| 0 to 30 days | **11,998** | 13,465 |
| 31 to 60 days | **2,768** | 463 |
| 61 to 90 days | **386** | 1,207 |
| 91 to 180 days | **1,557** | 1,825 |
| Over 180 days | **2,659** | 1,849 |
| | **19,368** | 18,809 |

No interest is charged on the trade receivables. The Group has provided fully for all receivables over 365 days based on historical experience. Trade receivables between 91 and 365 days are provided for based on estimated irrecoverable amounts from the sales of goods, determined by reference to past default experience and objective evidences of impairment. Major debtors comprising the Group's trade receivables that are neither past due nor impaired at 31 December 2013 and 31 December 2012 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$2,659,000 (2012: HK$1,849,000) which are past due as at 31 December 2013 for which the Group has not provided for impairment loss. The Group does not hold any collateral over the balances. The average age of these balances was 270 days as at 31 December 2013 (2012: 270 days).

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

As at December 2013 and 31 December 2012, other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

## 22. Amount Due from a Related Party

Details of the amounts due from related parties are as follows:

| Name of the related party | 2013 | 2012 | Maximum amount outstanding during the year |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| Well Keen International Ltd., a company in which Ms. Poon Wai has controlling interests | 15 | 14 | 15 |

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

As at 31 December 2013 and 31 December 2012, the related party of the Group is neither past due nor impaired as it has no default history and continuous subsequent settlement. The Group does not hold collateral over the balance.

## 23. Bank Balance and Cash/Structured Deposits

On 31 October 2013, the Group placed a principal-guaranteed structured deposit in a bank in the PRC with a carrying amount of HK$5,087,000 (equivalent to approximately RMB4,000,000) with a contractual period of 3 months. It carries a fixed return of 4.7% per annum. On 26 December 2013, the Group placed another principal-guaranteed structured deposit in a bank in the PRC with a carrying amount of HK$133,549,000 (equivalent to approximately RMB105,000,000) and the deposit can be withdrawn anytime with one day notice. It carries a fixed return of 4.0% per annum. Therefore, the deposits are classified as loans and receivables on the consolidated statement of financial position.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.35% to 3.50% (2012: 0.35% to 3.87%) per annum.

The Group's bank balances and cash that were denominated in USD, foreign currency of the relevant group entities were re-translated in HK$ and stated for reporting purposes as:

| | 2013 | 2012 |
|---|---|---|
| | HK$'000 | HK$'000 |
| – USD | 195,174 | 42,393 |

Certain bank balances and cash of approximately HK$1,458,019,000 (2012: HK$1,552,996,000) 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.

## 24. Trade and Other Payables

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Trade payables | | |
| – related companies | **5,916** | 7,609 |
| – others | **123,959** | 133,060 |
| | **129,875** | 140,669 |
| Payroll and welfare payables | **52,587** | 50,077 |
| Customers' deposits received | **13,411** | 17,594 |
| Payable for acquisition of property, plant and equipment | **85,595** | 47,636 |
| Payable for property rentals | **34,113** | 29,224 |
| Other taxes payable | **36,763** | 36,343 |
| Others | **25,957** | 30,987 |
| | **378,301** | 352,530 |

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

The average credit period for purchase of goods is 60 (2012: 60) days. The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| 0 to 30 days | **107,709** | 96,873 |
| 31 to 60 days | **15,506** | 35,181 |
| 61 to 90 days | **2,550** | 1,250 |
| 91 to 180 days | **457** | 2,577 |
| Over 180 days | **3,653** | 4,788 |
| | **129,875** | 140,669 |

## 25. Amount(s) due to Related Companies/Directors/a Shareholder/ Non-controlling Shareholders

The amount(s) due to related companies/directors/a shareholder/non-controlling shareholders are unsecured, interest-free and repayable on demand.

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

## 26. Bank Loans

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Secured bank loans with carrying amounts repayable: | | |
| Within one year | **63,358** | 60,000 |
| In more than one year but not more than two years | **3,426** | – |
| In more than two years but not more than five years | **10,702** | – |
| In more than five years | **60,514** | – |
| | **138,000** | 60,000 |
| Less: amounts shown as non-current liabilities | **(74,642)** | – |
| Amounts shown as current liabilities | **63,358** | 60,000 |

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

During the year ended 31 December 2013, the Group obtained new bank loans with an aggregate amount of HK$80,600,000 (2012: nil). The loans carry interests at variable interest rates (at effective interest rate of 1.56% per annum as at 31 December 2013) and repayable in instalments over a period of 20 years. The loan drawn during the current year was secured by the investment properties of the Group. Detail of the assets of the Group as at 31 December 2013 and 2012 that have been pledged as collateral to secure the general banking facilities of the Group are set out in notes 35.

The Group's bank loans at 31 December 2013 carried variable interest rate at 3.25% below prime rate of the counterparty bank, 2.80% per annum below the base lending rate of the counterparty bank and 1.35% per annum over Hong Kong Interbank Offered Rate ("HIBOR") (31 December 2012: 1.35% per annum over HIBOR), and the effective interest rate was 0.73% to 1.63% (31 December 2012: 1.05% to 1.70%) per annum.

## 27. Share Capital

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of HK$0.10 each | | |
| At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013 | 10,000,000,000 | 1,000,000 |
| **Issued and fully paid:** | | |
| At 1 January 2012 | 1,073,026,870 | 107,302 |
| Exercise of share options (note a) | 1,134,450 | 114 |
| At 31 December 2012 | 1,074,161,320 | 107,416 |
| Exercise of share options (note b) | 15,541,500 | 1,554 |
| At 31 December 2013 | 1,089,702,820 | 108,970 |

Notes:

(a) During the year ended 31 December 2012, the Company issued 1,134,450 new shares upon exercise of share options at the average exercise price of HK$4.6970 per share.

(b) During the year ended 31 December 2013, the Company issued 15,541,500 new shares upon exercise of share options at the average exercise price of HK$4.7087 per share.

All shares issued during the years ended 31 December 2013 and 31 December 2012 ranked pari passu in all respects with all shares then in issue.

