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

2024
ANNUAL REPORT 年報

Ajisen (China) Holdings Limited (stock code: 0538.HK) is one of the leading fast casual restaurant ("FCR") chain operators in the People's Republic of China ("PRC") and the Hong Kong Special Administrative Region ("Hong Kong"). Since our establishment in 1996, we have been selling Japanese ramen and Japanese-style dishes under the Ajisen brand in the PRC and Hong Kong. Our dishes incorporate Chinese people's culinary preferences and the essence of the Chinese cuisine. Our restaurants combines elements of fast food shops, including, efficiency, convenience and standardised operation and those of traditional Chinese restaurant, such as incorporating Chinese elements into the brand image. Since 2013, we started to introduce famous brands from Japan to Hong Kong, including Menya Musashi and Konjiki Hototogisu.

Next year will mark our 30th anniversary in China and Hong Kong. Through almost 30 years of operation, we insist on offering value-for-money, healthy and hygienic Japanese ramen and Japanese-style cuisines to our customers. Backed by our food-quality focused mindset, our nationwide network of restaurants as well as our scaleable central kitchens, we manage to develop ourself as a long-standing household brand. Many of our customers visit our shops for decades, by themselves at the beginning and later bringing their second and even third generations. We are so proud to welcome and offer our old and new customers home-feel services. In addition, thanks to our strong capital base since IPO in 2007, our prudent management style and our effective supply chain support, we have upkept our position as one of the leading FCR chain operators in China, witnessing various cycles of development of the food and beverage ("F&B") industry. Looking forward, we continue to insist on our motto of serving the best value-for-money and quality food to our customers, as well as building Ajisen (China) to become the number one FCR chain operator in China.

As at 31 December 2024, our nationwide retail network comprises 596 restaurants, covering 126 cities in 25 provinces and municipalities of the PRC. Among them, Shanghai is our major operation base with 109 restaurant, followed by 88 in Guangdong and 78 in Jiangsu, with the remaining 293 restaurants spanning across other major cities from the southern to the northern region of the PRC. In Hong Kong, we operates 26 restaurants with its chain network covering major business and commercial areas of the city. We also operates 2 restaurants in Europe. Our restaurant network is supported by a network of production bases (Central kitchen) locating strategically in Shanghai, Chengdu, Tianjin, Wuhan and Dongguan production bases.

Contents

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Yew Yat On

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Authorised Representatives

Mr. Poon Ka Man, Jason
Mr. Ng Tung Ching Raphael (appointed on 27 March 2025)
Ms. Cheung Lai Ha (resigned on 27 March 2025)

Company Secretary

Mr. Ng Tung Ching Raphael (appointed on 27 March 2025)
Ms. Cheung Lai Ha (resigned on 27 March 2025)

Head Office and Principal Place of Business in Hong Kong

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

Registered Office

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Hong Kong Legal Adviser

Fairbairn Catley Low & Kong

Investor and Media Relations Consultant

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Stock Code

538

Financial Highlights

	2024	2023	Change
Turnover (RMB'000)	**1,717,290**	1,815,406	-5.4%
Sales from restaurant operation (RMB'000)	**1,649,827**	1,734,200	-4.9%
Gross profit (RMB'000)	**1,313,652**	1,373,330	-4.3%
(Loss) profit before taxation (RMB'000)	**(50,132)**	247,875	N/A
(Loss) profit attributable to owners of the Company (RMB'000)	**(20,224)**	181,188	N/A
Basic (loss) earnings per share (RMB)	**(0.02)**	0.17	N/A
Recommended final dividend per share (RMB)	**0.06**	0.08	-25.0%
Total number of restaurants (as at 31 December)	**596**	562	+6.0%
Total assets (RMB million)	**3,987.3**	3,961.5	-0.7%
Net assets (RMB million)	**2,967.5**	3,057.9	-3.0%
Bank balances and cash (RMB million)	**1,655.8**	1,607.6	+3.0%
Inventory turnover (days)	**69.3**	63.0	+6.3 days
Trade payable turnover (days)	**88.1**	79.0	+9.1 days
Net gross profit margin	**76.5%**	75.6%	+ 0.9 percentage point
Net (loss) profit margin	**-0.9%**	10.6%	– 11.5 percentage points
Current ratio	**3.7**	4.1	– 0.4 percentage points
Return on equity	**-0.5%**	6.3%	– 6.8 percentage points
Gearing ratio	**0.9%**	0.9%	–

Dear Shareholders,

Ajisen (China) was established in 1996, and next year we will celebrate our 30th anniversary. Over the past three decades, we have witnessed the rapid growth of China's catering industry and experienced multiple economic cycles. During this period, our customers have grown from young couples to small families, and from small families to multi-generational households. Ajisen has always adhered to the principle of products first, and is committed to providing customers with cost-effective, healthy and hygienic Japanese food. Our classic pork bone soup noodles have become the "taste of childhood" for many customers.

In terms of operation, we have always responded to industry and market changes in a cautious and responsible manner. As at 31 December 2024, Ajisen (China) had net cash of RMB1.66 billion, representing RMB1.52 per share with minimal debt. Since our listing in 2007, we have paid a total dividend of RMB2.11 billion, equivalent to approximately RMB1.93 per share. Our sound financial management and balance sheet give us the confidence and ability to maintain a reasonable annual return to shareholders while facing various market challenges.

