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

2015 年報 Annual Report

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

After our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007, the strong capital support has injected new vitality into the Group's rapid expansion. As a renowned brand in the Food and Beverage ("F&B") industry, Ajisen's fast casual chain restaurants are very popular among consumers with its outlets widely scattered in prime locations of major cities in the PRC and Hong Kong. As at 31 December 2015, the Group's nationwide retail network comprises 673 restaurants, Ajisen restaurants have entered 120 cities and 30 provinces of the PRC. Among the major cities, the international metropolis Shanghai boasts the largest number of Ajisen restaurants, being 142, followed by 80 in Jiangsu and 56 in Guangdong (excluding Shenzhen), together with the remaining 357 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.

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Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Katsuaki Shigemitsu

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Ms. Poon Wai
Mr. Lau Ka Ho, Robert

Qualified Accountant

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

Company Secretary

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

Head Office and Principal Place of Business in Hong Kong

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Hong Kong

Registered Office

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George Town
Grand Cayman
Cayman Islands

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu

Hong Kong Legal Advisers

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

iPR Ogilvy Ltd
www.iprogilvy.com

Investors Relations Contact

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Company Website

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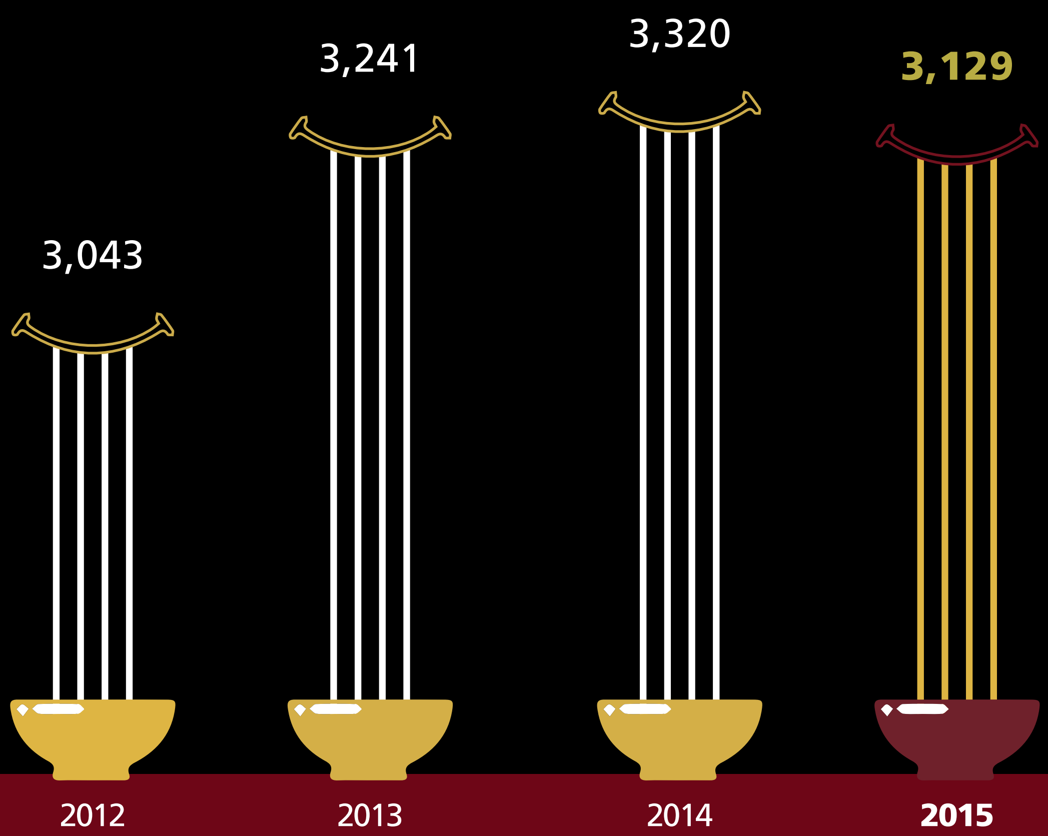
Stock Code

538

Financial Highlights

	2015	2014	Change
Turnover (HK$'000)	**3,129,198**	3,320,292	-5.8%
Sales from restaurant operation (HK$'000)	**2,988,535**	3,177,710	-6.0%
Gross profit (HK$'000)	**2,177,460**	2,292,903	-5.0%
Profit before taxation (HK$'000)	**363,450**	418,770	-13.2%
Profit attributable to owners of the Company (HK$'000)	**226,918**	275,565	-17.7%
Basic earnings per share (HK cents)	**20.79**	25.26	-17.7%
Total dividend per share (HK cents)	**16.70**	17.70	-5.6%
Total number of restaurants (at 31 December)	**673**	669	0.6%
Total assets (HK$ million)	**4,650.9**	4,160.5	11.8%
Net assets (HK$ million)	**3,484.4**	3,487.4	-0.1%
Bank balances and cash (HK$ million)	**1,593.6**	1,931.7	-17.5%
Inventory turnover (days)	**43.5**	39.1	4.4 days
Trade payable turnover (days)	**46.6**	49.6	-3.0 days
Gross profit margin	**69.6%**	69.1%	0.5 point
Net profit margin	**7.3%**	8.3%	-1.0 point
Current ratio	**2.1**	4.0	-47.5%
Return on equity	**7.2%**	8.6%	-1.4 points
Gearing ratio	**14.3%**	3.2%	11.1 points

Turnover (in HK$ million)



As of 31 December 2015, the Group's turnover decreased by 5.8% from the same period of last year. Profits decreased by 17.7%, profit margin decreased from 8.3% to 7.3%, while food material costs decreased from 30.9% to 30.4%, rent costs increased from 15.2% to 16.0%, labour costs decreased from 23.8% to 23.5% and operation costs were still 15.2%.

During the reporting period, the Group launched its Online to Offline (the "O2O") project to offer better service to customers by establishing big database. As at the end of 2015, there were 427 restaurants nationwide equipped with wireless networks, and the number is anticipated to increase to 500 at the end of 2016. Meanwhile, systems for payment through Alipay had been put in place in 550 restaurants, while WeChat Payment will also be accepted since May 2016. With the completion of the upgrade of our POS system in June 2016, the O2O platform will be ready for service, which will integrate the data of payment, cards and coupons as well as takeaway data, and then our customer relationship management system will take shape.

In 2015, the Group vigorously promoted its takeaway service. At the end of 2015, the number of restaurants offering takeaway service increased to 396 from 52 at the end of 2014, and the number is expected to rise to 500 in 2016. In addition, as the management was optimistic about the prospect of takeaway service, during the reporting period, the Group participated in the investment of the "Baidu Takeout Delivery" and became its shareholder.

During the reporting period, in view of the sluggish domestic economic conditions, the Group has taken a more prudent strategy in terms of opening new restaurants. The portfolio of new restaurants mainly comprised of those with an area of about 100-150 sq. m, and with a high concentration of locations, namely Beijing, Shanghai, Guangzhou, Shenzhen, Jiangsu, Zhejiang and Anhui, as well as transport hubs.

At the end of 2015, the Group operated 673 restaurants in total, representing an increase of 4 from 669 restaurants for the corresponding period of 2014. In particular, the Group opened 70 new restaurants, including 67 in Mainland China and 3 in Hong Kong respectively, and closed 66 restaurants, including 61 in Mainland China, 1 in Taiwan and 4 in Hong Kong respectively.

With respect to labour costs, the Group continued to streamline our staffing and work diligently to increase the proportion of part-time employees. As at the end of 2015, the proportion of part-time employees nationwide reached 50%, among which, the proportion of part-time employees in Shanghai was at a high level of 55.4%. In 2015, staff costs decreased by HK$54,214,000 year-on-year to HK$735,361,000 from HK$789,575,000 in 2014.

With respect to procurement, the Group continued to endeavour to increase the proportion of the direct procurement, and maintained its close partnership with large suppliers of meat products, such as Shuanghui and Yurun. In 2015, the proportion of the direct procurement of raw materials within the Group had reached 73%. Meanwhile, the Group also made continuous efforts to broaden its overseas supplier channel for the purpose of procuring meat ingredients of higher quality at more favourable price. In addition, during the reporting period, the Group also invested in an egg supplier, with a view to ensure the quality of ingredients. In 2016, the Group will further optimise its global procurement and supply chain for meat products, connect supply channels in regions including South America and Australia. At the same time, it will also seek large suppliers of vegetables and fruits to enhance its supply chain for vegetables and fruits.

The Group continued brand publicity activities. Subsequent to the engagement with Park Hae Jin, the Group engaged popular domestic movie star Feng Shaofeng as its brand spokesperson to increase brand impact among the public by leveraging on his popularity. Moreover, the Group also launched various regular promotional activities to reward our consumers.

Finally, I would like to thank all shareholders and customers for their great support to the Group, as well as the Board members, the management and all staff members for their efforts and dedication to the development of the Group. It is my firm belief that with our concerted efforts, Ajisen will be well positioned to overcome all difficulties and challenges, and continue to grow and expand.

Management Discussion and Analysis

Industry Review

In the year 2015, the global economy was still struggling along in the aftermath of the financial crisis, and moving ahead on the bumpy road of recovery. During the year, economic conditions of the US, the largest economy in the world, maintained its momentum of recovery and gradually trended upward. Against this backdrop, the Federal Reserve announced its interest rate hike in mid-December 2015, which marked the normalisation of the monetary policy of the country, as well as the gradual recovery of the US from the economic crisis. Since the launch of quantitative monetary policy at the beginning of the year 2015, the European economy maintained its modest rate of recovery. In particular, major Eurozone members have substantially returned to the path of positive growth. Nevertheless, countries in emerging markets were generally facing challenging prospects, and delivered fairly mixed performance. In 2015, China's economy encountered various impacts and challenges, as well as increasingly downward pressure on the economy. During the year under review, the Central Bank had initiated five rounds of cutting of Required Reserve Ratio (RRR) and interest rate. China's GDP grew by 6.9% year-on-year to RMB67,670.8 billion in the year 2015, the lowest level since the first quarter of 2009.

Since 2014, we have seen continuous involvement of new capital and cross-industry competitors in the catering market, which resulted in more intensive competition. According the data of dianping.com, in December 2015, there were a total of 5,074,852 restaurants in the PRC. In particular, more than 50,000 restaurants were opened on average in first-tier cities such as Guangzhou and Shenzhen, representing an increase of over 50%. Moreover, this traditional industry is undergoing significant changes as a result of the continuous penetration of the internet into the catering industry, as well as the fast changing habits of consumption of consumers.

In 2015, the catering industry experienced the explosion of takeaway services, with continuous capital inflow from various sources to platforms for takeaway business. Driven by the subsidies from merchants, we had witnessed exponential growth in the number of users of takeaway services. However, as the subsidies diminished, the huge bubble of the takeaway market had also been fading away and returning to the path of normal growth gradually. Another notable change of the catering market is the comprehensive penetration of mobile payment. Mobile payment led by Alipay and WeChat Payment are transforming the payment behaviour of consumers, while posing new requirements for the informationization of catering business.

In addition, due to the rapidly changing behaviours of consumption and the pursuit of novelty of consumers, especially the post-90s generation, as well as the continuous novel offerings by various specialty catering services, the seizure of consumer has become a new challenge facing the players in the catering industry.

Revenue from the nationwide catering industry for the year 2015 amounted to RMB3,231 billion, representing a year-on-year increase of 11.7%, an indication of the expansion of the market; in particular, overall revenue from catering services of restaurants with an annual revenue of over RMB2 million increased by 7% year-on-year to RMB866.7 billion.

During the year, in the face of various challenges from slipping economy and intensified competition, the management of the Group had been exploring unremittingly the path for the transform of the Group, with the aim of seeking indigenous and external momentum for growth amidst difficult conditions. As a response to the development trend of the industry, in 2015, the Group stepped up its efforts in the promotion of takeaway services in restaurants across the country, and has established cooperation with a number of takeaway service platforms, including "Baidu Takeout Delivery" (百度外賣), "ele.me" (餓了麼), "meituan.com" (美團) and "daojia.com.cn" (到家). In addition, in view of the optimistic prospect of takeaway business, the Group participated in the investment in the equity interests of "Baidu Takeout Delivery" (百度外賣) in the form of financial investment. Moreover, the Group also invested in an egg supplier and became its shareholder for the purpose of ensuring the quality of upstream raw materials of the industry and reducing costs.

Business Review

For the year ended 31 December 2015, the Group's turnover decreased from approximately HK$3,320 million in 2014, by approximately 5.8% to approximately HK$3,129 million in 2015. The gross profit of the Group reached approximately HK$2,177 million, a decrease of approximately 5.0% from last year. In particular, profit for the year of the Company decreased by approximately 15.5% and profit attributable to the owners of the Company decreased by approximately 17.7% to approximately HK$227 million from approximately HK$276 million last year. Net profit margin also decreased from approximately 8.3% last year to approximately 7.3%. Correspondingly, basic earnings per share decreased from HK25.26 cents last year to HK20.79 cents per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of HK12.00 cents per ordinary share for the year ended 31 December 2015 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 2015, the Group has four major production bases in Shanghai, Chengdu, Tianjin and Dongguan throughout China.

During the year, the Group decelerated its pace for the expansion of 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 30.4%, indicating a decrease of approximately 0.5 percentage point from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 69.1% last year to approximately 69.6% in 2015. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw material. 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 23.5% of the turnover, which was approximately 0.3 percentage point lower than that of the corresponding period of last year. During the year, proactive cost control measures were implemented, and obvious effects were witnessed during the reporting period. The Group enacted new standards for staff allocation based on restaurant scale, and optimized the scheduling system. These measures enhanced the efficiency of human resource utilization and actively reduced labour costs, leading to a decrease in labour costs as a proportion to turnover.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 16.0%, which was approximately 0.8 percentage point higher than that of the 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-sized restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis. Such 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 up the proportion of rental and related costs to turnover.

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

The effective operation of over 670 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 2015, 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$2,988,535,000 (2014: HK$3,177,710,000), accounted for approximately 95.5% (2014: 95.7%) of the Group's total revenue.