## 28. Share Option Schemes

The Company adopted its share option scheme (the "Share Option Scheme") and pre-IPO share option scheme (the "Pre-IPO Share Option Scheme").

### (a) Share Option Scheme

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

The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in general meeting. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the Shares in issue as the date of approval of the Share Option Scheme, i.e. a total of 100,000,000 shares.

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

The following table disclosed movements of the Company's shares options under the Share Option Schedule during the years ended 31 December 2013 and 31 December 2012.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

**For the year ended 31 December 2013**

| Grant date | Exercise price HK$ | Outstanding at 1 January 2013 | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding at 31 December 2013 |
|---|---|---|---|---|---|---|
| **Employees** | | | | | | |
| 25 June 2008 | 3.726 | 40,000 | – | – | – | 40,000 |
| 31 December 2008 | 3.726 | 368,000 | – | (258,000) | – | 110,000 |
| 3 July 2009 | 4.938 | 27,500 | – | – | – | 27,500 |
| 2 July 2010 | 8.884 | 1,068,500 | – | – | (168,000) | 900,500 |
| 6 July 2010 | 8.710 | 50,000 | – | – | – | 50,000 |
| 26 August 2011 (Note) | 5.530 | 17,861,000 | – | (1,468,000) | (1,580,000) | 14,813,000 |
| 15 October 2012 | 5.530 | 600,000 | – | – | – | 600,000 |
| 7 January 2013 | 7.140 | – | 300,000 | – | (300,000) | – |
| 2 July 2013 | 6.310 | – | 600,000 | – | – | 600,000 |
| 19 July 2013 | 7.206 | – | 400,000 | – | – | 400,000 |
| 27 August 2013 | 8.740 | – | 2,330,000 | – | – | 2,330,000 |
| 23 September 2013 | 8.524 | – | 300,000 | – | – | 300,000 |
| 25 October 2013 | 8.350 | – | 1,150,000 | – | – | 1,150,000 |
| 19 December 2013 | 7.690 | – | 50,000 | – | – | 50,000 |
| | | 20,015,000 | 5,130,000 | (1,726,000) | (2,048,000) | 21,371,000 |
| **Directors** | | | | | | |
| 22 January 2009 | 3.308 | 312,500 | – | (100,000) | – | 212,500 |
| 15 October 2012 | 5.530 | 500,000 | – | – | – | 500,000 |
| | | 812,500 | – | (100,000) | – | 712,500 |
| | | 20,827,500 | 5,130,000 | (1,826,000) | (2,048,000) | 22,083,500 |
| Exercisable at the end of the year | | 5,247,952 | | | | 9,697,500 |
| Weighted average exercise price | | 5.24 | 8.13 | 5.15 | 5.39 | 5.90 |

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

For the year ended 31 December 2012

| Grant date | Exercise price HK$ | Outstanding at 1 January 2012 | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding at 31 December 2012 |
|---|---|---|---|---|---|---|
| **Employees** | | | | | | |
| 25 June 2008 | 3.726 | 325,000 | – | (153,750) | (131,250) | 40,000 |
| 31 December 2008 | 3.726 | 597,500 | – | (229,500) | – | 368,000 |
| 3 July 2009 | 4.938 | 27,500 | – | – | – | 27,500 |
| 2 July 2010 | 8.884 | 1,298,500 | – | (17,500) | (212,500) | 1,068,500 |
| 6 July 2010 | 8.710 | 50,000 | – | – | – | 50,000 |
| 26 August 2011 (Note) | 5.530 | 22,680,000 | – | (379,000) | (4,440,000) | 17,861,000 |
| 15 October 2012 | 5.530 | – | 600,000 | – | – | 600,000 |
| | | 24,978,500 | 600,000 | (779,750) | (4,783,750) | 20,015,000 |
| **Directors** | | | | | | |
| 22 January 2009 | 3.308 | 312,500 | – | – | – | 312,500 |
| 15 October 2012 | 5.530 | – | 500,000 | – | – | 500,000 |
| | | 312,500 | 500,000 | – | – | 812,500 |
| | | 25,291,000 | 1,100,000 | (779,750) | (4,783,750) | 20,827,500 |
| Exercisable at the end of the year | | 1,208,425 | | | | 5,247,952 |
| Weighted average exercise price | | 5.21 | 5.53 | 4.54 | 5.28 | 5.24 |

# 28. Share Option Schemes *(continued)*

## (a) Share Option Scheme *(continued)*

*Note*: (A) On 19 January 2012, the Company cancelled and reissued details of certain outstanding share options previously granted by the Company on 26 August 2011. The exercise price of 22,340,000 outstanding share options at the date of cancellation and reissue was reduced from HK$11.16 per share to HK$9.42 per share.

The fair value of the share options of the Company immediately before and after cancellation and reissue at 19 January 2012 were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

| | Before cancellation and reissue | After cancellation and reissue |
|---|---|---|
| Share price | HK$9.42 | HK$9.42 |
| Exercise price | HK$11.16 | HK$9.42 |
| Expected volatility | 53.59% | 53.59% |
| Expected life (years) | 5.10 to 7.10 years | 5.10 to 7.10 years |
| Risk free interest rates | 0.716% to 1.075% | 0.716% to 1.075% |
| Expected dividend yield | 1.115% | 1.115% |

The risk-free interest rates were based on yield of Hong Kong Exchange Fund Note. Excepted 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 fair values of the share options of the Company immediately before and after cancellation and reissue at 19 January 2012 were approximately HK$87,330,000 and HK$95,828,000, respectively. The incremental fair values of approximately HK$8,498,000 will be expensed over the remaining vesting period of the relevant options.

(B) On 15 October 2012, the Company cancelled and reissued details of certain outstanding share options previously granted by the Company on 26 August 2011 again. The exercise price of 19,250,000 outstanding share options at the date of cancellation and reissue was reduced from HK$9.42 per share to HK$5.53 per share.