In 2024, affected by the economic downturn, catering consumption became significantly more rational, and consumers paid more attention to quality-price ratio, while the competition in the catering market became increasingly fierce, and the catering industry fell into the dilemma of oversupply. Against this backdrop, the Group's revenue decreased by 5.4% to RMB1.72 billion. In response, we have been proactive in controlling costs while maintaining the quality of our products and services. Driven by the decline in pork prices, the percentage of raw materials to the Group's revenue decreased from 24.4% in 2023 to 23.5% in 2024, while the percentage of staff costs to revenue increased slightly to 27.9% (2023: 26.2%). The proportion of other fixed costs increased to 29% (2023: 25%), roughly in line with the decline in revenue. Overall, our operating profit before investment impairment was RMB14.915 million. After deducting other relevant expenses and investment impairments (including impairment of investment properties of RMB101.253 million, impairment of right-of-use assets and fixed assets of RMB14.561 million and investment provisions of RMB13.573 million), we recorded a loss attributable to the owners of the Company of RMB20.224 million for 2024. Given that the loss was caused by non-cash items, we still adhered to our consistent principle of providing a reasonable return to shareholders this year, and the Board of Directors proposed to pay a final dividend of RMB0.06 per share, which is in line with the level of 2022.

In the past few years, China's catering industry has rapidly moved towards digitalization, and transaction methods such as online food ordering, group buying, and livestreaming have continuously changed the operation of the traditional catering industry. Nowadays, the combination of online and offline operations has become a common business model in the catering industry. During the year, we continued to increase our investment in the new retail model by expanding online delivery, self-pickup and new retail businesses, and also increased online transaction volume by expanding the coverage radius of our stores and extending business hours, thereby achieving a positive synergies between physical and online businesses. In 2024, the revenue from the takeaway business increased by 9% to RMB377 million (2023: RMB346 million), accounting for 25.6% of the turnover of restaurants with takeaway services (2023: 25.9%).

In addition, we have also made significant efforts in optimising the restaurant network, enhancing the brand, increasing member loyalty, and strictly controlling costs:

- **Optimising the restaurant network** – During the year, through capitalising on the landlords' flexible rental requirements and the reduced competition for prime locations, we optimised the restaurant network and layout, closing 52 and 3 underperforming branches in Mainland China and Hong Kong respectively, whiling opened 81 and 8 new stores in these two regions. As a result, the total number of our stores increased from 562 at the end of 2023 to 596 at the end of 2024.
- **Enhancing the brand** – We appointed Kmind Consulting, a third-party brand expert, to assist us in repositioning the Ajisen brand as the world's No. 1 noodle restaurant brand in terms of the number of directly operated stores in 2023. In 2024, in addition to increasing our investment on platforms such as Weibo, WeChat Official Accounts, and Douyin, we also regularly launched new products in stores, as well as carrying out promotional activities during holidays, offering children's meals, setting up member days, and offering birthday noodles.

- **Increasing member loyalty** – Membership promotion is one of our precision marketing strategies, which not only increases member loyalty, but also helps us enhance the brand, as well as our capacity for stable development and competitiveness. During the year, we conducted in-depth analysis on members' dining habits, consumption preferences, and ordering frequencies, and gained a 360-degree understanding of members' consumption behavior patterns. This helped us provide more personalised recommendations to members for services and food. We continuously optimised member benefits, strengthened communication with them, and deepened their sense of identity as Ajisen members. In 2024, the number of Ajisen members reached 36.25 million, contributing a total revenue of RMB653 million for the Group.
- **Controlling costs –**
  - **Food ingredient costs** – We continuously improved the efficiency of the supply chain, ensuring the quality of food ingredients while strictly controlling costs. In the procurement process, we strived to reduce food ingredient costs by increasing the proportion of direct procurement, eliminating intermediaries and bulk procurement. Currently, direct procurement accounts for 80.3% of our total food ingredient procurement. At the same time, we believe that ensuring the quality of food ingredients is the only way to provide customers with delicious and healthy food. To this end, we have established long-term cooperative relationships with large-scale domestic and international groups such as COFCO Corporation, Yihai Kerry, etc., to ensure the stable supply of high-quality food ingredients.
  - **Staff costs** – Through digital and systematic management, optimising business processes, and increasing the value-added payment of employees, we effectively controlled staff costs while improving service quality.

Looking ahead to the coming year, China's catering industry will be affected by geopolitical and other factors. In the past 30 years of struggle, Ajisen has also encountered numerous difficulties, but we have faced them head-on and overcome them one by one. So far, we are still one of the mainstays of the local catering industry in China. We firmly believe that there are different opportunities in different periods of economic development. It is particularly worth mentioning that we have noticed the rapid development of China in certain fields such as artificial intelligence and robotics in recent years, which will provide a new development platform for the catering industry. In addition to continuing our efforts in areas such as products, store structure, branding, membership, supply chain, and costs management, we will also accelerate our pace to explore the integration of the latest technologies in areas from internal management to store services. We are confident that with our healthy financial strength, stable management team, and extensive experience in supply chain and store network management, Ajisen will not only successfully overcome upcoming challenges, but will also achieve further growth in the process.

Finally, I would like to take this opportunity to express my sincere gratitude to all of Ajisen's customers, employees, shareholders, and partners for their support and contributions over the years.

Thank you all.

Poon Wai
Chairman of the Board of Directors of Ajisen (China) Holdings Limited

Industry Review

During the year ended 31 December 2024 (the "Period" or the "Reporting Period"), amid a complex and severe landscape of increasing external pressures and internal challenges, China actively responded to risks and challenges by strengthening and innovating macro-control in a timely manner according to specific situation, and promptly introducing a series of macro policy "combinations" having taken effect, which significantly boosted social confidence, stimulated endogenous momentum and innovation vitality, drove overall stable economic performance with steady progress, and achieved new breakthroughs in high-quality development. According to the National Bureau of Statistics of China, during the Period, China's gross domestic product (GDP) reached RMB134,908.4 billion, representing a year-on-year increase of 5.0% (same period in 2023: 5.2%); total retail sales of consumer goods amounted to RMB48,789.5 billion, representing a year-on-year increase of 3.5%; the national per capita disposable income was RMB41,314, representing a real growth of 5.1% over the same period last year; and the consumer price index (CPI) increased by 0.2% year-on-year.