As at 31 December 2015, the Group's restaurant portfolio consisted of 673 Ajisen chain restaurants, comprising the following:

	31 December 2015	31 December 2014	+/–
By type:			
Owned and managed	**672**	667	5
Owned but not managed	**1**	2	-1
Total	**673**	669	4
By provinces:			
Shanghai	**142**	145	-3
Beijing	**40**	38	2
Tianjin	**6**	7	-1
Guangdong (excluding Shenzhen)	**56**	59	-3
Shenzhen	**29**	28	1
Jiangsu	**80**	82	-2
Zhejiang	**52**	54	-2
Sichuan	**20**	23	-3
Chongqing	**17**	17	0
Fujian	**22**	18	4
Hunan	**17**	16	1
Hubei	**18**	16	2
Liaoning	**14**	11	3
Shandong	**39**	38	1
Guangxi	**7**	6	1
Guizhou	**2**	4	-2
Jiangxi	**10**	10	0
Shaanxi	**14**	11	3
Yunnan	**5**	7	-2
Henan	**4**	3	1
Hebei	**4**	4	0
Anhui	**12**	11	1
Gansu	**1**	1	0
Xinjiang	**2**	2	0
Hainan	**3**	3	0
Shanxi	**1**	1	0
Neimenggu	**4**	5	-1
Heilongjiang	**7**	4	3
Ningxia, Qinghai	**3**	2	1
Jilin	**3**	2	1
Hong Kong	**38**	39	-1
Taiwan*	**1**	2	-1
Total	**673**	669	4
Total saleable area (sq. meters)	**154,137**	153,551	586

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

	31 December 2015	31 December 2014	+/–
By geographical region:			
Northern China	**121**	112	9
Eastern China	**274**	281	-7
Southern China	**155**	153	2
Central China	**122**	121	1
Taiwan	**1**	2	-1
Total	**673**	669	4

Sales of Packaged Noodle and Related Products

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

For the year ended 31 December 2015, revenue from the sales of packaged noodle and related products was approximately HK$140,663,000 (2014: HK$142,582,000), accounted for approximately 4.5% (2014: 4.3%) 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 2015, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 30 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Alldays, Kedi and C-Store.

Financial Review

Turnover

For the year ended 31 December 2015, the Group's turnover decreased by approximately 5.8%, or approximately HK$191,094,000, to approximately HK$3,129,198,000 from approximately HK$3,320,292,000 for the corresponding period in 2014. Such decrease was mainly due to the negative same store growth in PRC of the Group during the year.

Cost of inventories consumed

For the year ended 31 December 2015, the Group's cost of inventories decreased by approximately 7.4%, or approximately HK$75,651,000, to approximately HK$951,738,000 from approximately HK$1,027,389,000 for the corresponding period in 2014. The decrease of inventories cost was larger than the decrease in turnover. During the year, the ratio of inventories cost to turnover was approximately 30.4%, slightly lower than 30.9% for the corresponding period in 2014. Such decrease was mainly attributable to the adoption of direct purchase to stabilise the cost of raw materials for the year.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2015 decreased by approximately 5%, or approximately HK$115,443,000, to approximately HK$2,177,460,000 from approximately HK$2,292,903,000 for the corresponding period in 2014. Gross profit margin of the Group also slightly increased from approximately 69.1% for the corresponding period in 2014 to approximately 69.6%.

Property rentals and related expenses

For the year ended 31 December 2015, property rentals and related expenses of the Group decreased by approximately 0.6% from approximately HK$503,719,000 for the corresponding period in 2014 to approximately HK$500,735,000. Its proportion to turnover increased from approximately 15.2% for the corresponding period in 2014 to approximately 16.0%. Such increase was mainly attributable to the increase in rental costs for new tenancies for the year.

Staff costs

For the year ended 31 December 2015, staff costs of the Group decreased by approximately 6.9% from approximately HK$789,575,000 for the corresponding period in 2014 to approximately HK$735,361,000. Staff costs as a proportion to turnover decreased from approximately 23.8% for the corresponding period in 2014 by 0.3 percentage point to approximately 23.5%, which reflected the implementing efficient management system such as increasing number of part time staff for the year.

Depreciation

For the year ended 31 December 2015, depreciation of the Group increased by approximately 5.3% or approximately HK$10,200,000 from approximately HK$192,496,000 for the corresponding period in 2014 to approximately HK$202,696,000. Such increase was mainly attributable to the commencement of operation of new factories in Chengdu and Dongguan.

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 2015, other operating expenses decreased by approximately 6.0%, or approximately HK$30,571,000, to approximately HK$475,453,000 from approximately HK$506,024,000 for the corresponding period in 2014. Its proportion to turnover was still approximately 15.2%, expenses spent on advertising and promotion had decreased to approximately HK$91,020,000 from approximately HK$104,042,000 in 2014.

Other income

For the year ended 31 December 2015, other income of the Group decreased by approximately 4.3%, or approximately HK$4,833,000, to approximately HK$108,244,000 from approximately HK$113,077,000 for the corresponding period in 2014. The decreased mainly originated from the decrease in royalty income from sub-franchisee during the year.

Other gains and losses

For the year ended 31 December 2015, other gains and losses of the Group decreased by approximately 142.3% or HK$10,608,000 to approximately loss of HK$3,153,000 from approximately gain of HK$7,455,000 for the corresponding period in 2014. The decrease was primarily due to an increase in loss on disposal and write-off of property, plant and equipment during the year and an increase in impairment loss recognized in respect of available-for-sale investments during the year.

The exchange differences arising on translation amounted to a loss of approximately HK$1,134,000 for the year ended 31 December 2015 (2014: loss of approximately HK$3,812,000) due to depreciation of RMB as compared to HK$ throughout the year and less RMB denominated bank balances were resulted at the end of the year 2015 in Hong Kong as compared to that in the previous year.

Finance costs

For the year ended 31 December 2015, finance costs increased by approximately 76.0%, or approximately HK$2,164,000, to approximately HK$5,010,000 from approximately HK$2,846,000 for the corresponding period in 2014. The increase was mainly due to the bank loan drawn in second half year in 2015.

Profit before taxation

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2015 decreased by approximately 13.2%, or approximately HK$55,320,000 to approximately HK$363,450,000 from approximately HK$418,770,000 for the corresponding period in 2014.

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 2015 decreased by approximately 17.7%, or approximately HK$48,647,000, to approximately HK$226,918,000 from approximately HK$275,565,000 for the corresponding period in 2014.

Risk Management

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2015 remained healthy and strong, with bank balances amounting to HK$1,593,572,000 (31 December 2014: HK$1,931,746,000) and a current ratio of 2.1 (31 December 2014: 4.0).

As at 31 December 2015, the Group had bank borrowings of HK$665,193,000 (31 December 2014: HK$134,642,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 14.3 (31 December 2014: 3.2).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2015 and 31 December 2014 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

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

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

Interest rate risk

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

Credit risk

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

As of 31 December 2015 and 31 December 2014, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 31 December 2015, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately HK$1,154,096,000 and the current ratio was 2.1 as at 31 December 2015 (31 December 2014: 4.0). 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 decrease in current ratio was mainly attributable to the borrowing of new bank loans drawn in the second half year in 2015.

Cash flows

Cash generated from operations for the year ended 31 December 2015 was approximately HK$515,315,000, while profit before taxation for the same period was approximately HK$363,450,000. The difference was primarily due to the decrease in trade and other receivables as at 31 December 2015.

Capital expenditure

For the year ended 31 December 2015, the Group's capital expenditure was approximately HK$757,782,000 (2014: HK$198,982,000), which was due to the increase in purchase of financial asset of HK$542,500,000 during the year.

Key operating ratios for restaurant operations

	Hong Kong			**PRC**		
	1-12/2015	1-6/2015	1-12/2014	**1-12/2015**	1-6/2015	1-12/2014
Comparable restaurant sales growth:	**6.0%**	4.3%	-2.7%	**-7.5%**	-7.8%	2.3%
Per capita spending:	**HK$66.1**	HK$65.6	HK$65.3	**HK$46.7**	RMB44.6	RMB43.4
Table turnover per day (times per day):	**5.2**	5.0	5.0	**3.4**	3.4	3.4

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.

Corporate Governance Practices

The Company has, throughout the year ended 31 December 2015, adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual, and currently the Company does not comply with this code provision.

Model Code for Securities Transactions

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

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

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2015.

The Board of Directors

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

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

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

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

Composition

The Board currently consists of six Directors as follows:

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

Non-executive Director
Mr. Katsuaki Shigemitsu

Independent non-executive Directors
Mr. Lo Peter
Mr. Jen Shek Voon
Mr. Wang Jincheng

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

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

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

Independent Non-Executive Directors ("INEDs")

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

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

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

All of the Directors including the non-executive Director and the INEDs are appointed for a specific term. Each of the non-executive 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, executive Directors, Chief Financial Officer and Chief Operating Officer to carry out the well-defined responsibilities with adequate authorities and to take charge in daily operation of the Company, advising the Board in formulating directions and policies making significant corporate decisions reserved by the Board and ensuring the proper execution of the resolutions approved by the Board. For such purposes, the Board has laid down clear written terms of reference which specify those circumstances under which the Executive Committee shall report to the Board for its decisions in respect of the matters and commitments for which prior approval of the Board is required.

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

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

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

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

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

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

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

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

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

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

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

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

Corporate Governance Function

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

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

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

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

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

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

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

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

Chairman and Chief Executive Officer ("CEO")

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

Induction and Continuing Professional Development of Directors

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

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2015 is as follows:

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

* *Mr. Wong Hin Sun, Eugene resigned as a non-executive Director with effect from 22 February 2016.*

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 2015, the Board convened a total of six meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings and the annual general meeting of the Company held on 5 June 2015 (the "2015 AGM") is set out below:

Name of Directors	Board Meeting Attended/Held	General Meeting Attended/Held
Executive Directors		
Ms. Poon Wai	6/6	1/1
Mr. Poon Ka Man, Jason	6/6	1/1
Non-Executive Directors		
Mr. Katsuaki Shigemitsu	6/6	1/1
Mr. Wong Hin Sun, Eugene*	6/6	1/1
INEDs		
Mr. Lo Peter	6/6	1/1
Mr. Jen Shek Voon	6/6	1/1
Mr. Wang Jincheng	6/6	1/1

* *Mr. Wong Hin Sun, Eugene resigned as a non-executive Director with effect from 22 February 2016.*

Independent Board Committee

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

Board Committees

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

Executive Committee

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

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

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

There were four Executive Committee meetings held during the year ended 31 December 2015. Attendance of each Executive Committee member at the Executive Committee meetings is set out below:

Name of Members	**Executive Committee Meeting Attended/Held**
Directors	
Ms. Poon Wai	4/4
Mr. Poon Ka Man, Jason	4/4
Mr. Lau Ka Ho, Robert	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 three INEDs as follows:

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

* *Mr. Wang Jincheng was appointed as a member of the Remuneration Committee with effect from 22 February 2016.*

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

During the year ended 31 December 2015, the Remuneration Committee convened 1 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

* *Mr. Wong Hin Sun, Eugene resigned as a non-executive Director and a member of the Remuneration Committee with effect from 22 February 2016.*

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

Details of the Directors' remuneration are set out in note 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 2015 is set out below:

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

Nomination Committee

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

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

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

(iii) to assess the independence of INEDs; and

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

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

Currently, the Nomination Committee comprises three INEDs as follows:

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

* *Mr. Jen Shek Voon was appointed as a member of the Nomination Committee with effect from 22 February 2016.*

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

During the year ended 31 December 2015, the Nomination Committee convened 1 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. Wong Jincheng	1/1
Mr. Lo Peter	1/1
Mr. Wong Hin Sun, Eugene*	1/1

* *Mr. Wong Hin Sun, Eugene resigned as a non-executive Director and a member of the Nomination Committee with effect from 22 February 2016.*

Board Diversity Policy

On 2 December 2014, the Board adopted the Board Diversity Policy. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. The Board will regularly review the Board Diversity Policy and make appropriate revisions to ensure the effectiveness of the Board Diversity Policy.

Audit Committee

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

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

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

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

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

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

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

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

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

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

Currently, the Audit Committee comprises three INEDs as follows:

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

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

During the year ended 31 December 2015, the Audit Committee convened 2 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

* *Mr. Wong Hin Sun, Eugene resigned as a non-executive Director and a member of the Audit Committee with effect from 22 February 2016.*

The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditors in the year 2015, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2015 and annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

Internal Control

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

(i) identifying and assessing relevant risks, considering and giving approval to necessary control activities proposed by executive Directors in accordance with risk assessments, to rationalize the control environment so as to lower operational risks but without impeding operating efficiency;

(ii) ensuring constantly updating information and coordinated sharing of information;

(iii) exercising appropriate levels of supervision to ensure the effectiveness and efficiency in the performance of various functions and activities of the Group;

(iv) establishing and reviewing internal control measures for minimising and eliminating identified risks; and

(v) seeking advice from external consultants for the enhancement and maintenance of the Group's internal control system.

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

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

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group throughout the year ended 31 December 2015, 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 2015, 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 44 and page 45 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 2015 was approximately as follows:

Type of Services	**Amount** (HK$'000)
Audit	3,034
Non-audit services *(Note)*	800
Total:	3,834

Note: Non-audit services included 2015 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 2015, 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 2015 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 2015 AGM held on 5 June 2015 to answer shareholders' questions. The Company's forthcoming AGM will be held on 18 May 2016 (the "2016 AGM").

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

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

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

Closure of register of members

In order to determine the shareholders who are entitled to attend the 2016 AGM, the register of members of the Company will be closed from 13 May 2016 to 18 May 2016 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the shareholders who are entitled to receive the final dividend for the year ended 31 December 2015, the register of members of the Company will be closed from 24 May 2016 to 27 May 2016 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the 2016 AGM, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 May 2016 to 23 May 2016 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 2015 AGM, all resolutions were passed by poll by the shareholders of the Company.

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

Change in Constitutional Documents

During the year ended 31 December 2015, 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.

Environmental, Social and Governance Report

Corporate Social Responsibility

The Group fulfilled its social responsibility and took an active part in various public benefit activities, thus set a good social image in the mainland of China. The Group participated in a series of charity activities, out of which the event called Love under the Blue Sky—Offering Warmth to the Three Islands is one of the most influential public benefit activities in Shanghai. The Group began to cooperate with charity organizations like Shanghai Charity Foundation since 2012 and has successively donated 75,000 Ajisen bagged noodle to the impoverished families on the three islands. Confronted the massive explosion in Tianjin on Aug.12th, 2015, Ajisen Group gave a helping hand to the disaster area, sending representatives to the logistics station of Tianjin Tanggu Fire Brigade the next day, providing Ajisen bagged noodle to the firefighters in the first rescue line and further joined the rescue team.

Together with seven famous brands such as Xibei and Grandma's Diet, etc., Ajisen Group launched a national competition called Good Restaurant of China ("中國好餐廳"), aiming at boosting confidence, promoting style and accelerating development by mutual learning in the catering industry, and further gaining understanding and support from the society to the industry. The activity of Good Restaurant of China will bring opportunities for restaurants to study, make progress and create a better future together, and it will also exhibit a good restaurants image to the world.

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

After near 20 years of operation and management on the brand of Ajisen Ramen, Ms. Poon Wai, the Chairman and Chief Executive Officer of Ajisen(China) Holdings Limited has accumulated a rich experience in the industry. In 2015, Ms. Pan was elected as the vice chairman of China Hotel Association, special vice chairman of China Cuisine Association, and further won the Most Influence Entrepreneur 2015 in China's catering Industry issued by China Cuisine Association, and Meritorious Contribution to Shanghai Catering Industry for 30 Years (上海餐飲三十年功勳人物獎) by Shanghai Cuisine Association, etc.