The fair value of the share options of the Company immediately before and after cancellation and reissue at 15 October 2012 were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

| | Before cancellation and reissue | After cancellation and reissue |
|---|---|---|
| Share price | HK$5.53 | HK$5.53 |
| Exercise price | HK$9.42 | HK$5.53 |
| Expected volatility | 54.33% | 54.33% |
| Expected life (years) | 6.64 – 7.61 years | 6.64 – 7.61 years |
| Risk free interest rates | 0.398% – 0.458% | 0.398% – 0.458% |
| Expected dividend yield | 0.808% | 0.808% |

The risk-free interest rates were based on yield of Hong Kong Exchange Fund Note. Excepted 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 fair values of the share options of the Company immediately before and after cancellation and reissue at 15 October 2012 were approximately HK$40,074,000 and HK$52,722,000, respectively. The incremental fair values of approximately HK$12,648,000 will be expensed over the remaining vesting period of the relevant options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

The details of the share options granted during 2008 and 2010 are set out below:

| **Date of grant** | **Vesting period** | **Exercise period** |
|---|---|---|
| 25 June 2008 | 25/6/2008-24/6/2009 | 25/12/2008-30/3/2017 |
| 31 December 2008 | 31/12/2008-31/12/2009 | 31/12/2009-30/12/2013 |
| 22 January 2009 | 21/1/2010-21/1/2013 | 22/1/2010-21/1/2019 |
| 3 July 2009 | 2/7/2010-2/7/2013 | 3/7/2010-2/7/2019 |
| 2 July 2010 | 1/7/2011-1/7/2014 | 2/7/2010-1/7/2020 |
| 6 July 2010 | 5/7/2011-5/7/2014 | 6/7/2010-5/7/2020 |

The closing prices of the Company's shares on 25 June 2008, 31 December 2008, 22 January 2009, 3 July 2009, 2 July 2010 and 6 July 2010 were HK$8.30, HK$3.61, HK$3.25, HK$4.90, HK$8.84, and HK$8.71, respectively.

All holders of options granted under the Share Option Scheme may only exercise their options in the following manner:

Share options granted on 25 June 2008:

| **Number of share options granted** | **Exercise period for the relevant vested options** |
|---|---|
| 230,000 | 25 December 2008 to 30 March 2017(i) |
| 700,000 | 25 December 2008 to 30 March 2017(ii) |
| 80,000 | 2 July 2009 to 30 March 2017(iii) |
| 200,000 | 18 September 2009 to 30 March 2017(iv) |
| 1,570,000 | 25 June 2009 to 30 March 2017(v) |
| 2,780,000 | |

(i) These share options vested on 25 December 2008.

(ii) These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% from 25 December 2008, the second 25% from 25 December 2009, the third 25% from 25 December 2010 and the balance 25% from 25 December 2011.

(iii) These share options vested on 2 July 2009.

(iv) These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% from 18 September 2009, the second 25% from 18 September 2010, the third 25% from 18 September 2011 and the balance 25% from 18 September 2012.

# 28. Share Option Schemes *(continued)*

## (a) Share Option Scheme *(continued)*

(v) These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% from 25 June 2009, the second 25% from 25 June 2010, the third 25% from 25 June 2011 and the balance 25% from 25 June 2012.

Share options granted on 31 December 2008:

| Number of share options granted | Exercise period for the relevant vested options |
|---|---|
| 550,000 | 31 December 2009 to 30 December 2012(vi) |
| 500,000 | 31 December 2009 to 30 December 2013(vii) |
| 1,050,000 | |

(vi) These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% from 31 December 2009, the second 25% from 31 December 2010, the third 25% from 31 December 2011 and the balance 25% from 31 December 2012.

(vii) These share options were granted under the Share Option Scheme, vesting in 5 tranches, i.e. the first 20% from 31 December 2009, the second 20% from 31 December 2010, the third 20% from 31 December 2011, the forth 20% from 31 December 2012 and the balance 20% from 31 December 2013.

Share options granted on 22 January 2009:

These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% on 21 January 2010, the second 25% on 21 January 2011, the third 25% on 21 January 2012 and the balance on 21 January 2013.

Share options granted on 3 July 2009:

These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% on 2 July 2010, the second 25% on 2 July 2011, the third 25% on 2 July 2012 and the balance on 2 July 2013.

Share options granted on 2 July 2010:

These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% on 1 July 2011, the second 25% on 1 July 2012, the third 25% on 1 July 2013 and the balance on 1 July 2014.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 6 July 2010:

These share options were granted under the Share Option Scheme, vesting in 4 tranches, i.e. the first 25% on 5 July 2011, the second 25% on 5 July 2012, the third 25% on 5 July 2013 and the balance on 5 July 2014.

Share options granted on 26 August 2011:

These share options were granted under the Share Option Scheme, vesting in 5 tranches, i.e. the first 20% on 25 August 2012, the second 20% on 25 August 2013, the third 20% on 25 August 2014, the fourth 20% on 25 August 2015 and the balance on 25 August 2016.

The details of the share options granted during the year ended 31 December 2012 are set out below:

(1) The share options granted under the Share Option Scheme on 15 October 2012 was at an exercise price of HK$5.53 per share.

(2) The exercise period is from 15 October 2012 to 14 October 2022.

(3) For the share options granted on 15 October 2012, the options will be vested in 5 tranches, i.e. the first 20% on 14 October 2012, the second 20% on 14 October 2013, the third 20% on 14 October 2014, the fourth 20% on 14 October 2015 and the balance on 14 October 2016.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 15 October 2012** |
|---|---|
| Share price | HK$5.53 |
| Exercise price | HK$5.53 |
| Expected volatility | 54.33% |
| Expected life (years) | 7.49 to 8.49 |
| Risk-free interest rates | 0.458% to 0.559% |
| Expected dividend yield | 0.808% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$5.52. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2013 are set out below:

Share options granted on 7 January 2013:

(1) The share options granted under the Share Option Scheme on 7 January 2013 was at an exercise price of HK$7.14 per share.

(2) The exercise period is from 7 January 2014 to 6 January 2023.