In 2024, with the deployment of a package of incremental policies by the state, all regions across the country actively launched consumption-boosting initiatives such as "culture & tourism + cuisine", night-time economy, "show + cuisine", and distribution of consumption vouchers, driving sustained growth in the catering market. According to the National Bureau of Statistics of China, during the Period, national catering revenue reached RMB5,571.8 billion, surpassing the threshold of RMB5,500 billion, and representing a year-on-year increase of 5.3%, which was 0.3 and 1.8 percentage points higher than the growth rate of GDP and total retail sales of consumer goods, respectively, demonstrating the rigid demand attributes of catering consumption and the continued momentum of consumption upgrades. The catering industry's share of total retail sales of consumer goods increased to 11.4%, serving as one of the core engines driving consumer recovery.

Despite the overall growth trend in the catering market, factors such as economic downturn, the re-impoverishment of the middle class, and diversified structural adjustments across society have led to more rational consumption behaviours with emphasis on quality-to-price ratios in 2024. Intensified market competition has triggered frequent price wars, plunging the catering industry into a predicament of severe oversupply and recurrent waves of store closures. Amid rapidly changing market conditions, chain catering enterprises accelerated digital upgrades and scaled development, and built efficient chain management and supply chain systems to unearth competitive advantages through efficiency and cost optimisation, which has driven continuous evolution in technological innovation, healthy dining, and market competition in the catering industry, and its economic contribution therefore remains firmly at the forefront of the service sector. Among which, benefiting from consumers' growing demand for convenient services, digital transformation has become the core driving force for industry development, and catering enterprises have adopted digital technologies to enhance operational efficiency and customer experience in every detail. The consumer market for quality catering has also entered a new era, and more and more quality food and beverage are actively presented to and serve the public, which attracts consumers with good products and services and reasonable prices to meet the differentiated needs of consumers.

Looking ahead to 2025, China will continue to steadfastly promote high-quality development, and implement more proactive and effective macro policies to expand domestic demand and stabilise expectations, so that the development of the catering economy is expected to ascend to new heights. However, it should also be noted that the catering market and consumption structure will be further adjusted, the industry competition will be intensifying, regularisation, high quality, sustainability, standardisation and digitalisation will be the general trend, and the catering economy will still face certain uncertainties. The Group will seize opportunities amidst industry challenges by orderly optimising store network layouts, constantly promoting digital upgrades, strengthening product innovation, and implementing cost reduction and efficiency improvements, with an aim to maintain financial health and liquidity, enhance profitability, and strive to deliver returns to Shareholders and investors.

Business Review

During the Period, the Group's turnover was approximately RMB1,717.3 million, representing a decrease of approximately 5.4% from approximately RMB1,815.4 million for the corresponding period in 2023.

Looking back on the year, although the overall consumption of the industry continued to pick up, the market environment was still full of challenges, especially the intensified competition in the catering consumption market. Against this backdrop, the Group continuously adopted prudent and practical operation strategies, focusing on improving internal efficiency and cost control to maintain stable and sustainable operations.

During the Period, the Group further promoted the optimization and upgrading of its store network, and in addition to carefully evaluating the location selection of new stores, the Group also continued to carry out renovation and upgrading of existing restaurants to enhance customer experience and brand competitiveness. As at 31 December 2024, the Group had 596 restaurants in operation. Our management team also continued to strengthen training for frontline staff, especially in terms of the management capabilities of restaurant managers and regional supervisors, to further improve the operational efficiency and customer satisfaction of our stores by enhancing the professional competence and service standards of our frontline staff.

In terms of product innovation, in addition to launching a variety of new dishes that were well received by consumers, the Group also actively expanded its retail product line, with a view to introducing retail packaged food products with strong market competitiveness to meet the diversified needs of consumers and further enhance its brand value and market penetration.

In terms of digital transformation, the Group actively promoted the construction of smart catering systems and the integrated development of online and offline channels, with a view to improving the accuracy of operational decision-making through data-driven management.

The Group always attaches great importance to food safety and quality control. Through the five major production bases in Mainland China (Shanghai, Chengdu, Tianjin, Wuhan, and Dongguan), the Group stably supplied high-quality food ingredients and semi-finished products to ensure the reliability of food safety and the stability of quality. In addition, the Group continued to strengthen global supply chain management, expanded and consolidated the network of high-quality suppliers around the world to mitigate the impact caused by fluctuations in raw material prices, and kept pursuing the maximization of cost-effectiveness.

Despite the uncertainties in the business environment, the Group will continue to closely monitor market changes, flexibly adjust our strategies and proactively seek new opportunities. We will adhere to the principle of steady development and strive to improve our overall profitability, with a view to creating long-term and sustainable returns for our shareholders.

Retail Chain Restaurants

In 2024, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately RMB1,649,827,000 (2023: approximately RMB1,734,200,000), accounted for approximately 96.1% (2023: approximately 95.5%) of the Group's total revenue.

As at 31 December 2024, the Group's restaurant portfolio consisted of 596 chain restaurants, comprising the following:

	31 December 2024	31 December 2023	+/–
By provinces/cities			
Shanghai	**109**	101	+8
Beijing	**35**	31	+4
Tianjin	**2**	2	–
Guangdong (excluding Shenzhen)	**65**	61	+4
Shenzhen	**23**	21	+2
Jiangsu	**78**	68	+10
Zhejiang	**62**	58	+4
Sichuan	**13**	11	+2
Chongqing	**10**	11	-1
Fujian	**12**	12	–
Hunan	**13**	13	–
Hubei	**13**	12	+1
Liaoning	**4**	5	-1
Shandong	**34**	30	+4
Guangxi	**15**	16	-1
Guizhou	**4**	3	+1
Jiangxi	**12**	13	-1
Shaanxi	**7**	9	-2
Yunnan	**10**	10	–
Henan	**4**	5	-1
Hebei	**7**	9	-2
Anhui	**14**	12	+2
Xinjiang	**2**	2	–
Hainan	**3**	2	+1
Shanxi	**2**	3	-1
Neimenggu	**3**	3	–
Heilongjiang	**6**	9	-3
Ningxia	**1**	1	–
Jilin	**5**	6	-1
Hong Kong	**26**	21	+5
Rome	**1**	1	–
Finland	**1**	1	–
Total	**596**	562	+34