Food and Occupational Safety, Strengthening Its Compliance

The Group adhered to the overall development strategy and made major operation decisions. The senior management of the Company conscientiously followed relevant national laws and regulations, paid tax in accordance with laws, did business with honesty and sincerity and fulfilled the social responsibility of the enterprise. As the new versions of Food Safety Law of the People's Republic of China, Advertisements Law of the People's Republic of China and Measures for the Management of Food Business License (《食品經營許可管理辦法》) were officially implemented in the second half of 2015, the Company organized employees and management of all levels to study the relevant laws and regulations, provided instruction and trainings to the operation managers throughout the country and further standardized and optimized the management process to do the business in compliance with regulations.

The standardization operation mode of the Group helped the Company realize a scientific management manner of collective purchasing, standardized operation and intensive production. By making full use of the cold-chain production and delivery technology centered on the six central kitchens, and supporting the modern food processing technique in terms of specialization, intelligentization and sophisticated management, the Group standardized all products on a ready-made basis, thus promoted the production efficiency, maintained consistent taste of all products and further assured food safety and nutrition by using modern technologies.

In order to standardize the service management, the Group set up an excellent operation and service system as well as bringing out a courtesy service book. The Company constantly perfected the system construction, and launched a 6S management system to the staffs, equipment, materials, operating methods and environment, etc. respectively, specified the work network and responsible officers on field management to realize an accountability system. In addition, the Group established a sound system of sanitary control, depot management and post responsibility, etc., made a location map for warehouse management so that all articles could be stored at the right place and cleaned, sorted and collected in time. Therefore, the warehouse is clean and safe with all products and materials therein sorted.

As at 15 December 2015, ERP system of Shanghai Ajisen was integrated with Shanghai FDA traceability system, thus the date of manufacture, lot number and expiry date of all materials registered in the system can be traced. Therefore, the entire process from purchasing, production, delivery to logistics is traceable and can be checked by Shanghai FDA at any time.

Hong Kong Processing Center was put into production at its self-owned property in Yau Tong in 2009. The consistent food quality and standardized production process are maintained through this scale and systematized central kitchen and the rigorous performance of ISO22000. Occupational safety training is provided for front line and logistic support employees, aiming at continuously improving food quality and safe work environment.

Environmental Protection Measures

The central kitchens and stores have participated in the waste oil recycling scheme, under which qualified recyclers will collect waste oil and then convert it into renewable energy.

All office buildings, workshops and stores have implemented the regional lighting system to turn off illumination for certain unoccupied areas of individual region, thus to reduce unnecessary wastage of electricity.

Awards

In recent years, the Group has gained wise recognition from the society. The Company has successively won over 20 awards issued by the government and the catering industry from 2014 to 2015, such as Award for Outstanding Contribution in Food Safety and Public Health – Supplier Chain Management 2014 issued by CBN and Yikang Group, Award for Outstanding Contribution in Noodle Industry of China by China Hotel Association. In 2014, Ajisen Group ranked the eighth in China's Top 100 Catering Brands by China Cuisine Association, and the brand of Ajisen Ramen won the award of Shanghai Famous Brand 2015. All projects applied for the award were reviewed and appraised by related departments and experts under organization of Shanghai Famous Brand Recommendation Committee and then published online, and finally approved by all members of the Committee. Ajisen Ramen brand won the valuable award at last.

We have been recognized as a ''Caring Company'' by The Hong Kong Council of Social Service for five successive years.

We have obtained the renewal of qualification of ''ERB Manpower Development Award Scheme'' by the Employees Retraining Board.

Relations with Suppliers, Customers and Employees

Relationship with Suppliers

In order to ensure food safety, the Group persisted on collective purchasing, production and delivery, and gave priority to the famous enterprises in the industry when selecting suppliers, requiring them to have qualified certificates and product acceptance reports. In addition, our purchasing and quality control officers often visit food processing factories to verify whether suppliers have control system for food safety, independent research and development capability and their means for quality control from the source.

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

Relationship with Customers

As a retail company, the interests of our consumers are of top priority. To ensure continuous improvement of the quality of products and services, we regularly conduct internal and external market surveys to interact with consumers and to gain market insights and feedback. We normally will update our stores manual two times a year to give consumers fresh and innovative ideas about our products. Together with our customer service hotline, feedback is immediately communicated and handled. All of these measures strengthen our product offerings and service quality, and consequently allow us to stay competitive in the market.

Relationship with Employees

We believe employees are a key element to the success of our business. With the aim of ensuring fair and equal protection for all employees, we strictly comply with relevant labour laws, regulations and industry practices – including minimum wages, gender equality, statutory holidays, the prohibition of child labor, as well as enforcing anticorruption practices. Our Human Resources Department reviews and updates relevant company policies constantly in accordance with the latest laws and regulations. As at 31 December 2015, the Group has 11,224 employees.

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

Besides, the Company also maintains good employee relations through conducting various kinds of outdoor activities and anniversary celebrations, such as outdoor barbecue and get-together functions during Christmas and Lunar New Year.

Executive Directors

Poon Wai (潘慰), aged 60, is the founder of the Group. She is the Chairman and Chief Executive Officer of the Company. She is responsible for the overall management, including critical decision-making and planning for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. Ms. Poon is an experienced entrepreneur who has over 10 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in US and Hong Kong. Ms. Poon is particularly well versed and experienced in specialty foods from northern and southern regions of China. Ms. Poon currently serves as the vice president of China Hotel Association, special vice president of China Cuisine Association (中國烹飪協會), director of China Association of Enterprises and China Entrepreneur Association. Meanwhile, Ms. Poon is also the vice chairman of Shanghai Restaurants Cuisine Association as well as the vice president of Shanghai Commercial Enterprise Management Association. Ms. Poon was awarded Ernst & Young Entrepreneur of The Year for Hong Kong/Macau Region in October 2007. Ms. Poon was awarded "the Most Influential Entrepreneur in Chinese Restaurant Industry" (「中國餐飲最具影響力企業家」) by China Cuisine Association (中國烹飪協會) and "Contribution to Shanghai Restaurant Industry in 30 Years" (「上海餐飲三十年功勛人物奬」) by Shanghai Restaurants Cuisine Association in 2015. Ms. Poon is the sister of Mr. Poon Ka Man, Jason.

Poon Ka Man, Jason (潘嘉聞), aged 59, is the chief marketing officer and an executive Director of the Company. He has been an executive Director of the Company since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon has over 20 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai.

Non-executive Director

Katsuaki Shigemitsu (重光克昭), aged 47, has been a non-executive Director of the Company since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's Franchisor. In addition, Mr. Shigemitsu has served as a non-executive director of a Singapore-listed company, namely Japan Food Holdings Limited since November 2008. Mr. Shigemitsu has over 15 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 69, 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 non-publicly listed companies in Singapore, and, on publicly listed companies in Malaysia and Hong Kong, SAR. Mr. Jen is a Fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree (Hons) from the University of Singapore and a M Comm (Hons) degree from the University of New South Wales. He is a Fellow of the 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 60, 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 61, 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 41, 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.

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 2015.

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.

Business Review

A review of the business of the Group during the year ended 31 December 2015, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and a description of the principal risks and uncertainties that the Group may be facing are contained in the Management Discussion and Analysis on page 6 to 13 of this annual report. The Company's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group, and the Group's relationships with its employees, customers and suppliers are contained in the Environmental, Social and Governance Report on pages 26 to 28 of this annual report.

Results and appropriations

The results and appropriations of the Group are set out in page 46 and page 89 of the consolidated financial statements.

Dividend

The Board recommended the payment of a final dividend of HK12 cents per ordinary share for the financial year ended 31 December 2015.

Share capital

Details of the movements in share capital and share options of the Company during the year are set out in notes 29 and 30 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group are set out in page 49 to page 51 of the consolidated financial statements.

Distributable reserves

As at 31 December 2015, 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 28 to the consolidated financial statements.

Pre-emptive rights

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

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers were less than 2.9% of the Group's total turnover. The purchase from the Group's largest supplier, Shigemitsu Industry Co., Ltd. accounted for approximately 4.7% of the Group's total purchase for the year and the purchase from the five largest suppliers of the Group accounted for approximately 12.9% 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 40 to page 41 of this Annual Report), none of the Directors or their respective associates, or the shareholders who, to the knowledge of the Directors, own more than 5% of the issued shares of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group.

Donations

The Company did make HK$167,132 charitable and other donations during the year under review (2014: HK$3,000).

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 2015.

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 144 of this Annual Report.

Directors

The Directors of the Company during the year and up to the date of this Annual Report are:

Executive Directors:

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

Non-executive Directors:

Mr. Wong Hin Sun, Eugene
(resigned on 22 February 2016)
Mr. Katsuaki Shigemitsu

Independent Non-executive Directors:

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

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

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

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

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

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

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

As at 31 December 2015, 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)	43.67%
	beneficial owner	30,262,347 shares (L)	2.77%
Mr. Poon Ka Man, Jason	beneficial owner	2,500,000 shares (L)	0.23%
Mr. Katsuaki Shigemitsu	beneficial owner	950,000 shares (L)	0.09%
	interest of controlled corporation *(Note 3)*	31,425,380 shares (L)	2.88%
Mr. Wong Hin Sun, Eugene *(Note 4)*	beneficial owner	100,000 shares (L)	0.01%
	interest of spouse *(Note 4)*	500,000 shares (L)	0.05%
Mr. Jen Shek Voon	beneficial owner	95,000 shares (L)	0.01%
Mr. Lo Peter	beneficial owner	75,000 shares (L)	0.01%

Notes:

1. The letter "L" denotes the Director's long position in such shares.
2. The 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 10,604,251 shares held by Shigemitsu Industry Co. Ltd., and the 20,821,129 shares held by Wealth Corner Limited are respectively owned as to approximately 69.89% and 100% by Mr. Katsuaki Shigemitsu, a non-executive Director.
4. The 500,000 shares were held by Mr. Wong Hin Sun, Eugene's wife, Ms. Chin May Yee, Emily. Mr. Wong Hin Sun, Eugene resigned as a non-executive Director with effect from 22 February 2016.

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

Name of Director	Capacity and Nature of Interest	Description of Equity Derivatives	Number of Underlying Shares *(Note 1)*
Mr. Jen Shek Voon	beneficial owner	share option *(Note 2)*	200,000 (L)
Mr. Lo Peter	beneficial owner	share option *(Note 2)*	100,000 (L)
Mr. Wang Jincheng	beneficial owner	share option *(Note 2)*	137,500 (L)
Mr. Wong Hin Sun, Eugene *(Note 3)*	beneficial owner	share option *(Note 2)*	100,000 (L)
Mr. Katsuaki Shigemitsu	beneficial owner	share option *(Note 2)*	100,000 (L)

Notes:

1. The letter ''L'' denotes the Director's long position in such securities.
2. The share options were granted under the share option scheme of the Company.
3. Mr. Wong Hin Sun, Eugene resigned as a non-executive Director with effect from 22 February 2016.

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

(1) Long position in the shares of Anmi Holding

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

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

(2) Long position in the shares of Favor Choice

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

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

Save as disclosed herein, as at 31 December 2015, 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 2015, 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)	43.67%
Anmi Holding *(Notes 2 and 3)*	interest of controlled corporation	476,625,041 (L)	43.67%
HSBC International Trustee Limited *(Note 3)*	trustee (other than a bare trustee)	500,523,720 (L)	45.85%
Invesco Hong Kong Limited	investment manager	107,442,000 (L)	9.84%

Notes:

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

2. The 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.

Save as disclosed herein, as at 31 December 2015, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

Directors' interests in transaction, arrangement or contract of significance

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

Directors' interests in competing business

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

Each of Ms. Poon Wai, Mr. Poon Ka Man, Jason and Mr. Katsuaki Shigemitsu who are Directors, has provided an annual confirmation in respect of the compliance with the non-competition undertaking given by her/him (as described in the Prospectus) (the "Non-competition Undertaking") 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 25 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 remaining life of the Share Option Scheme is 1 year.

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 2015, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 21,786,000 shares (2014: 17,051,500 shares), representing approximately 1.99% of the shares of the Company in issue as at 31 December 2015 (2014: 1.56%).

Total number of shares available for issue under the Share Option Scheme was 81,168,000 shares as at the date of this Annual Report, representing approximately 7.44% of the shares of the Company in issue.

Details of the share options granted under the Share Option Scheme contained in note 30 to the consolidated financial statements and the movement during 2015 are as follows:

Grantee	Date of Grant	Outstanding as at 1 January 2015	Number of share options: Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2015
Employees							
(in aggregate)	25 June 2008	40,000	–	–	–	–	40,000
	31 December 2008	82,500	–	(12,500)	–	–	70,000
	3 July 2009	27,500	–	–	–	–	27,500
	2 July 2010	693,000	–	–	–	(20,000)	673,000
	6 July 2010	–	–	–	–	–	–
	26 August 2011	11,661,000	–	–	–	(673,000)	10,988,000
	15 October 2012	400,000	–	–	–	–	400,000
	7 January 2013	–	–	–	–	–	–
	2 July 2013	600,000	–	–	–	–	600,000
	19 July 2013	–	–	–	–	–	–
	27 August 2013	1,210,000	–	–	–	–	1,210,000
	23 September 2013	–	–	–	–	–	–
	25 October 2013	1,050,000	–	–	–	–	1,050,000
	19 December 2013	50,000	–	–	–	–	50,000
	14 April 2014	200,000	–	–	–	–	200,000
	30 June 2014	300,000	–	–	–	–	300,000
	25 September 2014	100,000	–	–	–	–	100,000
	8 January 2015	–	250,000	–	–	–	250,000
	2 April 2015	–	100,000	–	–	–	100,000
	17 April 2015	–	2,200,000	–	–	–	2,200,000
	2 July 2015	–	2,890,000	–	–	–	2,890,000
Directors							
Mr. Jen Shek Voon	22 January 2009	100,000	–	–	–	–	100,000
Mr. Wang Jincheng	22 January 2009	37,500	–	–	–	–	37,500
Mr. Jen Shek Voon	15 October 2012	100,000	–	–	–	–	100,000
Mr. Lo Peter	15 October 2012	100,000	–	–	–	–	100,000
Mr. Katsuaki Shigemitsu	15 October 2012	100,000	–	–	–	–	100,000
Mr. Wang Jincheng	15 October 2012	100,000	–	–	–	–	100,000
Mr. Wong Hin Sun, Eugene (resigned on 22 February 2016)	15 October 2012	100,000	–	–	–	–	100,000
		17,051,500	5,440,000	(12,500)	–	(693,000)	21,786,000

Pre-IPO share option scheme

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

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

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

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

Total number of shares available for issue under the Pre-IPO Share Option Schemes was 388,500 shares as at the date of this Annual Report, representing approximately 0.04% of the shares of the Company in issue.

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

Grantees	Number of Options Granted on 8 March 2007 *(Notes 1 & 3)*	Number of Options				
		Outstanding up to 1 January 2015	Exercised During the Year *(Note 4)*	Forfeited During the Year	Lapsed During the Year	Outstanding up to 31 December 2015
(1) Directors						
Ms. Poon Wai *(Note 2)*	8,485,000	–	–	–	–	–
Mr. Poon Ka Man, Jason *(Note 2)*	2,500,000	–	–	–	–	–
Mr. Yin Yibing *(Note 2)*	2,500,000	–	–	–	–	–
(2) Employees and others	6,515,000	388,500	–	–	–	388,500
	20,000,000	388,500	–	–	–	388,500

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 Nil (2014: HK$8.895). During the year ended 31 December 2015, no (2014: Nil) share options granted to employees of the Group lapsed due to departure of the employees.