(3) For the share options granted on 7 January 2013, the options will be vested in 9 tranches, i.e. the first 10% on 6 January 2015, the second 10% on 6 January 2016, the third 10% on 6 January 2017, the fourth 10% on 6 January 2018, the fifth 10% on 6 January 2019, the sixth 10% on 6 January 2020, the seventh 10% on 6 January 2021, the eighth 10% on 6 January 2022 and the balance on 6 January 2023.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 7 January 2013** |
|---|---|
| Share price | HK$7.14 |
| Exercise price | HK$7.14 |
| Expected volatility | 54.30% |
| Expected life (years) | 7.75 to 9.75 |
| Risk-free interest rates | 0.599% to 0.739% |
| Expected dividend yield | 0.626% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$6.79. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 2 July 2013:

(1) The share options granted under the Share Option Scheme on 2 July 2013 was at an exercise price of HK$6.31 per share.

(2) The exercise period is from 2 July 2014 to 1 July 2023.

(3) For the share options granted on 2 July 2013, the options will be vested in 9 tranches, i.e. the first 10% on 1 July 2015, the second 10% on 1 July 2016, the third 10% on 1 July 2017, the fourth 10% on 1 July 2018, the fifth 10% on 1 July 2019, the sixth 10% on 1 July 2020, the seventh 10% on 1 July 2021, the eighth 10% on 1 July 2022 and the balance on 1 July 2023.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 2 July 2013** |
|---|---|
| Share price | HK$6.31 |
| Exercise price | HK$6.31 |
| Expected volatility | 53.57% |
| Expected life (years) | 7.75 to 9.75 |
| Risk-free interest rates | 1.688% to 1.995% |
| Expected dividend yield | 0.569% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$6.07. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 19 July 2013:

(1) The share options granted under the Share Option Scheme on 19 July 2013 was at an exercise price of HK$7.206 per share.

(2) The exercise period is from 19 July 2014 to 18 July 2023.

(3) For the share options granted on 19 July 2013, the options will be vested in 5 tranches, i.e. the first 20% on 18 July 2015, the second 20% on 18 July 2016, the third 20% on 18 July 2017, the fourth 20% on 18 July 2018 and the balance on 18 July 2019.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 19 July 2013** |
|---|---|
| Share price | HK$7.206 |
| Exercise price | HK$7.206 |
| Expected volatility | 53.44% |
| Expected life (years) | 7.75 to 8.75 |
| Risk-free interest rates | 1.814% to 1.985% |
| Expected dividend yield | 0.506% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$7.30. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 27 August 2013:

(1) The share options granted under the Share Option Scheme on 27 August 2013 was at an exercise price of HK$8.74 per share.

(2) The exercise period is from 27 August 2014 to 26 August 2023.

(3) For the share options granted on 27 August 2013, the options will be vested in 5 tranches, i.e. the first 20% on 26 August 2015, the second 20% on 26 August 2016, the third 20% on 26 August 2017, the fourth 20% on 26 August 2018 and the balance on 26 August 2019.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 27 August 2013** |
|---|---|
| Share price | HK$8.74 |
| Exercise price | HK$8.74 |
| Expected volatility | 53.52% |
| Expected life (years) | 7.75 to 8.75 |
| Risk-free interest rates | 2.025% to 2.195% |
| Expected dividend yield | 0.571% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$8.97. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 23 September 2013:

(1) The share options granted under the Share Option Scheme on 23 September 2013 was at an exercise price of HK$8.524 per share.

(2) The exercise period is from 23 September 2014 to 22 September 2023.

(3) For the share options granted on 23 September 2013, the options will be vested in 5 tranches, i.e. the first 20% on 22 September 2015, the second 20% on 22 September 2016, the third 20% on 22 September 2017, the fourth 20% on 22 September 2018 and the balance on 22 September 2019.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 23 September 2013** |
|---|---|
| Share price | HK$8.524 |
| Exercise price | HK$8.524 |
| Expected volatility | 53.35% |
| Expected life (years) | 7.75 to 8.75 |
| Risk-free interest rates | 1.786% to 1.950% |
| Expected dividend yield | 0.602% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$8.59. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 25 October 2013:

(1) The share options granted under the Share Option Scheme on 25 October 2013 was at an exercise price of HK$8.35 per share.

(2) The exercise period is from 25 October 2014 to 24 October 2023.

(3) For the share options granted on 25 October 2013, the options will be vested in 5 tranches, i.e. the first 20% on 24 October 2015, the second 20% on 24 October 2016, the third 20% on 24 October 2017, the fourth 20% on 24 October 2018 and the balance on 24 October 2019.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 25 October 2013** |
|---|---|
| Share price | HK$8.35 |
| Exercise price | HK$8.35 |
| Expected volatility | 53.25% |
| Expected life (years) | 7.75 to 8.75 |
| Risk-free interest rates | 1.477% to 1.651% |
| Expected dividend yield | 0.598% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$7.82. The risk-free interest rates were based on 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 the fair values of the share options.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

Share options granted on 19 December 2013:

(1) The share options granted under the Share Option Scheme on 19 December 2013 was at an exercise price of HK$7.69 per share.

(2) The exercise period is from 19 December 2014 to 18 December 2023.

(3) For the share options granted on 19 December 2013, the options will be vested in 5 tranches, i.e. the first 20% on 18 December 2015, the second 20% on 18 December 2016, the third 20% on 18 December 2017, the fourth 20% on 18 December 2018 and the balance on 18 December 2019.

(4) The fair values of the share options of the Company at the grant date were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | **Granted on 19 December 2013** |
|---|---|
| Share price | HK$7.69 |
| Exercise price | HK$7.69 |
| Expected volatility | 52.74% |
| Expected life (years) | 7.75 to 8.75 |
| Risk-free interest rates | 1.950% to 2.107% |
| Expected dividend yield | 0.649% |

The closing price of the Company's shares on the date immediately before the date of grant was HK$7.72. The risk-free interest rates were based on 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 behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

During the year ended 31 December 2013, an aggregate 1,826,000 (2012: 779,750) share options were exercised. In respect of the share options exercised during the year, the weighted average share price and exercise price at the dates of exercise are HK$7.7264 and HK$5.1534 per share, respectively (2012: HK$7.9381 and HK$4.7186 per share).