	31 December 2024	31 December 2023	+/–
By geographical region			
Northern China	**95**	95	–
Eastern China	**263**	239	+24
Southern China	**156**	146	+10
Central China	**80**	80	–
Europe	**2**	2	–
Total	**596**	562	+34

Financial Review

Turnover

For the year ended 31 December 2024, the Group's turnover decreased by approximately 5.4% or approximately RMB98,116,000 to approximately RMB1,717,290,000 from approximately RMB1,815,406,000 for the corresponding period in 2023. This decline was mainly due to intense competition in the catering industry and an unfavorable economic environment, which resulted in lower foot traffic and reduced revenue.

Cost of inventories consumed

For the year ended 31 December 2024, the Group's cost of inventories decreased by approximately 8.7% or approximately RMB38,438,000 to approximately RMB403,638,000 from approximately RMB442,076,000 for the corresponding period in 2023.

During the year, the ratio of inventory costs to turnover was approximately 23.5%, representing a decrease of 0.9 percentage points from approximately 24.4% for the corresponding period in 2023, mainly due to improvements in production processes and the reduction of waste, which enhanced production efficiency.

Gross profit and gross profit margin

Driven by the above factors, the Group's gross profit for the year ended 31 December 2024 decreased by approximately 4.3% or approximately RMB59,678,000 to approximately RMB1,313,652,000 from approximately RMB1,373,330,000 for the corresponding period in 2023.

However, the Group's gross profit margin increased to 76.5%, compared to approximately 75.6% for the corresponding period in 2023.

Staff costs

For the year ended 31 December 2024, the Group's staff costs increased by approximately 0.8% or approximately RMB3,626,000 to approximately RMB479,456,000 from approximately RMB475,830,000 for the corresponding period in 2023.

Staff costs as a proportion of turnover increased by 1.7 percentage points to 27.9%, compared to approximately 26.2% for the corresponding period in 2023. The increase in the staff costs-to-turnover ratio was primarily due to the decline in revenue, which negatively impacted operating efficiency.

Depreciation

For the year ended 31 December 2024, the Group's depreciation increased by approximately 1.5% or approximately RMB4,796,000 to approximately RMB321,488,000 from approximately RMB316,692,000 for the corresponding period in 2023.

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

The decrease in depreciation of property, plant, and equipment was primarily due to the Group's stringent control over renovation costs, resulting in an overall reduction in depreciation despite the increase in the number of stores. On the other hand, the increase in depreciation of right-of-use assets was mainly attributable to the rise in the number of stores during the year.

Other operating expenses

For the year ended 31 December 2024, other operating expenses increased by approximately 9.7% to approximately RMB497,793,000 from approximately RMB453,966,000 for the corresponding period in 2023.

With the increase in the number of stores, other operating expenses have also risen accordingly, particularly in consultancy fee and advertising and promotional expenses, which have seen significant growth. Facing intense competition within the industry, the Group has invested more resources during the year ended 31 December 2024 in consultancy fee and advertising and promotional expenses to enhance its brand image and competitiveness.

Set out below is the breakdown of the main operating expenses for the years ended 31 December 2024 and 2023.

	2024	2023	%
	RMB million	RMB million	+/–
Utilities	**91.2**	82.4	+10.7%
Store and factory management fee	**59.4**	62.4	-4.8%
Service charges for delivery platforms	**56.9**	57.6	-1.2%
Consumables & utensils	**47.8**	42.0	+13.8%
Rental expenses under short-term lease	**12.9**	29.1	-55.7%
Rental expenses under variable lease payment	**21.7**	27.2	-20.2%
Logistics expenses	**26.4**	26.4	–
Franchise expenses	**22.2**	22.2	–
Advertising and promotions	**21.0**	13.6	+54.4%
Travelling expenses	**7.0**	6.8	+2.9%
Repairment and maintenance expenses	**5.1**	5.2	-1.9%
Bank charges on credit card payment	**5.2**	4.8	+8.3%
Auditors' remuneration	**3.1**	3.1	–
Cleaning expenses	**2.5**	2.5	–
Consultancy fee	**18.3**	2.0	+815%

Other income

For the year ended 31 December 2024, the Group's other income decreased by approximately 19.0% or approximately RMB20,861,000 to approximately RMB88,981,000 from approximately RMB109,842,000 for the corresponding period in 2023.

This decrease in other income was primarily due to a reduction in government grants from local district authorities in Mainland China, as well as a decline in waived franchise commissions following the pandemic.

Other gains and losses

For the year ended 31 December 2024, the Group recognised net other losses of approximately RMB131,500,000 (2023: net other gains of approximately RMB32,663,000). The shift from net other gains to net other losses was primarily due to the fair value loss on investment properties.

The significant decline in the fair value of investment properties was primarily due to the challenging economic environment in Mainland China and Hong Kong, coupled with unfavorable property market conditions during the year. Slower economic growth, weakened investor confidence, and reduced demand in the property markets drove the drop in property valuations, resulting in a larger fair value loss being recorded.

Finance costs

For the year ended 31 December 2024, finance costs increased by approximately 17.8% or approximately RMB3,415,000 to approximately RMB22,593,000 from approximately RMB19,178,000 for the corresponding period in 2023. Interest on lease liabilities increased, while interest on borrowings decreased during the year.

The increase in interest on lease liabilities was due to the rise in the number of shops, whereas the decrease in interest on borrowings resulted from a reduction in the loan balance during the year.