As at 31 December 2015, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 388,500 (2014: 388,500) share options, representing approximately 0.04% (2014: 0.04%) of the shares of the Company in issue as at 31 December 2015.

(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 2015 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 2015 is HK$39,304,029. The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2015 is approximately HK$32,794,486.

2. Supply agreements between the Group and Shigemitsu

Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same parties on 16 September 2006 and renewed for a term of three years from 14 May 2015 by a renewal supply agreement dated 14 May 2015 (the "Supply Agreement"). Pursuant to the Supply Agreement, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Business.

Festive Profits Limited ("Festive Profits"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu Food (Shanghai) Co., Ltd. ("Shigemitsu Food") on 14 May 2009 and renewed for a term of three years from 14 May 2015 by a renewal supply agreement dated 14 May 2015 (the "Supply Agreement (PRC)"). Shigemitsu Food is wholly owned by Eagle Sky International Limited, which is in turn owned by Mr. Katsuaki Shigemitsu and Shigemitsu as to 60% and 30% respectively. Pursuant to the Supply Agreement (PRC), Shigemitsu Food agrees to sell materials and supplies which are required by the Group for the operation of the Franchise Business in the PRC, including the soup base and other goods.

The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2015 is HK$64,994,818. The actual amount payable for the year is approximately HK$45,050,351.

3. Sales agreement between Fortune Choice and Shigemitsu

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 which was renewed for a term of three years from 14 May 2015 by a renewal sales agreement dated 14 May 2015 (the "Sales Agreement (Japan)"), pursuant to which Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried union crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement (Japan) for the year ended 31 December 2015 is HK$810,055. The actual amount received for the year is approximately HK$425,507.

Design Union transactions

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

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

A framework agreement was entered into between Design Union and the Group on 8 March 2007 which was renewed for a term of three years from 14 May 2015 by a renewal agreement dated 14 May 2015 (the "Design Union Agreement"), pursuant to which Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2015 is HK$7,889,587. The actual amount payable for the year is HK$2,732,515.

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

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

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

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

The auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2015 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, 15 May 2012 and 15 May 2015;

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

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

Apart from the above continuing connected transactions, the related party transaction with Ms. Poon as disclosed in note 39 to the consolidated financial statements also constitutes continuing connected transaction as defined in Chapter 14A of the Listing Rules. However, it is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The other related party transactions set out in note 39 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Employee's remuneration and policy

As at 31 December 2015, the Group employed 11,224 persons (31 December 2014: 12,397 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 2015 was approximately HK$735,361,000 (31 December 2014: HK$789,575,000).

Permitted Indemnity

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles of Associations. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Sufficiency of public float

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

Auditor

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

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

Hong Kong, 21 March 2016

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 46 to 141, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	5	**3,129,198**	3,320,292
Other income	6	**108,244**	113,077
Other gains and losses	7	**(3,153)**	7,455
Cost of inventories consumed		**(951,738)**	(1,027,389)
Staff costs		**(735,361)**	(789,575)
Depreciation and amortization		**(202,696)**	(192,496)
Property rentals and related expenses		**(500,735)**	(503,719)
Other operating expenses		**(475,453)**	(506,024)
Share of profit /(loss) of associates		**154**	(5)
Finance costs	8	**(5,010)**	(2,846)
Profit before taxation	9	**363,450**	418,770
Taxation	11	**(111,053)**	(120,082)
Profit for the year		**252,397**	298,688
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**15,498**	13,004
Deferred tax liability on recognition of revaluation of properties		**(8,865)**	(6,572)
		6,633	6,432
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(146,674)**	(9,766)
Other comprehensive income (expense) for the year, net of income tax		**(140,041)**	(3,334)
Total comprehensive income for the year		**112,356**	295,354
Profit for the year attributable to:			
Owners of the Company		**226,918**	275,565
Non-controlling interests		**25,479**	23,123
		252,397	298,688
Total comprehensive income attributable to:			
Owners of the Company		**93,528**	272,575
Non-controlling interests		**18,828**	22,779
		112,356	295,354
		HK cents	HK cents
Earnings per share	13		
– Basic		**20.79**	25.26
– Diluted		**20.79**	25.22

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties	14	**521,021**	435,911
Property, plant and equipment	15	**1,098,824**	1,285,056
Prepaid lease payments	16	**95,238**	106,056
Intangible assets	33	**6,400**	6,400
Loan to an associate		**1,495**	1,495
Rental deposits		**96,931**	86,127
Goodwill	17	**37,135**	37,135
Deferred tax assets	18	**1,920**	2,175
Available-for-sale investments	19	**60,530**	13,537
Financial asset designated as at FVTPL	20	**542,500**	–
Interest in associates	21	**1,587**	–
		2,463,581	1,973,892
Current assets			
Inventories	22	**113,527**	110,096
Trade and other receivables	23	**116,843**	133,845
Amount due from related parties	24	**14**	290
Taxation recoverable		**1,299**	2,901
Pledged bank deposits	25	**362,073**	7,682
Bank balances and cash	25	**1,593,572**	1,931,746
		2,187,328	2,186,560
Current liabilities			
Trade and other payables	26	**328,258**	375,480
Amounts due to related companies	27	**7,044**	9,085
Amounts due to directors	27	**634**	742
Amount due to a shareholder	27	**32,471**	31,517
Amounts due to non-controlling shareholders	27	**15,587**	15,587
Dividend payable		**26**	22
Taxation payable		**51,739**	51,627
Bank loans	28	**597,473**	63,426
		1,033,232	547,486

(continued)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Net current assets		**1,154,096**	1,639,074
Total assets less current liabilities		**3,617,677**	3,612,966
Non-current liabilities			
Long-term bank loans	*28*	**67,720**	71,216
Deferred tax liabilities	*18*	**65,541**	54,398
		133,261	125,614
Net assets		**3,484,416**	3,487,352
Capital and reserves			
Share capital	*29*	**109,154**	109,153
Reserves		**3,175,898**	3,265,153
Equity attributable to owners of the Company		**3,285,052**	3,374,306
Non-controlling interests		**199,364**	113,046
Total equity		**3,484,416**	3,487,352

The consolidated financial statements on pages 46 to 141 were approved and authorised for issue by the Board of Directors on 21 March 2016 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 2015

	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 2015	109,153	1,933,820	(277,655)	79,872	1,159	39,138	277,492	126,313	1,085,014	3,374,306	113,046	3,487,352
Profit for the year	–	–	–	–	–	–	–	–	226,918	226,918	25,479	252,397
Other comprehensive income for the year	–	–	–	–	–	6,633	(140,023)	–	–	(133,390)	(6,651)	(140,041)
Total comprehensive income for the year	–	–	–	–	–	6,633	(140,023)	–	226,918	93,528	18,828	112,356
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(11,066)	(11,066)
Dividends recognized as distribution *(note12)*	–	–	–	–	–	–	–	–	(193,207)	(193,207)	–	(193,207)
Recognition of equity-settled share based payments	–	–	–	10,379	–	–	–	–	–	10,379	–	10,379
Shares issued upon exercise of share options	1	68	–	(23)	–	–	–	–	–	46	–	46
Transfer	–	–	–	–	–	–	–	7,573	(7,573)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries *(note 20)*	–	–	–	–	–	–	–	–	–	–	78,556	78,556
At 31 December 2015	109,154	1,933,888	(277,655)	90,228	1,159	45,771	137,469	133,886	1,111,152	3,285,052	199,364	3,484,416

(continued)

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2015

	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 2014	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
Profit for the year	–	–	–	–	–	–	–	–	275,565	275,565	23,123	298,688
Other comprehensive income for the year	–	–	–	–	–	6,432	(9,422)	–	–	(2,990)	(344)	(3,334)
Total comprehensive income for the year	–	–	–	–	–	6,432	(9,422)	–	275,565	272,575	22,779	295,354
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(11,428)	(11,428)
Dividends recognized as distribution *(note12)*	–	–	–	–	–	–	–	–	(188,818)	(188,818)	–	(188,818)
Recognition of equity-settled share based payments	–	–	–	15,198	–	–	–	–	–	15,198	–	15,198
Shares issued upon exercise of share options	183	16,211	–	(6,544)	–	–	–	–	–	9,850	–	9,850
Transfer	–	–	–	–	–	–	–	8,318	(8,318)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	5,470	5,470
At 31 December 2014	109,153	1,933,820	(277,655)	79,872	1,159	39,138	277,492	126,313	1,085,014	3,374,306	113,046	3,487,352

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$36 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 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
Profit before taxation	**363,450**	418,770
Adjustments for:		
Gain on fair value changes of investment properties	**(26,294)**	(29,793)
Depreciation of property, plant and equipment	**198,366**	188,997
Finance costs	**5,010**	2,846
Bank interest income	**(39,278)**	(38,025)
Dividend income from available-for-sale investments	**(1,202)**	–
Loss on disposal of property, plant and equipment	**15,313**	11,526
Impairment loss of available-for-sale investments	**13,000**	7,000
Operating lease rentals in respect of prepaid lease payments	**5,295**	3,499
Share-based payment expenses	**10,379**	15,198
Share of (profit)/loss of associates	**(154)**	5
Operating cash flows before movements in working capital	**543,885**	580,023
(Increase) decrease in rental deposits	**(10,804)**	1,726
(Increase) decrease in inventories	**(3,431)**	6,907
Decrease (increase) in trade and other receivables	**16,833**	(23,720)
(Decrease) increase in trade and other payables	**(31,444)**	11,162
Decrease(increase) in amounts due from related parties	**276**	(275)
Cash generated from operations	**515,315**	575,823
Income tax paid	**(103,632)**	(115,452)
Net cash from operating activities	**411,683**	460,371

(continued)

	2015 HK$'000	2014 HK$'000
Investing activities		
Interest received	**39,278**	38,025
Dividend income from available-for-sale investments	**1,202**	–
Proceeds on disposal of property, plant and equipment	**807**	281
Investment in an associate	**(1,433)**	(5)
Loan to an associate	**–**	(1,495)
Placement of pledged bank deposits	**(361,619)**	(7,682)
Withdrawal of pledged bank deposits	**7,382**	–
Purchase of property, plant and equipment	**(155,289)**	(198,982)
Purchase of available-for-sale investments	**(59,993)**	–
Proceeds on disposal of available-for-sale investments	**–**	636
Purchase of financial asset designated as at FVTPL	**(542,500)**	–
Purchase of structured deposits	**(133,146)**	–
Withdrawal of structured deposits	**133,146**	138,636
Net cash used in investing activities	**(1,072,165)**	(30,586)
Financing activities		
Proceeds from issue of shares	**46**	9,850
(Repayment) advance from related companies	**(2,041)**	1,737
Advance from a shareholder	**954**	1,900
(Repayment) advance from directors	**(108)**	198
Contribution from non-controlling shareholders of subsidiaries	**78,556**	5,470
Bank borrowings raised	**533,977**	–
Repayment of bank loans	**(3,426)**	(3,358)
Repayment to non-controlling shareholders	**–**	(13,829)
Interest paid	**(5,010)**	(2,846)
Dividends paid	**(193,203)**	(188,816)
Dividends paid to non-controlling shareholders	**(11,066)**	(11,428)
Net cash from/(used in) financing activities	**398,679**	(201,122)
Net decrease in cash and cash equivalents	**(261,803)**	228,663
Cash and cash equivalents at 1 January	**1,931,746**	1,708,672
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**(76,371)**	(5,589)
Cash and cash equivalents at 31 December, representing bank balances and cash	**1,593,572**	1,931,746

1. General

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

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

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

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 in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may affect the classification and measurement of the Group's financial assets. The management is still in progress of assessing the impact of the adoption of HKFRS 9 and it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

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

HKFRS 15 Revenue from Contracts with Customers *(continued)*

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs in issue but not effective will have no material effect on the Group's consolidated financial statements.

3. Significant Accounting Policies

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. Significant Accounting Policies *(continued)*

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying 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.

3. Significant Accounting Policies *(continued)*

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, except that:

- deferred tax assets or liabilities, and assets or liabilities 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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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 HKFRS.

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

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognized in profit or loss.

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

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

Goodwill

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

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

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 its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. 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.

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

3. Significant Accounting Policies *(continued)*

Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The financial statements of associates used for equity accounting purposed are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in related to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. Significant Accounting Policies *(continued)*

Investment in associates *(continued)*

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

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

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

Revenue recognition

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

Sale of goods

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

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

Royalty income

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

Interest income

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

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

Leasehold land and building

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

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

3. Significant Accounting Policies *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor liked to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

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

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

3. Significant Accounting Policies *(continued)*

Government grants

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

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

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

Retirement benefit costs

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

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

Share-based payment arrangements

Equity-settled shared based payment transactions.

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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

3. Significant Accounting Policies *(continued)*

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized 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 realized, 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.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

Current and deferred tax for the year

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

Property, plant and equipment

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Investment properties

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

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

An investment property is derecognized 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 derecognized.

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

Intangible assets

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

3. Significant Accounting Policies *(continued)*

Intangible assets *(continued)*

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

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

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

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

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

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

Inventories

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

Financial instruments

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

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL *(continued)*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 32.

Loans and receivables

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

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

Available-for-sale investments

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

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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

The Group's financial liabilities are generally classified into 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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Effective interest method

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

Derecognition

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

On derecognition of a financial asset 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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

4. Critical Accounting Judgements and Key Source of Estimation Uncertainty

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

Critical judgements in applying accounting policies

Deferred taxation on investment properties

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 determining 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.

Key source of estimation uncertainty

Estimated impairment of Restaurant Cash Generating Units and Domon Cash Generating Units (as defined in notes 17 and 34, 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 2015, the carrying amount of goodwill and intangible assets of the Group was approximately HK$37,135,000 (2014: HK$37,135,000) and HK$6,400,000 (2014: HK$6,400,000), respectively. Details of the recoverable amount calculations are disclosed in notes 17 and 34.

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

Key source of estimation uncertainty *(continued)*

Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 14 and 32 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Useful lives and residual value of property, plant and equipment

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

At 31 December 2015, the carrying amount of property, plant and equipment amounted to approximately HK$1,098,824,000 (2014: HK$1,285,056,000).