During the year ended 31 December 2013, 5,130,000 share options were granted by the Company. The estimated fair values of the options on 7 January 2013, 2 July 2013, 19 July 2013, 27 August 2013, 23 September 2013, 25 October 2013 and 19 December 2013 are approximately HK$1,177,000, HK$2,152,000, HK$1,577,000, HK$11,373,000, HK$1,356,000, HK$5,237,000 and HK$210,000, respectively. During the year ended 31 December 2013, 2,048,000 share options previously granted by the Company were forfeited due to the departure of employees. No share options granted during the year ended 31 December 2013 by the Company were exercised.

## 28. Share Option Schemes *(continued)*

### (a) Share Option Scheme *(continued)*

During the year ended 31 December 2012, 1,100,000 share options were granted by the Company. The estimated fair values of the options on 15 October 2012 were approximately HK$3,148,000. During the year ended 31 December 2012, 4,783,750 share options previously granted by the Company were forfeited due to the departure of employees. No share options granted on 15 October 2012 by the Company were exercised during the year ended 31 December 2012.

At 31 December 2013, the number of share in respect of options under the Share Option Scheme had been granted and remained outstanding was 22,083,500 (2012: 20,827,500), representing 2.03% (2012: 1.94%) of the shares of the Company in issue at that date.

The Group recognised the total expense of HK$23,276,000 (2012: HK$32,979,000) for the year ended 31 December 2013 in relation to share options granted by the Company under the Share Option Scheme.

### (b) Pre-IPO Share Option Scheme

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

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

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

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

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

| | Number of Options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Grantees | Outstanding at 1 January 2012 | Exercise during the year | Forfeited during the year | Lapsed during the year | Outstanding at 31 December 2012 | Exercise during the year | Forfeited during the year | Lapsed during the year | Outstanding at 31 December 2013 |
| (1) Directors | | | | | | | | | |
| Ms.Poon Wai *(Note 2)* | 8,485,000 | – | – | – | 8,485,000 | (8,485,000) | – | – | – |
| Mr. Poon Ka Man, Jason *(Note 2)* | 2,500,000 | – | – | – | 2,500,000 | (2,500,000) | – | – | – |
| Mr. Yin Yibing *(Note 2)* | 2,500,000 | – | – | – | 2,500,000 | (2,500,000) | – | – | – |
| (2) Employees | 993,700 | (354,700) | – | – | 639,000 | (230,500) | – | – | 408,500 |
| | 14,478,700 | (354,700) | – | – | 14,124,000 | (13,715,500) | – | – | 408,500 |

## 28. Share Option Schemes *(continued)*

### (b) Pre-IPO Share Option Scheme *(continued)*

The share options exercisable at 31 December 2013 and 31 December 2012 are 408,500 and 14,124,000, respectively.

In respect of the share options exercised during the year, the weighted average share price and exercise price at the dates of exercise was HK$6.264 and HK$4.6495, respectively (2012: HK$10.503 and HK$4.6495) per share.

(1) All options under the Pre-IPO Share Option Scheme were granted on 8 March 2007 at an exercise price of HK$4.6495 per share.

(2) Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason who are the executive directors, have formed Center Goal Holdings Limited ("Center Goal") to hold the options. Center Goal is owned as to approximately 62.92% by Ms. Poon Wai, as to approximately 18.54% by Mr. Poon Ka Man, Jason and as to approximately 18.54% by Mr. Yin Yibing.

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

| **Options exercisable** | **Exercisable period for the relevant percentage of the vested option** |
|---|---|
| 25% of the total number of the options to any grantee | From the expiry of the first anniversary of the listing date to the date immediately before the second anniversary of the listing date |
| 25% of the total number of the options to any grantee | From the second anniversary of the listing date to immediately before the third anniversary of the listing date |
| 25% of the total number of the options to any grantee | From the third anniversary of the listing date to immediately before the fourth anniversary of the listing date |
| 25% of the total number of the options to any grantee | From the fourth anniversary of the listing date to immediately before the fifth anniversary of the listing date |

(4) At 31 December 2013, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 408,500 (2012: 14,124,000), representing 0.04% (2012: 1.31%) of the shares of the Company in issue at that date.

(5) The total number of shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Pre-IPO Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in general meeting.

## 28. Share Option Schemes *(continued)*

### (b) Pre-IPO Share Option Scheme *(continued)*

(6) The estimated fair values of the share options granted on 8 March 2007 were approximately HK$12,500,000. The fair values of the share options of the Company were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

| | |
|---|---|
| Share price | HK$5.4700 |
| Exercise price | HK$4.6495 |
| Expected volatility | 19.73% |
| Expected life | 4.25 years |
| Risk-free interest rate | 4.092% |
| Expected dividend yield | Nil |

The risk-free interest rate was based on yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged. 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 the fair values of the Pre-IPO share options.

(7) No consideration is payable on the grant of the Company's Pre-IPO share options.

The Group did not recognise expense for the year ended 31 December 2013 (2012: nil) in relation to share options granted by Company under the Pre-IPO Share Option Scheme since the options were fully vested during the year ended 31 December 2011.

## 29. Information of the Statement of Financial Position of the Company

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Non-current assets | | |
| Interests in subsidiary | **70,620** | 70,620 |
| Amount due from a subsidiary | **915,009** | 985,000 |
| | **985,629** | 1,055,620 |
| Current assets | | |
| Amounts due from subsidiaries | **330,385** | 355,657 |
| Bank balances and cash | **882** | 3,309 |
| | **331,267** | 358,966 |
| Current liabilities | | |
| Other payables | **3,676** | 1,839 |
| Dividend payable | **20** | 14 |
| | **3,696** | 1,853 |
| Net current assets | **327,571** | 357,113 |
| Total assets less current liabilities | **1,313,200** | 1,412,733 |
| Capital and reserves | | |
| Share capital | **108,970** | 107,416 |
| Reserves *(note i)* | **1,204,230** | 1,305,317 |
| Total equity | **1,313,200** | 1,412,733 |