(Loss) profit before tax

Being affected by the factors referred to above, the Group recorded a loss before tax of approximately RMB50,132,000 for the year ended 31 December 2024 (31 December 2023: a profit before tax of approximately RMB247,875,000).

(Loss) profit attributable to owners of the Company

Being affected by the factors referred to above, the loss attributable to owners of the Company for the year ended 31 December 2024 amounted to approximately RMB20,224,000 (31 December 2023: profit of approximately RMB181,188,000).

Investments

The Group maintained an investment portfolio, which is categorized into three types based on its accounting treatment:

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

The following table shows the breakdown of the major investments:

Financial assets at FVTPL, net of financial liabilities at FVTPL

	31 December 2024	31 December 2023	Initial investment cost
	RMB'000	RMB'000	RMB'000
Hezhi	**72,281**	75,509	99,120
Jialan Jiahua Fund	**20,000**	20,000	20,000
Jiahua Anyuan Fund	**13,254**	13,254	50,000
Reverse repurchase treasury bond	**10,000**	–	10,000
Others	**10,000**	11,143	16,907
Wealth management product	**–**	25,031	25,031
Yunxi	**–**	3,834	60,000
	125,535	148,771	281,058

Financial assets at FVTPL represented the unlisted equity investments and fund investments. The Group engaged an independent qualified professional valuer to access the valuation.

Interests in associates

	31 December 2024	31 December 2023	Initial investment cost
	RMB'000	RMB'000	RMB'000
Jiangsu Hong Xuan Ecological Agriculture Company Limited	**–**	–	43,354
Yunnex Inc.	**–**	–	64,791
Others	**35,763**	43,110	53,196
	35,763	43,110	161,341

In view of the poor performance of certain associates, the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount accordingly.

Interest in a joint venture

	31 December 2024	31 December 2023	Initial investment cost
	RMB'000	RMB'000	RMB'000
Beijing Feicui Jinghua & Restaurant Management Co., Ltd	**8,593**	7,820	12,858

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

Risk Management

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2024 remained healthy and strong, with bank balances amounting to approximately RMB1,655,833,000 (31 December 2023: approximately RMB1,607,635,000) and a current ratio of 3.7 (31 December 2023: 4.1).

As at 31 December 2024, the Group had bank borrowings of approximately RMB34,609,000 (31 December 2023: approximately RMB37,484,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 0.9% (31 December 2023: 0.9%).

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 2024 and 31 December 2023 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Interest rate risk

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

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables and bank balances and cash, included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's financial assets. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or by using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. As of 31 December 2024 and 31 December 2023, all of the bank balances were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in Mainland China and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

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

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

Contingent liabilities

As of 31 December 2024, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,367,091,000 and the current ratio was 3.7 as at 31 December 2024 (31 December 2023: 4.1). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio.

Cash flows

Cash generated from operations for the year ended 31 December 2024 was approximately RMB448,818,000, while the Group recorded loss before taxation for the same period was approximately RMB50,132,000. The difference was due to the non-cash items, mainly fair value movements on the investment properties and financial assets and financial liabilities at FVTPL and depreciation of property, plant and equipment and right-of use assets.

Capital expenditure

For the year ended 31 December 2024, the Group's capital expenditure was approximately RMB98,564,000 (2023: approximately RMB65,566,000). With careful site selection, the Group will gradually increase capital expenditure to expand into promising new locations and upgrade restaurant equipment and facilities, thereby improving operational efficiency, service quality, and brand competitiveness.

Introduction

The board (the "Board") of directors (the "Directors") and the senior management (the "Management") of the Company recognize that sound corporate governance practices are crucial to the efficient operation of the Group and the safeguarding of our shareholders' interests. The Board believes that good corporate governance principles ensuring ethical business integrity, sustainable economic, environmental, and social development will enable the Group's stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs, enhance corporate value as well as formulate its business strategies & policies. In this regard, the Board emphasizes on transparency, accountability and independence in order to enhance our long-term shareholders' return.

Corporate Governance Practices

The Company has, throughout the year ended 31 December 2024, adopted the Corporate Governance Code (the "Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.2.1, the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e. the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the Management given the appropriate delegation of the power of the Board and the effective functions of the Independent Non-executive Directors (the "INEDs") (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard (the "Required Standard") of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules.

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

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2024.

DISCLOSURE OF INSIDE INFORMATION

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

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

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

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

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

Anti-corruption

At the employees' level as well as the suppliers' level, the Group strictly complies with the state laws and regulations and has formulated internal anti-corruption guidelines. For details, please refer to the Environmental, Social and Governance Report on page 45 of this annual report.

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

The Board of Directors

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

To ensure effective supervision and proper guidance of the Management, the Board considers and approves 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. While the daily management, administration, and operation of the Group are delegated to the Company's management, the Board provides clear directions and guidance regarding the management's powers and the circumstances under which it must report to the Board, as well as ensuring that their performance is efficient.

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

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

Composition

The Board currently consists of eight Directors as follows:

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

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

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

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

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

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

Independent Non-Executive Directors

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

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

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

The Company has received an annual confirmation from each of the INEDs, namely Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Ho Pak Chuen Brian in respect of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of them are independent.

Board Independence

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

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

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

Delegation by the Board

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

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

(i) approving annual operating budget of the Group;

(ii) approving connected transactions;

(iii) approving mergers and acquisitions;

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

(v) approving corporate guarantee;

(vi) approving internal control policy;

(vii) approving financial results announcements; and

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

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

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

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

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

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

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

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

Corporate Governance Function

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

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

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

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

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

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

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

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

Chairman and Chief Executive Officer ("CEO")

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

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

Mr. Yew Yat On, Mr. Jen Shek Voon and Mr. Lo Peter shall retire or hold office until the forthcoming AGM and being eligible, shall offer themselves for re-election at the forthcoming AGM.