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 analyzed by different operating divisions and geographical locations. This is also the basis upon which the Group is organized 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 2015

	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	2,741,105	247,430	2,988,535	140,663	–	3,129,198	–	3,129,198
– inter-segment sales				739,959	–	739,959	(739,959)	–
	2,741,105	247,430	2,988,535	880,622	–	3,869,157	(739,959)	3,129,198
Segment profits	369,070	9,965	379,035	7,632	39,076	425,743	–	425,743
Unallocated income								39,278
Unallocated expenses								(96,561)
Finance costs								(5,010)
Profit before taxation								363,450
Taxation								(111,053)
Profit for the year								252,397

(continued)

5. Segment Information *(continued)*

Segment revenue and results *(continued)*

For the year ended 31 December 2014

	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	2,933,589	244,121	3,177,710	142,582	–	3,320,292	–	3,320,292
– inter–segment sales	–	–	–	807,879	–	807,879	(807,879)	–
	2,933,589	244,121	3,177,710	950,461	–	4,128,171	(807,879)	3,320,292
Segment profits	442,008	1,176	443,184	11,350	43,527	498,061	–	498,061
Unallocated income								38,025
Unallocated expenses								(114,470)
Finance costs								(2,846)
Profit before taxation								418,770
Taxation								(120,082)
Profit for the year								298,688

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

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

	2015 HK$'000	2014 HK$'000
The PRC	**1,391,049**	1,496,747
Hong Kong	**464,500**	459,938
	1,855,549	1,956,685

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 2015 and 31 December 2014.

None of the customers accounted for 10% or more of the total revenue of the Group during the years ended 31 December 2015 and 31 December 2014.

6. Other Income

	2015 HK$'000	2014 HK$'000
Royalty income from sub-franchisee	**10,071**	25,415
Government grant *(note)*	**23,992**	22,056
Bank interest income	**39,278**	38,025
Property rental income, net of negligible outgoings	**24,580**	20,734
Compensation received from landlord for early termination of operating leases of restaurants	**1,671**	381
Dividend income from available-for-sale investments	**1,202**	–
Others	**7,450**	6,466
	108,244	113,077

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

	2015	2014
	HK$'000	HK$'000
Change on fair values of investment properties	**26,294**	29,793
Loss on disposal/write-off of property, plant and equipment	**(15,313)**	(11,526)
Impairment loss recognized in respect of available-for-sale investments	**(13,000)**	(7,000)
Net foreign exchange loss	**(1,134)**	(3,812)
	(3,153)	7,455

8. Finance Costs

	2015	2014
	HK$'000	HK$'000
Interest on bank borrowings:		
– wholly repayable within five years	**3,536**	819
– not wholly repayable within five years	**1,474**	2,027
	5,010	2,846

9. Profit Before Taxation

	2015 HK$'000	2014 HK$'000
Profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**951,738**	1,027,389
Directors' remuneration *(Note 10)*	**4,136**	4,261
Other staff's salaries, wages and other benefits	**639,495**	689,273
Other staff's retirement benefits scheme contributions	**81,469**	81,108
Other staff's share-based payment expenses	**10,261**	14,933
Total staff costs	**735,361**	789,575
Advertising and promotion expenses	**91,020**	104,042
Auditor's remuneration	**3,034**	3,170
Non-audit services	**800**	800
	3,834	3,970
Fuel and utility expenses	**157,385**	170,163
Operating lease rentals in respect of		
– land lease	**5,295**	3,499
– rented premises *(note b)*	**435,917**	441,101

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$251,874,000 (2014: HK$262,213,000) and contingent rent of approximately HK$184,043,000 (2014: HK$178,888,000).

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

The emoluments paid or payable to each of the seven (2014: seven) directors and the chief executive were as follows:

	2015						2014					
	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	–	2,069	142	–	18	2,229	–	2,081	141	–	17	2,239
Mr. Poon Ka Man Jason	–	882	73	–	18	973	–	882	73	–	17	972
Non-executive directors												
Mr. Wong Hin Sin, Eugene	183	–	–	23.6	–	206.6	176	–	–	53	–	229
Mr. Katsuaki Shigenitsu	112	–	–	23.6	–	135.6	108	–	–	53	–	161
Independent non-executive directors												
Mr. Peter Lo	183	–	–	23.6	–	206.6	176	–	–	53	–	229
Mr. Jen Shek Voon	183	–	–	23.6	–	206.6	176	–	–	53	–	229
Mr. Wang Jincheng	155	–	–	23.6	–	178.6	149	–	–	53	–	202
	816	2,951	215	118	36	4,136	785	2,963	214	265	34	4,261

Note: The performance related incentive bonuses for the years ended 31 December 2015 and 31 December 2014 were determined based on performance of the Group and individuals.

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

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

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

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

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 **HK$'000**	2014 HK$'000
Employees		
– Basic salaries and allowances	**3,293**	3,354
– Performance related incentive bonuses	**474**	476
– Share-based payment expenses	**698**	2,144
– Retirement benefits scheme contributions	**103**	112
	4,568	6,086

Their emoluments were within the following bands:

	No.of employees	
	2015	2014
HK$nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	–
Over HK$3,000,000	**–**	1
	3	3

During the years ended 31 December 2015 and 31 December 2014, 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 2015 and 31 December 2014.

11. Taxation

	2015 HK$'000	2014 HK$'000
Hong Kong Profits Tax		
– Current year	**3,756**	5,178
– Under provision in prior years	**380**	245
	4,136	5,423
PRC income tax		
– Current year	**92,838**	109,022
– Over provision in prior years	**(6,834)**	(6,245)
	86,004	102,777
Deferred taxation *(note 18)*	**20,913**	11,882
	111,053	120,082

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2015 and 31 December 2014.

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.

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.

11. Taxation *(continued)*

During the year ended 31 December 2013, the Chongqing STB issued a written notice to Chongqing Weiqian 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 RMB 8.9 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 after year 2013. As such, the Group applied the standard enterprise income tax rate of 25% for Chongqing Weiqian from the year 2013 onwards and reversed the income tax liability after obtaining the written approval.

During the year ended 31 December 2015, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2014, the Company reversed the income tax liability of approximately HK$6.9 million (equivalent to approximately RMB5.4 million) which was previously recognized in the year 2014.

During the year ended 31 December 2014, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2013, the Company reversed the income tax liability of approximately HK$5.2 million (equivalent to approximately RMB4.0 million) which was previously recognized in the year 2013.

11. Taxation *(continued)*

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.

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

	Hong Kong				**PRC**				**Total**			
	2015		2014		**2015**		2014		**2015**		2014	
	HK$'000	**%**	HK$'000	%	**HK$'000**	**%**	HK$'000	%	**HK$'000**	**%**	HK$'000	%
(Loss)/Profit before taxation	**(21,155)**		(16,385)		**384,605**		435,155		**363,450**		418,770	
Tax at the applicable income tax rate	**(3,491)**	**16.5**	(2,704)	16.5	**96,151**	**25.0**	108,789	25.0	**92,660**	**25.5**	106,085	25.3
Tax effect of expenses not deductible for tax purposes	**–**	**–**	90	(0.5)	**449**	**0.1**	438	0.1	**449**	**0.1**	528	0.1
Tax effect of income not taxable for tax purpose	**(3,284)**	**15.5**	(4,617)	28.2	**(310)**	**(0.1)**	–	–	**(3,594)**	**(1.0)**	(4,617)	(1.1)
Tax effect of tax losses/deductible temporary differences not recognised	**12,200**	**(57.7)**	12,500	(76.3)	**539**	**0.1**	3,219	0.7	**12,739**	**3.5**	15,719	3.8
Tax effect of utilization of tax losses previously not recognised	**–**	**–**	(91)	0.6	**(3,083)**	**(0.8)**	(1,134)	(0.3)	**(3,083)**	**(0.8)**	(1,225)	(0.3)
Withholding tax provision on dividends from PRC subsidiaries	**–**	**–**	–	–	**15,550**	**4.0**	9,300	2.1	**15,550**	**4.3**	9,300	2.2
(Over)under provision in prior years	**380**	**(1.8)**	(305)	1.9	**(6,834)**	**(1.9)**	(6,245)	(1.4)	**(6,454)**	**(1.7)**	(6,550)	(1.6)
Others	**(91)**	**0.4**	550	(3.4)	**(562)**	**(0.1)**	(474)	(0.1)	**(653)**	**(0.2)**	76	0.0
Land appreciation tax effect	**–**	**–**	–	–	**3,439**	**0.9**	766	0.2	**3,439**	**0.9**	766	0.2
Tax charge and effective rate for the year	**5,714**	**(27.0)**	5,423	(33.1)	**105,339**	**27.4**	114,659	26.3	**111,053**	**30.6**	120,082	28.7

12. Dividends

	2015 **HK$'000**	2014 HK$'000
Dividends recognised as distribution during the year:		
Interim, paid – HK4.70 cents per share for 2015 (2014: HK4.70 cents)	**51,309**	51,276
Final, paid – HK13 cents per share for 2014 (2014: paid – HK2.71 cents per share for 2013)	**141,898**	29,559
Special, paid – nil cents per share for 2014 (2014: paid – HK9.90 cents per share for 2013)	**–**	107,983
	193,207	188,818

A final dividend of HK12 cents per ordinary share (2014: a final dividend of HK13 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:

Earnings	**Year ended** **31/12/2015** **HK$'000**	Year ended 31/12/2014 HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**226,918**	275,565

13. Earnings Per Share *(continued)*

Number of shares	Year ended 31/12/2015	Year ended 31/12/2014
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,091,533,375**	1,090,813,600
Effect of dilutive potential ordinary shares relating to:		
– outstanding share options	**34,427**	1,902,412
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,091,567,802**	1,092,716,012

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 2015 and 31 December 2014 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 2014	376,710
Exchange alignment	(381)
Transfer from property, plant and equipment	29,789
Net increase in fair value recognised in profit or loss	29,793
At 31 December 2014	435,911
Exchange alignment	(12,316)
Transfer from property, plant and equipment	71,132
Net increase in fair value recognised in profit or loss	26,294
At 31 December 2015	521,021

During the year ended 31 December 2015, the Group transferred certain of its property interests held under operating leases with carrying values of approximately HK$55,016,000 (2014: HK$16,785,000) from property, plant and equipment, and HK$618,000 (2014: Nil) from prepaid lease payments to investment properties. The resulting revaluation surplus of approximately HK$15,498,000 (2014: HK$13,004,000) relating to such property interests as at the date of transfer had been credited to the properties revaluation in equity.

14. Investment Properties *(continued)*

The fair values of the Group's investment properties were valued by Crowe Horwath (HK) Consulting & Valuation Limited, an independent qualified professional valuer not related to the Group, 1 January 2015, 1 May 2015, 1 July 2015 (dates of change of intention of the use of the property interests) and 31 December 2015 (2014: 1 July 2014, 25 July 2014, 1 September 2014, 16 October 2014, 15 November 2014 (dates of change of intention of the use of the properties interests) and at 31 December 2014) . 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.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 are as follows:

	2015 **HK$'000**	2014 HK$'000
Commercial property units located in Hong Kong:		
Medium-term lease	**311,300**	291,400
Commercial property units located in PRC:		
Medium-term lease	**209,721**	144,511
	521,021	435,911

14. Investment Properties *(continued)*

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

Carrying Value of Investment Properties Held by the Group in the Consolidated Statements of Financial Positions	Fair Value Hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range
Completed investment properties in PRC HK$209,248,000 (2014: HK$144,085,000)	Level 3	Direct comparison approach	Price per square meter[1]	RMB3,200 to RMB61,100
		Income capitalization approach	Market rent per square meter per month[1]	RMB5.2 to RMB35.5
			Capitalization rate[2]	5.5% to 10.0%
Car parking spaces HK$473,000 (2014: HK$426,000)		Direct comparison approach	Price per unit[1]	RMB175,000 to RMB225,000
Completed investment properties in HK HK$301,400,000 (2014: HK$283,000,000)	Level 3	Direct comparison approach	Price per square foot[1]	HK$2,800 to HK$37,500
Car parking spaces HK$9,900,000 (2014: HK$8,400,000)		Direct comparison approach	Price per unit[1]	HK$890,000 to HK$1,485,000

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

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

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

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

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

15. Property, Plant and Equipment

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2014	746,789	771,475	83,811	12,218	357,685	239,828	2,211,806
Currency realignment	(1,954)	(2,500)	(270)	(36)	(1,154)	(703)	(6,617)
Additions	1,915	80,176	12,409	1,275	39,316	49,908	184,999
Transfer to investment properties	(17,832)	–	–	–	–	–	(17,832)
Disposals/write-off	–	(22,402)	(8,641)	(1,437)	(22,315)	–	(54,795)
Transfer	78,451	23,794	3,362	–	3,655	(109,262)	–
At 31 December 2014	807,369	850,543	90,671	12,020	377,187	179,771	2,317,561
Currency realignment	(34,486)	(47,485)	(5,129)	(574)	(20,768)	(8,292)	(116,734)
Additions	195	67,290	9,420	571	25,282	36,753	139,511
Transfer to investment properties	(65,348)	–	–	–	–	–	(65,348)
Disposals/write-off	(193)	(26,966)	(6,306)	(1,648)	(19,963)		(55,076)
Transfer	84,290	19,271	3,692	–	4,981	(112,234)	–
At 31 December 2015	791,827	862,653	92,348	10,369	366,719	95,998	2,219,914

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

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
DEPRECIATION							
At 1 January 2014	100,263	481,232	53,627	10,681	244,768	–	890,571
Currency realignment	(365)	(1,653)	(178)	(31)	(801)	–	(3,028)
Provided for the year	33,635	100,128	14,273	1,775	39,186	–	188,997
Transfer to investment properties	(1,047)	–	–	–	–	–	(1,047)
Eliminated on disposals/ write-off	–	(14,004)	(7,335)	(1,251)	(20,398)	–	(42,988)
At 31 December 2014	132,486	565,703	60,387	11,174	262,755	–	1,032,505
Currency realignment	(7,406)	(33,846)	(3,570)	(539)	(15,132)	–	(60,493)
Provided for the year	34,809	104,128	15,315	470	43,644	–	198,366
Transfer to investment properties	(10,332)	–	–	–	–	–	(10,332)
Eliminated on disposals/ write-off	(11)	(12,697)	(5,672)	(1,532)	(19,044)	–	(38,956)
At 31 December 2015	149,546	623,288	66,460	9,573	272,223	–	1,121,090
CARRYING VALUES							
At 31 December 2015	642,281	239,365	25,888	796	94,496	95,998	1,098,824
At 31 December 2014	674,883	284,840	30,284	846	114,432	179,771	1,285,056

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 2015 and 31 December 2014, the Group pledged certain of its property, plant and equipment to secure the general banking facilities granted to the Group. Details are set out in note 36.

16. Prepaid Lease Payments

	2015	2014
	HK$'000	HK$'000
CARRYING VALUES		
At 1 January	**109,550**	113,356
Currency realignment	**(5,074)**	(307)
Transfer to investment properties during the year	**(618)**	–
Charged to profit or loss	**(5,295)**	(3,499)
At 31 December	**98,563**	109,550
Less: Amount to be amortised within one year included in trade and other receivables	**(3,325)**	(3,494)
Non-current portion	**95,238**	106,056
Prepaid lease payments comprises:		
Land use rights situated in the PRC under medium-term lease	**74,830**	83,938
Leasehold land situated in Hong Kong under medium-term lease	**19,047**	19,640
Property rentals paid in advance for rental of restaurant premises	**4,686**	5,972
	98,563	109,550

At 31 December 2015 and 31 December 2014, the Group pledged certain of its leasehold land to secure the general banking facilities granted to the Group. Details are set out in note 36.