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

*Note i*: Reserves

| | Share premium HKD'000 | Share options reserve HKD'000 | Special reserve HKD'000 (note) | Retained profits (Accumulated losses) HKD'000 | Total HKD'000 |
|---|---|---|---|---|---|
| At 1 January 2012 | 1,822,870 | 32,861 | (363,531) | (37,181) | 1,455,019 |
| Loss and total comprehensive income for the year | – | – | – | (34,681) | (34,681) |
| Share issued upon exercise of share options | 8,328 | (3,113) | – | – | 5,215 |
| Recognition of equity-settled share-based payments | – | 32,979 | – | – | 32,979 |
| Dividends recognised as distribution *(note 12)* | – | – | – | (153,215) | (153,215) |
| At 31 December 2012 | 1,831,198 | 62,727 | (363,531) | (225,077) | 1,305,317 |
| Loss and total comprehensive income for the year | – | – | – | (24,132) | (24,132) |
| Share issued upon exercise of share options | 86,411 | (14,785) | – | – | 71,626 |
| Recognition of equity-settled share-based payments | – | 23,276 | – | – | 23,276 |
| Dividends recognised as distribution *(note 12)* | – | – | – | (171,857) | (171,857) |
| At 31 December 2013 | 1,917,609 | 71,218 | (363,531) | (421,066) | 1,204,230 |

*Note*: A debit amount of approximately HK$363 million represents the aggregate amount of the consideration which was settled by the Company with (i) cash consideration of approximately HK$207 million and (ii) share consideration of approximately HK$155 million for the acquisition of Luck Right and its subsidiaries from Ms. Poon Wai in 2008.

# 30. Financial Instruments

## (a) Categories of financial instruments

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | **1,866,692** | 1,668,871 |
| Available-for-sale investments | **21,173** | 21,154 |
| | **1,887,865** | 1,690,025 |
| **Financial liabilities** | | |
| Liabilities measured at amortised costs | **512,943** | 418,604 |

## 30. Financial Instruments *(continued)*

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

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from a related party, bank balances and cash, structured deposits, trade and other payables, amounts due to related companies/a shareholder/directors/non-controlling shareholders, dividend payable and bank loans. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Currency risk*

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

The carrying amounts of the Group's bank balances that are denominated in foreign currency of group entities, representing USD, as at 31 December 2013 and 31 December 2012 are approximately HK$195,174,000 and HK$42,393,000, respectively.

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile by way of arrangement of foreign currency forward contracts and will consider hedging significant foreign currency exposure should the need arise.

#### Sensitivity analysis

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

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| USD impact *(note)* | | |
| – USD strengthens against RMB by 5% | **7,028** | 1,480 |
| – USD weakens against RMB by 5% | **(7,028)** | (1,480) |

*Note*: The directors of the Company consider that exposure of the Group's HK operating subsidiaries to USD is insignificant as that HK$ is pegged to USD.

## 30. Financial Instruments *(continued)*

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

*Currency risk* *(continued)*

Sensitivity analysis *(continued)*

The Group has no outstanding foreign currency contracts as at 31 December 2013 and 31 December 2012.

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

*Interest rate risk*

As at 31 December 2013 and 31 December 2012, the Group is exposed to cash flow interest risk in relation to variable-rate bank balances and bank loans (see notes 23 and 26 for details of these balances). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

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

A 10 basis point increase or decrease in interest rate for variable-rate bank balances outstanding as at 31 December 2013 and 2012 and 50 basis point increase or decrease in interest rate for variable bank loans for the year ended 31 December 2013 represents management's assessment of the reasonably possible change in interest rates. If the interest rate on bank balances had been 10 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would increase or decrease approximately HK$13,832,000 (2012: HK$12,299,000).

For the year ended 31 December 2013 if interest rates of bank loans had been 50 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would decrease or increase approximately HK$2,645,000 (2012: HK$2,505,000).

*Credit risk*

As at 31 December 2013, the Group's principal financial assets are available-for-sale investments, trade and other receivables, amount due from related companies, structured deposits, bank balances and cash. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## 30. Financial Instruments *(continued)*

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

*Credit risk (continued)*

The Group's credit risk is primarily attributable to its trade and other receivables. As at 31 December 2013, the five largest trade receivables, including four (2012: two) based in the PRC and one (2012: three) based in Hong Kong who are engaged in sales of consumer products accounted for approximately 49.8% (2012: 34.2%) of total trade receivables (net of allowance). The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group reviews the recoverable amount of each individual trade debtor and related party at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

There is concentration of credit risk on structured deposits, bank balances and cash for the Company as at 31 December 2013 and 31 December 2012. As at 31 December 2013, balances with three (2012: three) largest banks accounted for 32% (2012:44%) of the aggregate amount of structured deposits, bank balances and cash (2012: bank balances and cash) of the Group. The credit risk on liquid funds is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

*Liquidity risk management*

The directors of the Company have adopted a liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The table include both interest and principal cash flows. The following tables also detail the Group's liquidity analysis for its derivative financial instruments, which are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

# 30. Financial Instruments *(continued)*

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

*Liquidity risk management (continued)*

| | Weighted effective interest rate | Less than six months | Six months to one year | One year to five years | Over five years | Total undiscounted cash flows | Carrying amounts |
|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 31 December 2013** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Non-interest bearing | | **404,544** | **–** | **–** | **–** | **404,544** | **404,544** |
| Variable-rate interest bearing instruments | **1.56%** | **2,856** | **62,856** | **19,606** | **69,674** | **154,992** | **138,000** |
| | | **407,400** | **62,856** | **19,606** | **69,674** | **559,536** | **542,544** |
| **At 31 December 2012** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Non-interest bearing | | 358,604 | – | – | – | 358,604 | 358,604 |
| Variable-rate interest bearing instruments | 1.07% | 405 | 60,405 | – | – | 60,810 | 60,000 |
| | | 359,009 | 60,405 | – | – | 419,414 | 418,604 |

Save as mentioned elsewhere in the consolidated financial statements, the fair value of financial assets and financial liabilities in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# 31. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the bank loans, and equity attributable to owners of the Company comprising share capital, reserves and retained profits as disclosed in the consolidated financial statements.

Management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues of the Company as well as the raising of bank loans.