Induction and Continuing Professional Development of Directors

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

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

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2024 is as follows:

Name of Directors	Nature of continuous professional development programmes
Executive Directors	
Ms. Poon Wai	A
Mr. Poon Ka Man, Jason	A
Ms. Ng Minna	A
Non-Executive Directors	
Mr. Katsuaki Shigemitsu	A
Mr. Yew Yat On	A
INEDs	
Mr. Jen Shek Voon	A
Mr. Lo Peter	A
Mr. Ho Pak Chuen Brian	A

Note:

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

Supply of and Access to Information

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

Board Meetings

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

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

During the year ended 31 December 2024, the Board convened a total of four meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings and the general meetings of the Company is set out below:

Name of Directors	Board Meetings Attended/Eligible to Attend	General meetings Attended/ Number of meeting(s) held
Executive Directors		
Ms. Poon Wai	4/4	2/2
Mr. Poon Ka Man, Jason	4/4	2/2
Ms. Ng Minna	4/4	1/2
Non-Executive Directors		
Mr. Katsuaki Shigemitsu	4/4	1/2
Mr. Yew Yat On	3/4	0/2
INEDs		
Mr. Lo Peter	4/4	1/2
Mr. Jen Shek Voon	4/4	1/2
*Mr. Ho Pak Chuen Brian	3/3	2/2

* Mr. Ho Pak Chuen Brian was appointed on 5 April 2024.

Independent Board Committee

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

Board Committees

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

Executive Committee

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

Currently, the Executive Committee comprises three members as follows:

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

There were two Executive Committee meetings held during the year ended 31 December 2024. Attendance of each Executive Committee member at the Executive Committee Meetings is set out below:

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

Remuneration Committee

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

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

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

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

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

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

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

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

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

Currently, the Remuneration Committee comprises three members as follows:

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

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

During the year ended 31 December 2024, the Remuneration Committee convened one committee meeting. Attendance of each Remuneration Committee member is set out below:

Name of Members	**Remuneration Committee Meeting Attended/ Number of meeting(s) held**
Mr. Jen Shek Voon	1/1
Mr. Lo Peter	1/1
Mr. Ho Pak Chuen Brian (appointed on 5 April 2024)	1/1

The Remuneration Committee discussed and reviewed the remuneration policy and packages for Directors and senior management during the meeting, including the remuneration package and term of appointment for the newly appointed independent non-executive director.

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

Nomination Committee

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

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

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

(iii) to assess the independence of INEDs; and

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

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

Nomination Policy

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

Selection Criteria

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

(a) reputation for integrity;

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

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

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

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

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

Nomination Procedures

A. Appointment of New Director

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

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

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

B. Re-election of Director

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

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

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

Disclosure of the Policy

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

Review of the Policy

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

Currently, the Nomination Committee comprises three members as follows:

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

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

During the year ended 31 December 2024, the Nomination Committee convened one committee meeting to assess the independence of INEDs, consider 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. Additionally, the Nomination Committee reviewed the biographies of the potential independent non-executive directors to ensure alignment with the Company's selection criteria and policies for filling the casual vacancy resulting from Mr. Wang Jincheng's resignation, and made a recommendation to the Board regarding the appointment and related matters. We have conducted board evaluation annually. A board range of areas have been assessed including board composition, succession planning, sufficiency and effectiveness of the board committees, board effectiveness to ensure independent views and input are available to the Board.

The Board is committed to review its own performance and effectiveness at regular in intervals. The last evaluation was conducted in 27 March 2025.

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

Name of Members	Nomination Committee Meeting Attended/ Number of meeting(s) held
Mr. Ho Pak Cheuen Brian (appointed on 5 April 2024)	1/1
Mr. Lo Peter	1/1
Mr. Jen Shek Voon	1/1

Board Diversity Policy

On 2 December 2014, the Board adopted a board diversity policy (the "Board Diversity Policy") to enhance the effectiveness of the Board and to maintain high standard of corporate governance. Under the Board Diversity Policy, the Nomination Committee will monitor the implementation of the Board Diversity Policy and give adequate consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, length of service, skills, knowledge and industry experience. The selection of potential candidate will be based on the potential contributions that the potential candidate can bring to the Board, having due regard to the benefits of diversity on the Board without focusing on a single diversity aspect. As at the date of this annual report, the Board consists of two female and six male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory. The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. As at 31 December 2024, among the eight directors of the Group, two are female.

As at 31 December 2024, approximately 65% of total workforce of the Group are female and 35% of the total workforce of the Group are male, The gender ratio of female to male in the workforce of the Group including senior management and other employees was approximately 65:35.

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2024, the Audit Committee convened two committee meetings. Attendance of each Audit Committee member at the Audit Committee meetings is set out below:

Name of Members	Audit Committee Meetings Attended/ Number of meeting(s) held
Mr. Jen Shek Voon	2/2
Mr. Lo Peter	2/2
Mr. Ho Pak Chuen Brian (appointed on 5 April 2024).	2/2
Mr. Wang Jincheng (resigned on 5 January 2024)	–

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor for the year 2025, which is subject to the approval of shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2024 and annual results for the year ended 31 December 2024 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

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

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

- the Management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

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

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

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

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

During the Reporting Period, the Audit Committee had discussions with the Management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

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

Whistle-Blowing Policy

The Whistle-Blowing Policy (the "WBP") was set up on 17 April 2009 and updated on 27 March 2024. The WBP aims to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing in good faith. For details, please refer to the Environmental, Social and Governance Report on page 46 of this annual report.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group throughout the year ended 31 December 2024 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.

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 2024, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgements and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy, the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

The auditor's statement about their reporting responsibilities on the financial statements is set out on pages 78 to 79 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 2024 was approximately as follows:

Type of Services	**Fee paid/payable** *(RMB'000)*
Audit	3,100
Non-audit services *(Note)*	1,600
Total:	4,700

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

Company Secretary

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged Ms. Cheung Lai Ha ("Ms. Cheung"), a representative of Computershare Hong Kong Investor Services Limited (a company secretarial services provider), as its company secretary. Ms. Cheung resigned from her position as company secretary on 27 March 2025 due to her departure from Computershare Hong Kong Investor Services Limited, and Mr. Ng Tung Ching Raphael ("Mr. Ng") was appointed as the new company secretary on the same date. The primary contact person for the Company is Mr. Poon Ka Man, Jason, the Executive Director.