17. Goodwill

	2015	2014
	HK$'000	HK$'000
COST		
At 1 January and 31 December	**44,791**	44,791
IMPAIRMENT		
At 1 January and 31 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 2015 and 31 December 2014 as the cost of goodwill of approximately HK$7.7 million was fully impaired in 2012.

Management of the Group determined that there are no impairment indicators of the Restaurants Cash Generating Units containing goodwill during the years ended 31 December 2015 and 31 December 2014.

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 2015, 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 13.91% (2014: 13.6%) 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 extrapolated using a growth rate of 3.0% (2014: 3.0%) per annum. The growth rates are by reference to industry growth forecasts.

18. Deferred Taxation

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

	Difference in depreciation	**Revaluation of the properties in the PRC**	**Accrued rentals**	**Withholding tax on undistributed dividends**	**Land Appreciation Tax** *(Note)*	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	2,792	(14,765)	(5,205)	(11,279)	(17,128)	(45,585)
Currency realignment	(4)	315	18	(20)	(209)	100
Charge to profit or loss	(1,363)	(453)	–	(9,300)	(766)	(11,882)
Reversal on payment of withholding tax	–	–	–	11,716	–	11,716
Charge to equity for the year	–	(2,144)	–	–	(4,428)	(6,572)
At 31 December 2014	1,425	(17,047)	(5,187)	(8,883)	(22,531)	(52,223)
Currency realignment	(9)	1,119	302	(38)	1,800	3,174
Charge to profit or loss	(326)	(1,598)		(15,550)	(3,439)	(20,913)
Reversal on payment of withholding tax	–	–	–	15,206	–	15,206
Charge to equity for the year	–	(2,211)	–	–	(6,654)	(8,865)
At 31 December 2015	1,090	(19,737)	(4,885)	(9,265)	(30,824)	(63,621)

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

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

	2015	2014
	HK$'000	HK$'000
Deferred tax assets	**1,920**	2,175
Deferred tax liabilities	**(65,541)**	(54,398)
	(63,621)	(52,223)

18. Deferred Taxation *(continued)*

The Group has unutilized tax losses of approximately HK$202,683,000 (2014: HK$172,583,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unutilized tax losses due to the unpredictability of future profit streams. The unrecognized tax losses may be carried forward indefinitely except the losses which expire as follows:

	2015 HK$'000	2014 HK$'000
Year of expiry		
2016	**1,400**	1,443
2017	**2,035**	4,349
2018	**6,976**	8,648
2019	**5,004**	5,159
2020	**2,155**	–
	17,570	19,599

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Except for the deferred tax liabilities provided for the undistributed profits of certain PRC operating subsidiaries of approximately HK$185,300,000 (2014: HK$177,660,000), 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 2015 amounting to approximately HK$1,138,491,000 (2014: HK$1,038,047,000) 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

	2015 HK$'000	2014 HK$'000
Unlisted equity investments in British Virgin Islands, at cost	**20,000**	20,000
Unlisted equity investments in PRC, at cost	**60,530**	537
	80,530	20,537
Less: provision for impairment	**20,000**	7,000
	60,530	13,537

The unlisted equity investments are equity securities issued by a private entity established in PRC and British Virgin Islands at 31 December 2015 and 31 December 2014.

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

During the year, the Group has following significant additions in available-for-sale investments:

On 27 February 2015, an indirect wholly-owned subsidiary of the Company, namely Ling Chi Food Development (Shanghai) Co., Ltd. ("Ling Chi Food"), made a cash capital contribution of HK$5.9 million (equivalent to approximately RMB4.7 million), as a limited partner, approximately 4.4% of total capital contribution in a limited partnership established in the PRC. The Limited partnership indirectly invested into a B2B platform carrying out raw material supply chain business. As the Group has no control, joint control nor significant influence in the limited partnership, this investment was presented as available-for-sale investments carried at cost in the consolidated statement of financial position as at 31 December 2015.

On 24 November 2015, Ling Chi Food, entered into a capital increase and share expansion agreement with an agriculture company, an independence third party established in the PRC, and made a cash capital contribution of HK$52 million (equivalent to approximately RMB43 million), as a shareholder, approximately 9.44% of total capital contribution in the agriculture company. The agriculture company will exclusively supply all eggs produced in its chicken farm to Ling Chi Food and Ling Chi Food will appoint it as the designated egg supplier for its stores in the PRC. The agriculture company also agrees to sell the packaged noodle under the Ajisen brand on on-line sales channels. As the Group has no control, joint control nor significant influence in agriculture company, this investment was presented as available-for-sale investments carried at cost in the consolidated statement of financial position as at 31 December 2015.

All 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. As at 31 December 2014, HK$7,000,000 of Group's unlisted equity investment was impaired. As at 31 December 2015, a further impairment loss of HK$13,000,000 has been made on the Group's unlisted equity investment.

20. Financial Asset Designated As At FVTPL

	2015 **HK$'000**	2014 HK$'000
Unlisted equity investments in Cayman Islands	**542,500**	–

On 30 July 2015, an indirect wholly-owned subsidiary of the Company, namely Ajisen Investments Limited ("Ajisen Investments"), as the limited partners, and The Hina Group Holdings and Hanking Group Co., Ltd., two independent third parties to the Company, as the general partners, entered into a limited partnership agreement in relation to the admission and management of Hina Group Fund III Limited Partnership (the "Partnership"). The total capital commitment of the Partnership was US$70 million, and Ajisen Investments invested an amount of US$60 million (approximately HK$465 million) in the Partnership as a limited partner. As Ajisen Investments has the right to remove the manager of the Partnership by a simple majority vote, it obtains control over the Partnership, and the financial statements of the Partnership were consolidated in the consolidated financial statements of the Group for the year ended 31 December 2015.

The purpose of the Partnership is to participate in the investment of the takeout business of Baidu, Inc. known as "Baidu Takeout Delivery" (百度外賣) in the PRC ("Project BW"). On 24 July 2015 the Partnership entered into a securities purchase agreement with certain subsidiaries of Baidu, Inc., and invested US$70 million (approximately HK$542.5 million) into Project BW, which took up less than 10% equity interest. As the Partnership's policy requires the general partner to evaluate the information about this financial asset on a fair value basis together with other related financial information of the investment in "Project BW" was presented as financial asset designated as at FVTPL in the statement of financial position of the Partnership and in the consolidated statement of financial position of the Group as at 31 December 2015.

21. INTEREST IN ASSOCIATES

On 15 September 2015, the Group made a cash capital contribution of HK$1.4 million (equivalent to approximately RMB1.2 million), representing 40% of total capital contribution in He Xiao Corporate Management Co., Ltd. ("He Xiao") incorporated in the PRC, which is also the principal place of business for He Xiao. Pursuant to its articles of association, the financial and operating policies of the He Xiao are governed by resolutions resolved in the He Xiao's shareholders' meeting. The Group only holds 40% of total voting rights, while a valid shareholders' meeting resolution requires more than half of the total votes. Therefore, the Group has significant influence over He Xiao and accounted for the investment as an associate from 15 September 2015. As at 31 December 2015, the cost of investment in this associate is HK$1,433,000 (2014: nil) and the share of post-acquisition profits and other comprehensive income is nil (2014: nil).

Particulars of the Group's associates at 31 December 2015 and 2014 were as follows:

Name of entity	Country of incorporation/ Registration/	Principal place business	Proportion of ownership interest held by Group		Proportion of voting rights held by the Group		Principal activity
			2015	2014	**2015**	2014	
He Xiao	PRC	PRC	**40%**	–	**40%**	–	Operating chain restaurant
Ikkosha (East Asia) Co., Ltd.	Hong Kong	PRC and Hong Kong	**49%**	49%	**49%**	49%	Operating chain restaurant

No associate is individually material to the Group.

Aggregate information of associates that are not individually material	**Year ended 31/12/2015 HK$'000**
The Group's share of profit and total comprehensive income	**154**
Aggregate carrying amount of the Group's interests in these associates	**1,587**

22. Inventories

	2015	2014
	HK$'000	HK$'000
Raw materials and consumables	**96,370**	91,229
Work in progress	**474**	2,163
Finished goods	**16,683**	16,704
	113,527	110,096

23. Trade and Other Receivables

	2015	2014
	HK$'000	HK$'000
Trade receivables		
– a related company	**1,117**	1,186
– others	**22,833**	21,966
	23,950	23,152
Rental and utility deposits	**21,084**	33,923
Property rentals paid in advance for restaurants	**24,416**	25,343
Advance to suppliers	**24,252**	26,705
Other receivables and prepayments	**23,141**	24,722
	116,843	133,845

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

23. 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 ageing analysis of trade receivables net of allowance for doubtful debts presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2015	2014
	HK$'000	HK$'000
Ageing		
0 to 30 days	**17,842**	15,757
31 to 60 days	**2,101**	3,574
61 to 90 days	**517**	398
91 to 180 days	**364**	1,182
180 to 365 days	**1,093**	2,241
Over 365 days	**2,033**	–
	23,950	23,152

No interest is charged on the trade receivables. Major debtors comprising the Group's trade receivables that are neither past due nor impaired at 31 December 2014 and 31 December 2015 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately HK$3,126,000 (2014: HK$2,241,000) which are past due for over 180 days as at 31 December 2015 for which the Group has not provided for impairment loss as these balances are mainly due from related parties and certain group-buying companies with good credit. The Group does not hold any collateral over the balances.

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

As at 31 December 2015 and 31 December 2014, other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

24. Amount Due from Related Parties

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

Name of the related parties	2015 HK$'000	2014 HK$'000	Maximum amount outstanding during the year HK$'000
Well Keen International Ltd., a company in which Ms. Poon Wai has controlling interests	**14**	15	14
Ikkosha (East Asia) Co., Ltd., an associate of a subsidiary of Ajisen (China) Holdings Limited	**–**	275	–
	14	290	14

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

As at 31 December 2015 and 31 December 2014, amount due from related parties of the Group are neither past due nor impaired as it has no default history and continuous subsequent settlement. The Group does not hold collateral over the balance.

25. Bank Balance and Cash/Pledged Bank Deposits

As at 31 December 2015, pledged bank deposits held by the Group amounting to HK$453,580 (equivalent to approximately RMB380,000), represents deposits pledged to banks to secure advances on construction and HK$361,619,400 (equivalent to approximately RMB302,957,500), represents deposits pledged to banks to secure the general banking facilities granted to the Group, which are classified as current assets. Details are set of in note 36.

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 2.75% (2014: 0.35% to 3.50%) 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:

	2015 HK$'000	2014 HK$'000
– USD	**125,334**	144,522

Certain bank balances and cash of approximately HK$1,332,420,000 (2014: HK$1,744,622,000) 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.

26. Trade and Other Payables

	2015 **HK$'000**	2014 HK$'000
Trade payables		
– related companies	**5,617**	6,724
– others	**115,868**	132,739
	121,485	139,463
Payroll and welfare payables	**49,972**	55,382
Customers' deposits received	**12,569**	13,163
Payable for acquisition of property, plant and equipment	**55,834**	71,612
Payable for property rentals	**31,315**	35,112
Other taxes payable	**33,176**	35,299
Others	**23,907**	25,449
	328,258	375,480

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

The average credit period for purchase of goods is 60 days (31 December 2014: 60 days) . The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

Ageing	**2015** **HK$'000**	2014 HK$'000
0 to 30 days	**73,276**	84,514
31 to 60 days	**35,477**	39,520
61 to 90 days	**4,721**	6,272
91 to 180 days	**4,596**	1,012
Over 180 days	**3,415**	8,145
	121,485	139,463

27. 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, non-trade related, interest-free and repayable on demand.

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

28. Bank Loans

	2015	2014
	HK$'000	HK$'000
Secured bank loans with carrying amounts repayable:		
Within one year	**597,473**	63,426
In more than one year but not more than two years	**3,567**	3,496
In more than two years but not more than five years	**11,143**	10,920
In more than five years	**53,010**	56,800
	665,193	134,642
Less: amounts shown as non-current liabilities	**(67,720)**	(71,216)
Amounts shown as current liabilities	**597,473**	63,426

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

Detail of the assets of the Group as at 31 December 2015 and 2014 that have been pledged as collateral to secure the general bank facilities of the Group are set out in note 36.

The Group's bank loans at 31 December 2015 and 31 December 2014 carried variable interest rate at 3.25% per annum below prime rate of the counterparty bank, 2.80% per annum below the base lending rate of the counterparty bank, 1.35% per annum over Hong Kong Interbank Offered Rate ("HIBOR") and 1.3% per annum over London Interbank Offered Rate ("LIBOR"), and the effective interest rate was 1.39% to 2.13% (31 December 2014: 1.89% to 2.13%) per annum.

29. Share Capital

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2014	1,089,702,820	108,970
Exercise of share options *(note a)*	1,823,500	183
At 31 December 2014	1,091,526,320	109,153
Exercise of share options *(note b)*	12,500	1
At 31 December 2015	1,091,538,820	109,154

Notes:

(a) During the year ended 31 December 2014, the Company issued 1,823,500 new shares upon exercise of share options at the average exercise price of HK$5.4017 per share.

(b) During the year ended 31 December 2015, the Company issued 12,500 new shares upon exercise of share options at the average exercise price of HK$3.7260 per share.

All shares issued during the years ended 31 December 2015 and 31 December 2014 ranked pari passu in all respects with all shares then in issue.