## 32. Intangible Assets

In 2011, the Group acquired 90% of the issued capital of Domon (International) Limited and Domon (China) Limited (hereinafter collectively referred to as "Domon Entities") for cash consideration of HK$27,000,000 from an independent third party neither connected to nor related to the Group. The acquisition was accounted for using the acquisition method. The amount of goodwill and intangible assets (which represented the tradenames) arising as a result of the acquisition was HK$7,656,000 and HK$15,800,000, respectively. Domon Entities were engaged in retail chain restaurants in Hong Kong. The Group acquired the Domon Entities as the Group wished to penetrate market of retail chain restaurants in Hong Kong.

Impairment testing on intangible assets with indefinite useful life

During the year ended 31 December 2012, the directors of the Company recognised impairment losses of HK$9,400,000 in relation to intangible assets of the Domon Cash Generating Units when the Group performed impairment analysis. During the year ended 31 December 2013, the Group did not recognise further impairment loss. Inputs of impairment review are discussed in note 17.

Movements of intangible assets of the Group during the years ended 31 December 2013 and 31 December 2012 were as follows:

| | HK$'000 |
|---|---|
| At 1 January 2012 | 15,800 |
| Impairment loss recognised in profit or loss | (9,400) |
| At 31 December 2012 | 6,400 |
| Impairment loss recognised in profit or loss | – |
| At 31 December 2013 | 6,400 |

## 33. Major Non-cash Transaction

During the year ended 31 December 2013, the Group transferred its property interests held under operating leases with carrying values of approximately HK$22,693,000 (2012: HK$6,782,000) to investment properties.

During the year ended 31 December 2013, the Group transferred its investment properties with carrying amount HK$172,745,000 (2012: nil) to property, plant and equipment. Details are set out in note 14 to the consolidated financial statements.

## 34. Capital Commitments

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of | | |
| – investment properties | **–** | 70,639 |
| – property, plant and equipment | **22,310** | 14,996 |
| | **22,310** | 85,635 |

## 35. Pledge of Assets

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Investment properties | **264,500** | 96,800 |
| Property, plant and equipment | **22,464** | 10,575 |
| Prepaid lease payments | **20,234** | 20,827 |
| | **307,198** | 128,202 |

## 36. Operating Lease Commitments

### The Group as lessee

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Within one year | **263,761** | 305,391 |
| In the second to fifth year inclusive | **766,606** | 746,297 |
| After five years | **218,146** | 183,630 |
| | **1,248,513** | 1,235,318 |

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

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

## 37. Operating Lease Arrangements

### The Group as lessor

The Group's properties with carrying amounts of approximately HK$376,710,000 (2012: HK$378,273,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 3.9% (2012: 2.3%) on ongoing basis.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of premises rented out:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Within one year | **14,756** | 8,775 |
| In the second to fifth year inclusive | **20,962** | 5,359 |
| | **35,718** | 14,134 |

## 38. Retirement Benefits Scheme

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the MPF) in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,250 per month for each employee effective from 1 June 2012.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss for the year is approximately HK$76,710,000 (2012: HK$74,455,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately HK$1,374,000 (2012: HK$727,000).

# 39. Related Party Transactions

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

| Relationship with related party | Nature of transaction | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Shigemitsu Industry Co., Ltd., a company Mr. Kasuaki Shigemitsu has controlling interests | Sales of noodles and related products | 493 | 459 |
| | Purchases of raw materials | 61,180 | 49,266 |
| | Franchise commissions paid | 33,170 | 34,159 |
| Ms. Poon | Property rentals paid | 2,619 | 2,580 |
| Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests | Decoration expenses paid | 7,661 | 5,595 |
| Japan Foods Holding Ltd., non-controlling shareholder of a subsidiary of Ajisen (China) Holdings Limited | Franchise fee | 1,977 | – |

On 14 June 2012, an indirectly wholly-owned subsidiary of the Company, namely Ajisen Investments (International) Limited ("Ajisen Investments "), Japan Food Holding Limited (a company in which Ms. Poon Wai, Mr. Kasuaki Shigemitsu and Shigemitsu Industry Co., Limited have beneficial interests) and Shigemitsu Industry Co., Limited entered into an agreement. Ajisen Investments sold (i) 25% of its equity interest in a subsidiary, ACJF Holding Limited (the "Subsidiary"), to Japan Food Holding Limited for the consideration of approximately HK$97,500; (ii) 10% equity interest of the Subsidiary to Shigemitsu Industry Co., Limited for the consideration of HK$39,000. Immediately followed by the completion of the transaction, the Subsidiary became a 65% indirectly-owned subsidiary of the Company. The difference between fair value of the consideration paid and the net carrying amount of Subsidiary at the date of transaction was recognised directly in equity.

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

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Short-term employee benefits | 7,286 | 7,438 |
| Retirement benefits scheme contributions | 218 | 176 |
| Share-based payment | 2,609 | 1,206 |
| | 10,113 | 8,820 |

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.

## 40. Principal Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2013 and 31 December 2012 are as follows:

| Name of subsidiary | Place of incorporation/ establishment/ operations | Nominal value of issued and fully paid share capital/ registered capital | Attributable proportion of nominal value of issued share capital/ registered capital held by the Company 2013 | 2012 | Principal activities |
|---|---|---|---|---|---|
| Ajisen International * | British Virgin Islands | US$1,000 | 100% | 100% | Investment holding |
| Ajisen (Hong Kong) Limited | British Virgin Islands | US$990 | 100% | 100% | Investment holding |
| Ajisen 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 Islands |
| Fortune Choice Limited | Hong Kong | HK$10,000 | 100% | 100% | Holding company of Shenzhen factory and trading of noodles |
| Gold Regent Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Hong Kong Ajisen Co., Ltd. | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Hong Kong Ajisen Food Company Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Nice Concept Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Long Wave Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Ocean Talent Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Pacific Smart Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |
| Seamax Limited | Hong Kong | HK$10,000 | 100% | 100% | Operating an Ajisen chain restaurant |