During the year ended 31 December 2024, both Ms. Cheung and Mr. Ng has undertaken not less 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 2024 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 2024 AGM held on 13 June 2024 to answer Shareholders' questions. The Company's forthcoming AGM will be held on 20 May 2025 (the "2025 AGM").

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

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

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

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

Closure of register of members

The record date for determining the eligibility of Shareholders (except for holders of treasury shares, if any) to attend and vote at the 2025 AGM is 15 May 2025. The register of members of the Company will be closed from 15 May 2025 to 20 May 2025, both days inclusive, during which period no transfer of shares will be effected.

In addition, the record date for determining the entitlement of Shareholders (except for holders of treasury shares, if any) to the proposed final dividend for the year ended 31 December 2024 is 29 May 2025. The register of members of the Company will be closed from 27 May 2025 to 29 May 2025, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for attending and voting at the 2025 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 14 May 2025 and 26 May 2025 respectively.

Shareholders' Rights

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

All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholders' meeting. At the 2024 AGM, all resolutions were passed by poll by the Shareholders of the Company.

Convening an extraordinary general meeting by Shareholders

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

Dividend Policy

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

The Company is pursuing a healthy and sustainable business development and attaches great importance to generating reasonable investment returns to the Shareholders by declaring and distributing dividends to the Shareholders conservatively.

Principles and Guidelines

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

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

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

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

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

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, there was no amendment made to the Company's constitutional documents. An up-to-date consolidated version of the Memorandum and Articles is available on the websites of the Hong Kong Stock Exchange and the Company.

Looking Forward

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

ABOUT THE REPORT

Ajisen (China) Holdings Limited ("the "Company", together with its subsidiaries, collectively the "Group", "we", "our" or "us") is one of the leading fast casual restaurant chain operators in the People's Republic of China ("Mainland China") and the Hong Kong Special Administrative Region ("Hong Kong"). Adhering to the principles of environmental protection, social responsibility and good corporate governance, the Group hereby presents the 2024 environmental, social and governance report (the "Report"), which elaborates on the implementation of policies, the execution of measures and the performance of the Group in all aspects of environmental, social and governance.

Reporting Scope

The Report covers the Group's business operations in Mainland China and Hong Kong from 1 January 2024 to 31 December 2024 (the "Reporting Period" or "2024"), including operation of restaurants, and manufacture and sales of noodles and related products. Disclosure of ESG policies, practices and relevant laws and regulations is made on the Group-wide basis, while the environmental key performance indicators (KPIs) cover offices in Mainland China and Hong Kong, as well as production bases in Shanghai, Chengdu, Tianjin and Dongguan. The Group is committed to continuously enhancing its data collection system and regularly reviewing and adjusting the scope of disclosure.

Reporting Principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. We strictly adhere to the four core reporting principles in the Guide:

Reporting principles	Definitions and Application
Materiality	The Report focuses on the disclosure of ESG matters that have a material impact on the Group's operations and stakeholders. Through a rigorous assessment process, the Board has identified and determined material issues as key disclosures. The relevant assessment methodology and results are detailed in the section headed "Stakeholder Communication and Materiality Assessment".
Quantitative	To ensure the objectivity and comparability of the Report, the Group has commissioned independent professional advisors to conduct carbon assessments and established a comprehensive data collection system to quantitatively record and present ESG KPIs. We also provide historical data for reference to enable stakeholders to assess the Group's progress in sustainable development.
Balance	The Group upholds the principles of fairness and objectivity in truthfully reporting its ESG performance. The Report covers both achievements and challenges to ensure that stakeholders have a comprehensive understanding of the Group's sustainability status.
Consistency	The Group has adopted consistent methodologies for statistics and disclosures to ensure the comparability of annual data. Any changes will be clearly stated in the Report and, where appropriate, historical data will be restated.

Information Source

The information and data contained in the Report are all sourced from the Group's official documents, records and statistical materials. The Group has established a sound information management mechanism to ensure the accuracy and reliability of all reported data. The Board reviewed and approved the Report on 27 March 2025.

Feedback

The Group attaches great importance to the opinions of stakeholders and regards them as an important driving force for continuous improvement. If you have any opinions or enquiries about the contents of the Report or the Group's ESG performance, please feel free to contact us at jennifer.zeng@ajisen.net.

ESG MANAGEMENT

The Board of Directors of the Group (the "Board") is fully responsible for overseeing the management of environmental, social and governance ("ESG") matters. The Board recognises the importance of ESG to the Group's corporate value and long-term sustainable development, and assumes the following main responsibilities:

- Formulate and approve ESG management policies, strategies and objectives
- Regularly assess and review ESG-related risks and opportunities
- Monitor the implementation of ESG policies and the performance in this regard
- Ensure the effectiveness of the ESG management system

The Board has set up an ESG working group to coordinate the implementation of ESG initiatives by various departments and report to the Board on the progress of their work on a regular basis. The working group maintains close communication with various stakeholders to collect feedback and continuously improve the Group's ESG performance.

Looking ahead, the Group will further optimise its ESG management structure, formulate specific sustainability goals and action plans, actively respond to the expectations of stakeholders, and contribute to the realisation of sustainable development.