30. 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 2015 and 31 December 2014.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

For the year ended 31 December 2015

Grant date	Exercise price HK$	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2015
Employees						
25 June 2008	3.726	40,000	–	–	–	40,000
31 December 2008	3.726	82,500	–	(12,500)	–	70,000
3 July 2009	4.938	27,500	–	–	–	27,500
2 July 2010	8.884	693,000	–	–	(20,000)	673,000
6 July 2010	8.710	–	–	–	–	–
26 August 2011	5.530	11,661,000	–	–	(673,000)	10,988,000
15 October 2012	5.530	400,000	–	–	–	400,000
7 January 2013	7.140	–	–	–	–	–
2 July 2013	6.310	600,000	–	–	–	600,000
19 July 2013	7.206	–				
27 August 2013	8.740	1,210,000	–	–	–	1,210,000
23 September 2013	8.524	–	–	–	–	–
25 October 2013	8.350	1,050,000	–	–	–	1,050,000
19 December 2013	7.690	50,000	–	–	–	50,000
14 April 2014	7.050	200,000	–	–	–	200,000
30 June 2014	6.020	300,000	–	–	–	300,000
25 September 2014	6.450	100,000	–	–	–	100,000
8 January 2015 *(Note A)*	5.900	–	250,000	–	–	250,000
2 April 2015 *(Note B)*	4.700	–	100,000	–	–	100,000
17 April 2015 *(Note C)*	5.060	–	2,200,000	–	–	2,200,000
2 July 2015 *(Note D)*	4.104	–	2,890,000	–	–	2,890,000
		16,414,000	5,440,000	(12,500)	(693,000)	21,148,500
Directors						
22 January 2009	3.308	137,500	–	–	–	137,500
15 October 2012	5.530	500,000	–	–	–	500,000
		637,500	–	–	–	637,500
		17,051,500	5,440,000	(12,500)	(693,000)	21,786,000
Exercisable at the end of the year		8,999,100				11,455,700
Weighted average exercise price		5.78	4.58	3.73	5.40	5.50

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

For the year ended 31 December 2014

Grant date	Exercise price HK$	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2014
Employees						
25 June 2008	3.726	40,000	–	–	–	40,000
31 December 2008	3.726	110,000	–	(27,500)	–	82,500
3 July 2009	4.938	27,500	–	–	–	27,500
2 July 2010	8.884	900,500	–	–	(207,500)	693,000
6 July 2010	8.710	50,000	–	–	(50,000)	–
26 August 2011	5.530	14,813,000	–	(1,661,000)	(1,491,000)	11,661,000
15 October 2012	5.530	600,000	–	(40,000)	(160,000)	400,000
7 January 2013	7.140	–	–	–	–	–
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	–	–	(1,120,000)	1,210,000
23 September 2013	8.524	300,000	–	–	(300,000)	–
25 October 2013	8.350	1,150,000	–	–	(100,000)	1,050,000
19 December 2013	7.690	50,000	–	–	–	50,000
14 April 2014 *(Note E)*	7.050	–	300,000	–	(100,000)	200,000
30 June 2014 *(Note F)*	6.020	–	300,000	–	–	300,000
25 September 2014 *(Note G)*	6.450	–	100,000	–	–	100,000
		21,371,000	700,000	(1,728,500)	(3,928,500)	16,414,000
Directors						
22 January 2009	3.308	212,500	–	(75,000)	–	137,500
15 October 2012	5.530	500,000	–	–	–	500,000
		712,500	–	(75,000)	–	637,500
		22,083,500	700,000	(1,803,500)	(3,928,500)	17,051,500
Exercisable at the end of the year		9,697,500				8,999,100
Weighted average exercise price		5.90	6.52	5.41	6.76	5.78

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2015 are set out below:

Note A: Share options granted on 8 January 2015:

(1) The share options granted under the Share Option Scheme on 8 January 2015 was at an exercise price of HK$5.90 per share.

(2) The exercise period is from 8 January 2016 to 7 January 2025.

(3) For the share options granted on 8 January 2015, the options will be vested in 5 tranches, i.e. the first 20% on 8 January 2016, the second 20% on 8 January 2017, the third 20% on 8 January 2018, the fourth 20% on 8 January 2019 and the balance on 8 January 2020.

(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 8 January 2015
Share price	HK$5.86
Exercise price	HK$5.90
Expected volatility	50.32% – 50.39%
Expected life (years)	7.75 – 8.75 years
Risk-free interest rates	1.560% – 1.615%
Expected dividend yield	1.265%

The closing price of the Company's shares on the date immediately before the date of grant was HK$5.99. The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2015 are set out below: *(continued)*

Note B: Share options granted on 2 April 2015:

(1) The share options granted under the Share Option Scheme on 2 April 2015 was at an exercise price of HK$4.70 per share.

(2) The exercise period is from 2 April 2016 to 1 April 2025.

(3) For the share options granted on 2 April 2015, the options will be vested in 5 tranches, i.e. the first 20% on 2 April 2016, the second 20% on 2 April 2017, the third 20% on 2 April 2018, the fourth 20% on 2 April 2019 and the balance on 2 April 2020.

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

	Granted on 2 April 2015
Share price	HK$4.70
Exercise price	HK$4.70
Expected volatility	50.10%
Expected life (years)	10 years
Risk-free interest rates	1.39%
Expected dividend yield	3.68%
Exercise Multiple	2.2

The closing price of the Company's shares on the date immediately before the date of grant was HK$4.70. The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2015 are set out below: *(continued)*

Note C: Share options granted on 17 April 2015:

(1) The share options granted under the Share Option Scheme on 17 April 2015 was at an exercise price of HK$5.06 per share.

(2) The exercise period is from 17 April 2016 to 16 April 2025.

(3) For the share options granted on 17 April 2015, the options will be vested in 8 tranches, i.e. the first 12.5% on 17 April 2016, the second 12.5% on 17 April 2017, the third 12.5% on 17 April 2018, the fourth 12.5% on 17 April 2019, the fifth 12.5% on 17 April 2020, the sixth 12.5% on 17 April 2021, the seventh 12.5% on 17 April 2022 and the balance on 17 April 2023.

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

	Granted on 17 April 2015
Share price	HK$4.92
Exercise price	HK$5.06
Expected volatility	50.09%
Expected life (years)	10 years
Risk-free interest rates	1.37%
Expected dividend yield	3.52%
Exercise Multiple	2.2

The closing price of the Company's shares on the date immediately before the date of grant was HK$4.95. The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2015 are set out below: *(continued)*

Note D: Share options granted on 2 July 2015:

(1) The share options granted under the Share Option Scheme on 2 July 2015 was at an exercise price of HK$4.104 per share.

(2) The exercise period is from 2 July 2016 to 1 July 2025.

(3) For the share options granted on 2 July 2015, the options will be vested in 5 tranches, i.e. the first 20% on 2 July 2016, the second 20% on 2 July 2017, the third 20% on 2 July 2018, the fourth 20% on 2 July 2019 and the balance on 2 July 2020.

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

	Granted on 2 July 2015
Share price	HK$4.04
Exercise price	HK$4.104
Expected volatility	49.77%
Expected life (years)	10 years
Risk-free interest rates	1.894%
Expected dividend yield	4.38%
Exercise Multiple	2.2

The closing price of the Company's shares on the date immediately before the date of grant was HK$4.15. The risk-free interest rates were based on the yield of Hong Kong Exchange Fund Note. Expected volatility was determined by using the historical volatility of the Group's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Changes in variables and assumptions may result in changes in fair values of the share options.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2014 are set out below:

Note E: Share options granted on 14 April 2014:

(1) The share options granted under the Share Option Scheme on 14 April 2014 was at an exercise price of HK$7.05 per share.

(2) The exercise period is from 14 April 2015 to 13 April 2024.

(3) For the share options granted on 14 April 2014, the options will be vested in 5 tranches, i.e. the first 20% on 14 April 2016, the second 20% on 14 April 2017, the third 20% on 14 April 2018, the fourth 20% on 14 April 2019 and the balance on 14 April 2020.

(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 14 April 2014
Share price	HK$7.05
Exercise price	HK$7.05
Expected volatility	52.08%
Expected life (years)	7.75 to 8.75
Risk-free interest rates	1.796% to 1.949%
Expected dividend yield	0.894%

The closing price of the Company's shares on the date immediately before the date of grant was HK$7.00. 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.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2014 are set out below: (continued)

Note F: Share options granted on 30 June 2014:

(1) The share options granted under the Share Option Scheme on 30 June 2014 was at an exercise price of HK$6.02 per share.

(2) The exercise period is from 30 June 2015 to 29 June 2024.

(3) For the share options granted on 30 June 2014, the options will be vested in 5 tranches, i.e. the first 20% on 30 June 2016, the second 20% on 30 June 2017, the third 20% on 30 June 2018, the fourth 20% on 30 June 2019 and the balance on 30 June 2020.

(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 30 June 2014
Share price	HK$6.02
Exercise price	HK$6.02
Expected volatility	51.58%
Expected life (years)	7.75 to 8.75
Risk-free interest rates	1.757% to 1.867%
Expected dividend yield	1.047%

The closing price of the Company's shares on the date immediately before the date of grant was HK$5.97. 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 behavioral considerations. Changes in variables and assumptions may result in changes in the fair values of the share options.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during the year ended 31 December 2014 are set out below: (continued)

Note G: Share options granted on 25 September 2014:

(1) The share options granted under the Share Option Scheme on 25 September 2014 was at an exercise price of HK$6.45 per share.

(2) The exercise period is from 25 September 2015 to 24 September 2024.

(3) For the share options granted on 25 September 2014, the options will be vested in 5 tranches, i.e. the first 20% on 25 September 2016, the second 20% on 25 September 2017, the third 20% on 25 September 2018, the fourth 20% on 25 September 2019 and the balance on 25 September 2020.

(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 September 2014
Share price	HK$6.45
Exercise price	HK$6.45
Expected volatility	50.96%
Expected life (years)	7.75 to 8.75
Risk-free interest rates	1.826% to 1.917%
Expected dividend yield	1.149%

The closing price of the Company's shares on the date immediately before the date of grant was HK$6.50. 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.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted from 2008 to 2013 are set out below:

Date of grant	Vesting period	Exercise period
25 June 2008	25/6/2008 – 25/6/2012	25/12/2008 – 30/3/2017
31 December 2008	31/12/2008 – 31/12/2013	31/12/2009 – 30/12/2018
22 January 2009	22/1/2010 – 21/1/2013	22/1/2010 – 21/1/2019
3 July 2009	3/7/2010 – 2/7/2013	3/7/2010 – 2/7/2019
2 July 2010	2/7/2011 – 1/7/2014	2/7/2011 – 1/7/2020
6 July 2010	6/7/2011 – 5/7/2014	6/7/2011 – 5/7/2020
26 August 2011	26/8/2012 – 25/8/2016	26/8/2012 – 25/8/2021
15 October 2012	15/10/2012 – 14/10/2016	15/10/2012 – 14/10/2022
7 January 2013	7/1/2014 – 6/1/2023	7/1/2014 – 6/1/2023
2 July 2013	2/7/2014 – 1/7/2023	2/7/2014 – 1/7/2023
19 July 2013	19/7/2014 – 18/7/2019	19/7/2014 – 18/7/2023
27 August 2013	27/8/2014 – 26/8/2019	27/8/2014 – 26/8/2023
23 September 2013	23/9/2014 – 22/9/2019	23/9/2014 – 22/9/2023
25 October 2013	25/10/2014 – 24/10/2019	25/10/2014 – 24/10/2023
19 December 2013	19/12/2014 – 18/12/2019	19/12/2014 – 18/12/2023

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	

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during 2008 and 2013 are set out below: *(continued)*

Share options granted on 25 June 2008: *(continued)*

(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.

(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 2018 *(vi)*
500,000	31 December 2009 to 30 December 2018 *(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.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during 2008 and 2013 are set out below: *(continued)*

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 22 January 2010, the second 25% on 22 January 2011, the third 25% on 22 January 2012 and the balance on 22 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 3 July 2010, the second 25% on 3 July 2011, the third 25% on 3 July 2012 and the balance on 3 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 2 July 2011, the second 25% on 2 July 2012, the third 25% on 2 July 2013 and the balance on 2 July 2014.

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 6 July 2011, the second 25% on 6 July 2012, the third 25% on 6 July 2013 and the balance on 6 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 26 August 2012, the second 20% on 26 August 2013, the third 20% on 26 August 2014, the fourth 20% on 26 August 2015 and the balance on 26 August 2016.

Share options granted on 15 October 2012:

These share options were granted under the Share Option Scheme, vesting in 5 tranches, i.e. the first 20% on 15 October 2012, the second 20% on 15 October 2013, the third 20% on 15 October 2014, the fourth 20% on 15 October 2015 and the balance on 15 October 2016.

30. Share Option Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The details of the share options granted during 2008 and 2013 are set out below: *(continued)*

Share options granted on 7 January 2013:

These share options were granted under the Share Option Scheme, vested in 9 tranches, i.e. the first 10% on 7 January 2015, the second 10% on 7 January 2016, the third 10% on 7 January 2017, the fourth 10% on 7 January 2018, the fifth 10% on 7 January 2019, the sixth 10% on 7 January 2020, the seventh 10% on 7 January 2021, the eighth 10% on 7 January 2022 and the balance on 7 January 2023.

Share options granted on 2 July 2013:

These share options granted under the Share Option Scheme, vested in 9 tranches, i.e. the first 10% on 2 July 2015, the second 10% on 2 July 2016, the third 10% on 2 July 2017, the fourth 10% on 2 July 2018, the fifth 10% on 2 July 2019, the sixth 10% on 2 July 2020, the seventh 10% on 2 July 2021, the eighth 10% on 2 July 2022 and the balance on 2 July 2023.

Share options granted on 19 July 2013:

These share options granted under the Share Option Scheme, vested in 5 tranches, i.e. the first 20% on 19 July 2015, the second 20% on 19 July 2016, the third 20% on 19 July 2017, the fourth 20% on 19 July 2018 and the balance on 19 July 2019.

Share options granted on 27 August 2013:

These share options granted under the Share Option Scheme, vested in 5 tranches, i.e. the first 20% on 27 August 2015, the second 20% on 27 August 2016, the third 20% on 27 August 2017, the fourth 20% on 27 August 2018 and the balance on 27 August 2019.

Share options granted on 23 September 2013:

These share options granted under the Share Option Scheme, vested in 5 tranches, i.e. the first 20% on 23 September 2015, the second 20% on 23 September 2016, the third 20% on 23 September 2017, the fourth 20% on 23 September 2018 and the balance on 23 September 2019.

Share options granted on 25 October 2013:

These share options granted under the Share Option Scheme, vested in 5 tranches, i.e. the first 20% on 25 October 2015, the second 20% on 25 October 2016, the third 20% on 25 October 2017, the fourth 20% on 25 October 2018 and the balance on 25 October 2019.

Share options granted on 19 December 2013:

These share options granted under the Share Option Scheme, vested in 5 tranches, i.e. the first 20% on 19 December 2015, the second 20% on 19 December 2016, the third 20% on 19 December 2017, the fourth 20% on 19 December 2018 and the balance on 19 December 2019.

30. Share Option Schemes *(continued)*

During the year ended 31 December 2015, an aggregate 12,500 (2014: 1,803,500) 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$4.0500 and HK3.7260 per share, respectively (2014: HK$7.5630 and HK$5.4101 per share).

During the year ended 31 December 2015, 5,440,000 share options were granted by the Company. The estimated fair values of the options on 8 January 2015, 2 April 2015, 17 April 2015 and 2 July 2015 were approximately HK$705,715, HK$199,000, HK$4,473,000 and HK$4,606,000, respectively. During the year ended 31 December 2015, 693,000 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 2015 by the Company were exercised.

During the year ended 31 December 2014, 700,000 share options were granted by the Company. The estimated fair values of the options on 14 April 2014, 30 June 2014 and 25 September 2014 were approximately HK$1,107,000, HK$920,090 and HK$322,290, respectively. During the year ended 31 December 2014, 3,928,500 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 2014 by the Company were exercised.

At 31 December 2015, the number of share in respect of options under the Share Option Scheme had been granted and remained outstanding was 21,786,000 (2014: 17,051,500), representing 1.99% (2014: 1.56%) of the shares of the Company in issue at that date.

The Group recognized the total expense of HK$13,395,000 (2014: HK$18,539,000) for the year ended 31 December 2015 in relation to share options granted by the Company under the Share Option Scheme. And the Group reversed the expense of HK$3,016,000 (2014: HK$3,341,000) which was previously recognized because the share options were forfeited after the vesting date.