## 40. Principal Subsidiaries *(continued)*

| Name of subsidiary | Place of incorporation/ establishment/ operations | Nominal value of issued and fully paid share capital/ registered capital | Attributable proportion of nominal value of issued share capital/ registered capital held by the Company 2013 | 2012 | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 領先食品(上海)發展有限公司 Lead Food (Shanghai) Development Co. Ltd. | PRC wholly foreign owned enterprise | US$1,200,000 | 100% | 100% | Operating a noodle factory in Shanghai, the PRC |
| 上海領先餐飲管理有限公司 Shanghai Lead Food & Restaurant Management Co. Ltd. | PRC wholly foreign owned enterprise | US$20,000,000 | 100% | 100% | Investment holding and operating Ajisen chain restaurants in Shanghai, the PRC |
| 南京味千餐飲有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd. | PRC sino-foreign equity joint venture | RMB1,000,000 | 100% | 100% | Operating Ajisen chain restaurants in Nanjing, the PRC |
| 山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd. | PRC limited liability enterprise | RMB10,000,000 | 55% | 55% | Operating Ajisen chain restaurants in Shandong, the PRC |
| 北京味千餐飲有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd. | PRC sino-foreign equity joint venture | US$2,200,000 | 55% | 55% | Operating Ajisen chain restaurants and food processing centre in Beijing, the PRC |
| 重慶味千餐飲管理有限公司 Chongqing Weiqian Food & Restaurant Management Co. Ltd. | PRC limited liability enterprise | RMB1,500,000 | 100% | 100% | Operating Ajisen chain restaurants in Chongqing, the PRC |

## 40. Principal Subsidiaries *(continued)*

| Name of subsidiary | Place of incorporation/ establishment/ operations | Nominal value of issued and fully paid share capital/ registered capital | Attributable proportion of nominal value of issued share capital/ registered capital held by the Company 2013 | 2012 | Principal activities |
|---|---|---|---|---|---|
| 大連餐飲有限公司 Dalian Weiqian Food Co., Ltd. | PRC limited liability enterprise | RMB500,000 | **51%** | 51% | Operating Ajisen chain restaurants in Dalian, the PRC |
| 味千拉麵飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd. | PRC limited liability enterprise | RMB210,000 | **100%** | 100% | Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, the PRC |
| Weiqian Noodle Food Service (Shenzhen) Co., Ltd. 領鮮食品(上海)有限公司 | PRC limited liability enterprise | USD15,000,000 | **100%** | 100% | Operating a noodle factory in Shanghai, the PRC |
| 味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd. | PRC wholly foreign owned enterprise | RMB18,437,000 | **100%** | 100% | Operating a noodle factory in Shenzhen, the PRC |

* *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.

# Properties Held for Investment

| Name/Location | | Type | Carrying values in existing state at 31 December 2013 HK$'000 | Lease term |
|---|---|---|---|---|
| 1. | Units 903 to 908, Block A<br>Xinian Centre, Tairanjiu Road<br>Futian District, Shenzhen City,<br>Guangdong Province, the PRC | C | 16,407 | Medium-term lease |
| 2. | Workshops 1 to 24 on 10th Floor<br>and a car packing space 1 on Level 3<br>Wah Yiu Industrial Centre,<br>Nos., 30-32 Au Pui Wan Street, Shatin,<br>New Territories, Hong Kong | C | 80,120 | Medium-term lease |
| 3. | Storage B on Base Floor, Storages/<br>Workshops B on Ground Floor<br>and 1st Floor and Workshops B<br>on 2nd Floor, Nos. 24-26<br>Sze Shan Street, Yau Tong,<br>Kowloon, Hong Kong | C | 103,500 | Medium-term lease |
| 4. | Limit 2110 to 2116, 2118, 2121, 2214<br>and 2 underground car packing spaces,<br>No. 1399, Haining Road, Zhabei District,<br>Shanghai City, the PRC | C | 9,651 | Medium-term lease |
| 5. | 31/F, Golden Bell Plaza,<br>No. 98 Huaihai Middle Road,<br>Luwan District,<br>Shanghai, the PRC | C | 65,732 | Medium-term lease |
| 6. | Room 51801 and 51802, 18/F<br>Unit 5, Block 1,<br>Wangzuo Guojicheng,<br>No. 3 Tongyan Road<br>New District, Xi'an City<br>Shaanxi Province, the PRC | C | 7,738 | Medium-term lease |
| 7. | Unit 2602, 22/F, Full Town<br>No. 9 Dongsanmian Zhong Road,<br>Chaoyang District<br>Beijing City, the PRC | C | 13,762 | Medium-term lease |

| Name/Location | | Type | Carrying values in existing state at 31 December 2013 HK$'000 | Lease term |
|---|---|---|---|---|
| 8. | Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong | C | 7,800 | Medium-term lease |
| 9. | 9/F, Tower 2, Ever Gain Plaza, No. 88 Container Road, Kwai Chung, New Territories, Hong Kong | C | 72,000 | Medium-term lease |

Type of properties: C-commercial

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

# Financial Summary

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2009<br>HK$'000 | 2010<br>HK$'000 | 2011<br>HK$'000 | 2012<br>HK$'000 | **2013**<br>**HK$'000** |
| RESULTS | | | | | |
| Turnover | 1,985,726 | 2,680,538 | 3,074,978 | 3,043,162 | **3,240,650** |
| Profit before taxation | 434,101 | 622,194 | 516,064 | 236,488 | **370,177** |
| Taxation | (104,175) | (153,644) | (150,115) | (71,303) | **(80,405)** |
| Profit for the year | 329,926 | 468,550 | 365,949 | 165,185 | **289,772** |
| Attributable to: | | | | | |
| – owners of the Company | 314,456 | 447,334 | 349,906 | 154,230 | **271,698** |
| – non-controlling interests | 15,470 | 21,216 | 16,043 | 10,955 | **18,074** |
| | 329,926 | 468,550 | 365,949 | 165,185 | **289,772** |

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2009<br>HK$'000 | 2010<br>HK$'000 | 2011<br>HK$'000 | 2012<br>HK$'000 | **2013**<br>**HK$'000** |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 2,786,023 | 3,474,813 | 3,832,166 | 3,607,559 | **4,042,634** |
| Total liabilities | (335,699) | (627,388) | (835,081) | (545,547) | **(680,908)** |
| Net assets | 2,450,324 | 2,847,425 | 2,997,085 | 3,062,012 | **3,361,726** |

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