(b) Pre-IPO Share Option Scheme

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

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

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

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

30. Share Option Schemes *(continued)*

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

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 2014	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31 December 2014	Exercise during the year	Forfeited during the year	Lapsed during the year	Outstanding at 31 December 2015
Employees	408,500	(20,000)	–	–	388,500	–	–	–	388,500

The share options exercisable at 31 December 2015 and 31 December 2014 are 388,500 and 388,500, 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 nil, respectively (2014: HK$8.895 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) 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

30. Share Option Schemes *(continued)*

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

(3) At 31 December 2015, the number of shares in respect of which options under the Pre-IPO Share Option Scheme had been granted and remained outstanding was 388,500 (2014: 388,500), representing 0.04% (2014: 0.04%) of the shares of the Company in issue at that date.

(4) 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.

(5) 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.

The Group did not recognise expense for the year ended 31 December 2015 (2014: 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.

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

	2015	2014
	HK$'000	HK$'000
Non-current assets		
Interests in subsidiary	**70,620**	70,620
Amount due from subsidiaries	**640,104**	781,039
	710,724	851,659
Current assets		
Amounts due from subsidiaries	**231,682**	282,693
Bank balances and cash	**614**	1,225
	232,296	283,918
Current liabilities		
Other payables	**3,794**	2,330
Dividend payable	**26**	22
	3,820	2,352
Net current assets	**228,476**	281,566
Total assets less current liabilities	**939,200**	1,133,225
Capital and reserves		
Share capital	**109,154**	109,153
Reserves *(note i)*	**830,046**	1,024,072
Total equity	**939,200**	1,133,225

31. 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)*	Accumulated losses HKD'000	Total HKD'000
At 1 January 2014	1,917,609	71,218	(363,531)	(421,066)	1,204,230
Loss and total comprehensive income for the year	–	–	–	(16,205)	(16,205)
Share issued upon exercise of share options	16,211	(6,544)	–	–	9,667
Recognition of equity-settled share-based payments	–	15,198	–	–	15,198
Dividends recognised as distribution *(note 12)*	–	–	–	(188,818)	(188,818)
At 31 December 2014	1,933,820	79,872	(363,531)	(626,089)	1,024,072
Loss and total comprehensive income for the year	–	–	–	(11,243)	(11,243)
Share issued upon exercise of share options	68	(23)	–	–	45
Recognition of equity-settled share-based payments	–	10,379	–	–	10,379
Dividends recognised as distribution *(note 12)*	–	–	–	(193,207)	(193,207)
At 31 December 2015	1,933,888	90,228	(363,531)	(830,539)	830,046

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.

32. Financial Instruments

(a) Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables	**1,981,102**	1,964,365
Available-for-sale investments	**60,530**	13,537
Financial asset designated as at FVTPL	**542,500**	–
	2,584,132	1,977,902
Financial liabilities		
Liabilities measured at amortised costs	**1,014,310**	525,063

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets designated at FVTPL, available-for-sale investments, loan to an associate, trade and other receivables, amount due from related parties, bank balances and cash, pledged bank 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 2015 and 31 December 2014 are approximately HK$125,334,000 and HK$144,522,000, 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.

32. Financial Instruments *(continued)*

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

Currency risk (continued)

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.

	2015	2014
	HK$'000	HK$'000
USD impact *(note)*		
– USD strengthens against RMB by 5%	**4,172**	5,042
– USD weakens against RMB by 5%	**(4,172)**	(5,042)

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.

The Group has no outstanding foreign currency forward contracts as at 31 December 2015 and 31 December 2014.

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 2015 and 31 December 2014, the Group is exposed to cash flow interest risk in relation to variable-rate bank balances and bank loans (see notes 25 and 28 for details of these balances). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

32. Financial Instruments *(continued)*

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

Interest rate risk (continued)

Sensitivity analysis

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

A 15 basis point increase or decrease in interest rate for variable-rate bank balances outstanding as at 31 December 2015 and 2014 and 50 basis point increase or decrease in interest rate for variable bank loans for the year ended 31 December 2015 represents management's assessment of the reasonably possible change in interest rates. If the interest rate on bank balances had been 15 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would increase or decrease approximately HK$2,173,000 (2014: HK$2,181,000).

For the year ended 31 December 2015 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$2,494,000 (2014: HK$265,000).

Credit risk

As at 31 December 2015, the Group's principal financial assets are available-for-sale investments, financial asset designated as at FVTPL, trade and other receivables, amount due from related companies, pledged bank 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.

32. 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 2015, the five largest trade receivables, including four (2014: four) based in the PRC and one (2014: one) based in Hong Kong who are engaged in sales of consumer products accounted for approximately 56% (2014: 43.5%) 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 bank balances and cash for the Company as at 31 December 2015 and 31 December 2014. As at 31 December 2015, balances with three (2014: three) largest banks accounted for 39% (2014: 27%) of the aggregate amount of pledged bank deposits, bank balances and cash (2014: pledged bank deposits, 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.

32. 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 2015							
Financial liabilities							
Non-interest bearing		**349,117**	**–**	**–**	**–**	**349,117**	**349,117**
Variable-rate interest bearing instruments	**1.58%**	**8,516**	**602,494**	**19,606**	**59,871**	**690,487**	**665,193**
		357,633	**602,494**	**19,606**	**59,871**	**1,039,604**	**1,014,310**
At 31 December 2014							
Financial liabilities							
Non-interest bearing		390,421	–	–	–	390,421	390,421
Variable-rate interest bearing instruments	1.94%	2,856	62,856	19,606	64,773	150,091	134,642
		393,277	62,856	19,606	64,773	540,512	525,063

32. Financial Instruments *(continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**
	31/12/2015	**31/12/2014**			
Designated as at FVTPL	**HK$542,500,000**	–	Level 3	Income approach-in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee based on an appropriate discount rate.	Long-term pre-tax operating margin, taking into account management's experience and knowledge of market conditions of the specific industries being 7.45%. Weighted average cost of capital (WACC), determined using a Capital Assets Pricing Model, being 22.49%. Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries, being 16.11%. Discount for lack of control, a downward adjustment to reflect the non-controlling nature of minority interests, determined by reference to the share price of listed entities in similar industries, being 23.08%.

32. Financial Instruments *(continued)*

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

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity investments in Cayman Islands HK$'000
31 December 2015	
Opening balance	–
Purchase	542,500
Closing balance	542,500

33. Capital Risk Management

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

The capital structure of the Group consists of net debt (bank loans as detailed in note 28 offset by bank balances and cash) 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.

34. 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 intangible assets (which represented the tradenames) arising as a result of the acquisition was 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.

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 years ended 31 December 2015 and 31 December 2014, the Group did not recognise further impairment loss.

35. Capital Commitments

	2015	2014
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
– property, plant and equipment	**18,794**	27,760

36. Pledge of Assets

	2015	2014
	HK$'000	HK$'000
Investment properties	**311,300**	291,400
Property, plant and equipment	**20,277**	21,235
Prepaid lease payments	**19,047**	19,640
Pledged bank deposits	**362,073**	7,682
	712,697	339,957

37. Operating Lease Commitments

The Group as lessee

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

	2015	2014
	HK$'000	HK$'000
Within one year	**306,559**	269,818
In the second to fifth year inclusive	**661,513**	767,785
Over five years	**69,063**	217,416
	1,037,135	1,255,019

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

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

The Group as lessor

The Group's properties with carrying amounts of approximately HK$521,021,000 (2014: HK$435,911,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 4.7% (2014: 4.8%) 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:

	2015	2014
	HK$'000	HK$'000
Within one year	**21,906**	17,134
In the second to fifth year inclusive	**51,487**	27,571
Over five years	**54,486**	12,730
	127,879	57,435

38. Retirement Benefits Scheme

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the MPF) in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month (from HK$1,250 to HK$1,500 per month with effect of 1 June 2014) or 5% of the relevant payroll costs to the MPF Scheme.

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

The total cost charged to profit or loss for the year is approximately HK$81,505,000 (2014: HK$81,142,000) and amounts due to the MPF and state-managed retirement plans included in trade and other payables is approximately HK$755,000 (2014: HK$1,471,000).

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**	**2015** **HK$'000**	2014 HK$'000
Shigemitsu Industry Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Sales of noodles and related products	**426**	579
	Purchases of raw materials	**45,050**	52,121
	Franchise commissions paid	**32,794**	33,511
Ms. Poon	Property rentals paid	**2,448**	2,656
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Decoration expenses paid	**2,733**	7,479
Japan Foods Holding Ltd., non-controlling shareholder of a subsidiary of Ajisen (China) Holdings Limited	Franchise commission paid	**1,594**	1,387

39. Related Party Transactions *(continued)*

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

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	**7,749**	7,794
Retirement benefits scheme contributions	**139**	145
Share-based payment	**816**	2,409
	8,704	10,348

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 2015 and 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of Ownership Interest/ Voting Rights Held by the Company		Principal activities
			2015	2014	
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 Investments Limited	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Ajisen China Group Management Limited	Hong Kong	HK$10,000	**100%**	100%	Provision of management services to group companies
Brilliant China Holdings Limited	Hong Kong	HK$10,000	**100%**	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	**100%**	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	**100%**	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK$10,000	**100%**	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	**100%**	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Ltd.	Hong Kong	HK$10,000	**100%**	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	**100%**	100%	Operating an Ajisen chain restaurant

40. Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of Ownership Interest/ Voting Rights Held by the Company 2015	2014	Principal activities
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
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

40. Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of Ownership Interest/ Voting Rights Held by the Company 2015	2014	Principal activities
南京味千餐飲管理有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	RMB30,000,000	**100%**	100%	Operating Ajisen chain restaurants in Nanjing, the PRC
杭州味千餐飲管理有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	RMB20,000,000	**100%**	100%	Operating Ajisen chain restaurants in Nanjing, the PRC
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd.	PRC limited liability enterprise	RMB10,000,000	**55%**	55%	Operating Ajisen chain restaurants in Shandong, the PRC
北京味千餐飲管理有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	PRC sino-foreign equity joint venture	US$2,200,000	**55%**	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, the PRC
重慶味千餐飲管理有限公司 Chongqing Weiqian Food & Restaurant Management Co. Ltd.	PRC limited liability enterprise	RMB1,500,000	**100%**	100%	Operating Ajisen chain restaurants in Chongqing, the PRC
大連味千餐飲有限公司 Dalian Weiqian Food Co., Ltd.	PRC limited liability enterprise	RMB500,000	**51%**	51%	Operating Ajisen chain restaurants in Dalian, the PRC
味千拉麵飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	PRC limited liability enterprise	RMB210,000	**100%**	100%	Operating Ajisen chain restaurants in Guangdong province, Wuhan and Chengdu, the PRC
領鮮食品(上海)有限公司 Lingxian Food (Shanghai) Co., Ltd.	PRC limited liability enterprise	US$15,000,000	**100%**	100%	Operating a noodle factory in Shanghai, the PRC

40. Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of Ownership Interest/ Voting Rights Held by the Company 2015	2014	Principal activities
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd.	PRC wholly foreign owned enterprise	RMB18,437,000	**100%**	100%	Operating a noodle factory in Shenzhen, the PRC
領馳食品發展(上海)有限公司 Lingchi Food Development (Shanghai) Co., Ltd.	PRC wholly foreign owned enterprise	US$20,000,000	**100%**	100%	Operating a noodle factory in Shanghai, the PRC
東莞領馳食品有限公司 Dongquan Lingchi Food., Ltd.	PRC wholly foreign owned enterprise	US$20,000,000	**100%**	100%	Operating a noodle factory in Dongguan, the PRC
Hina Group Fund III, Limited Partnership	Cayman Islands	US$70,000,000	**86%**	0%	Investment holding

* *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 2015 HK$'000	Lease term
1. Units 903 to 908, Block A Xinian Centre, Tairanjiu Road Futian District, Shenzhen City, Guangdong Province, the PRC	C	17,427	Medium-term lease
2. Workshops 1 to 24 on 10th Floor and a car packing space 1 on Level 3 Wah Yiu Industrial Centre, Nos., 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	96,200	Medium-term lease
3. Storage B on Base Floor, Storages/ Workshops B on Ground Floor and 1st Floor and Workshops B on 2nd Floor, Nos. 24-26 Sze Shan Street, Yau Tong, Kowloon, Hong Kong	C	121,700	Medium-term lease
4. Limit 2110 to 2116, 2118, 2121, 2214 and 2 underground car packing spaces, No. 1399, Haining Road, Zhabei District, Shanghai City, the PRC	C	9,668	Medium-term lease
5. 31/F, Golden Bell Plaza, No. 98 Huaihai Middle Road, Luwan District, Shanghai, the PRC	C	61,711	Medium-term lease
6. Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 3 Tongyan Road New District, Xi'an City Shaanxi Province, the PRC	C	7,520	Medium-term lease
7. Unit 2602, 22/F, Full Town No. 9 Dongsanmian Zhong Road, Chaoyang District Beijing City, the PRC	C	14,682	Medium-term lease
8. Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong	C	7,900	Medium-term lease

Name/Location		Type	Carrying values in existing state at 31 December 2015 HK$'000	Lease term
9.	9/F, Tower 2, Ever Gain Plaza, No. 88 Container Road, Kwai Chung, New Territories, Hong Kong	C	85,500	Medium-term lease
10.	An Industry Property located in Zhongguo Chuancai Chanyehua Yuan, Pi Country, Chengdu City, Sichuan Province, The PRC	C	5,252	Medium-term lease
11.	No. 2, Block D, No. 951 Xinfei Road, Songjiang District, Shanghai City, The PRC	C	21,008	Medium-term lease
12.	Units B-614, A-1216 and A-1217, Tai'an Court, Tairan Nineth Road, Futian District, Shengzhen City, Guangdong Province, The PRC	C	6,206	Medium-term lease
13	Unit 4206-4207, No. 67 Zhujiang Road, Xuanwu District, Nanjiang City, Jiangsu Province, the PRC	C	14,443	Medium-term lease
14	Unit B of Block 11, No. 951 Xinfei Road Songjiang District, Shanghai City, The PRC	C	13,965	Medium-term lease
15	Parcels of vacant land and an industrial property located at No. 2285 Jiangchun Road, Minhang District, Shanghai City, the PRC	C	16,950	Medium-term lease
16	Shop 2, Level 2, Block A and Shop 4 Level 2, Block C, Huaye Commercial and Residential Estate, No. 65 Meijiang 2nd Road, Jiangnan District, Meijiang District, Guangdong Province, the PRC,	C	20,889	Medium-term lease

Type of properties: C-commercial

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

Financial Summary

	Year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	3,074,978	3,043,162	3,240,650	3,320,292	**3,129,198**
Profit before taxation	516,064	236,488	370,177	418,770	**363,450**
Taxation	(150,115)	(71,303)	(80,405)	(120,082)	**(111,053)**
Profit for the year	365,949	165,185	289,772	298,688	**252,397**
Attributable to:					
– owners of the Company	349,906	154,230	271,698	275,565	**226,918**
– non-controlling interests	16,043	10,955	18,074	23,123	**25,479**
	365,949	165,185	289,772	298,688	**252,397**

	Year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,832,166	3,607,559	4,042,634	4,160,452	**4,650,909**
Total liabilities	(835,081)	(545,547)	(680,908)	(673,100)	**(1,166,493)**
Net assets	2,997,085	3,062,012	3,361,726	3,487,352	**3,484,416**

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