Risk and Compliance Management

The Group has a well-established risk management and internal control framework, and the Board takes full responsibility for continuous monitoring and annual review to ensure the effective operation of the system. The audit committee assists the Board in conducting the relevant review, while the management is responsible for implementing appropriate measures to address the key operational risks. The heads of each operating unit and department carry out risk identification and mitigation in accordance with internal guidelines. After a comprehensive review during the Reporting Period, the Board confirmed that the existing risk management and internal control systems were fully effective in operation. In order to strengthen risk management in the ESG area, the Group will continue to optimise the relevant systems and fully integrate ESG factors. For details of internal control and risk management, please refer to the section headed "Corporate Governance Report".

As an organisation committed to corporate responsibility, the Group strictly complies with the laws and regulations of the regions in which it operates. We are well aware that any non-compliance may lead to legal sanctions, regulatory penalties and reputational damage, and we have established a comprehensive compliance operation system and internal control mechanism that all employees are required to strictly adhere to. During the Reporting Period, the Group did not have any known material ESG breaches and was not involved in any concluded corruption litigation cases.

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

STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT

The Group recognises the importance of stakeholder engagement in its sustainability strategy. We have established a comprehensive stakeholder communication mechanism to maintain regular dialogue with various stakeholders through diversified channels to actively understand and respond to their key concerns.

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

To ensure the effectiveness of its ESG efforts, the Group commissioned an independent adviser to conduct a comprehensive materiality assessment during the Reporting Period. During the assessment process, we identified 21 ESG issues related to the Group and conducted a Board questionnaire to determine the materiality of each topic from two dimensions of corporate value impact and ESG impact.

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

Looking ahead, the Group will further expand the scope of stakeholder engagement and plan to extend the questionnaire survey to a wider range of internal and external stakeholder groups. This will enable us to better understand the views of various stakeholders on ESG topics and comprehensively assess the relevant risks and opportunities, so as to lay a more solid foundation for the sustainable development of the Group.

ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT

The Group is well aware of the potential impact of its business operations on the environment and natural resources, and is committed to actively reducing the environmental footprint of its operations through the implementation of green and low-carbon production and office practices. As a responsible corporate citizen, we strictly abide by environmental laws and regulations, comprehensively prevent and control the discharge of various pollutants, and continuously optimise the efficiency of resource use. The Group has formulated a sound environmental protection policy, which all employees are required to strictly implement, and actively promotes environmental protection concepts to stakeholders to jointly build a sustainable future. We have established a systematic environmental assessment mechanism to regularly review the impact of major environmental issues and relevant regulations on our business operations.

In order to continuously improve its environmental performance, the Group has established a comprehensive environmental performance monitoring and disclosure mechanism, regularly identifies opportunities for improvement and sets corresponding environmental targets. Detailed environmental performance data for the Reporting Period is set out in the "Environmental Performance"[1] in the Appendix. We are pleased to report that our "Ajisen Ramen" brand has been awarded the "Green Restaurant" by the Shanghai Restaurants Cuisine Association in recognition of our continuous efforts in environmental protection and low-carbon operations.

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

We plan to measure and disclose our environmental performance on a regular basis to identify opportunities to improve our environmental performance and to progressively set environmental targets in the future to promote sustainable development. For details of the Group's environmental performance during the Reporting Period, please refer to the section headed "Environmental Performance" in the Appendix.

Emissions Management

Air pollutants and greenhouse gas emissions

The Group has taken comprehensive measures to manage and reduce air pollutants and greenhouse gas emissions from its business operations. In terms of energy management, we have implemented a district lighting control system at our Shanghai headquarters, Hong Kong branch, production bases and stores, and adopted energy-saving and environmentally friendly electrical appliances and cooking equipment to effectively reduce energy consumption. In order to reduce exhaust emissions, we have installed oil fume purifying equipment with automatic degreasing function in kitchen ventilators, and at the same time ensure that the oil fume and exhaust gas generated during the baking process are purified and treated by professional purification devices. At our production bases, we use light diesel as boiler fuel to reduce the emission intensity.

In its daily operations, the Group actively promotes environmental protection measures, including implementing a paperless office policy, encouraging double-sided paper utilisation and waste paper reuse, and advocating employees to make good use of various resources. In addition, we also encourage employees to make full use of communication systems for business communication to reduce unnecessary business trips, thereby further reducing the carbon footprint.

During the Reporting Period, the Group's motor vehicle transportation activities generated air pollutant emissions, of which the emissions of nitrogen oxides, sulfur oxides and respirable suspended particulate matter were 2,001.88 kilograms, 223.96 kilograms and 184.33 kilograms, respectively. Overall, the Group's air pollutant emissions increased significantly compared to last year, mainly due to the inclusion of the gas consumption of the production workshop in Hong Kong and the fuel consumption of its logistics fleet this year.

In terms of greenhouse gas emissions, the Group's business activities generate a total of 14,726.64 tonnes of CO_2 equivalent, and the corresponding emission intensity is 1.89 tonnes of CO_2 equivalent per employee.

Hazardous and non-hazardous wastes

The Group has been committed to reducing waste generation and enhancing the efficiency of waste management. We implement the 4R environmental protection principles in our daily operations, including Reduction, Reuse, Replacement and Recycling. All waste is collected and disposed of in strict compliance with relevant laws and regulations. To further implement the concept of environmental protection, our production bases actively participate in the waste oil recycling scheme to ensure that the waste oil is properly disposed of and converted into renewable energy by qualified recyclers, fully demonstrating the concept of circular economy.

During the Reporting Period, the Group's waste management performance remained stable. The amount of hazardous waste generated is 0.70 tonnes, mainly including heavy metal waste and waste mineral oil. Such hazardous wastes are disposed of in strict compliance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and are handed over to professional qualified third-party organisations for harmless disposal. In terms of non-hazardous waste, the Group generated a total of 839.88 tonnes, mainly general solid wastes such as food waste, scrap metal, general domestic and production waste, and general sludge. Such non-hazardous wastes are professionally disposed of by qualified recyclers to ensure that resources are properly recycled.

Wastewater

The Group is committed to ensuring the sustainable use of water resources and strictly complies with national standards in wastewater management, including the Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T31962-2015) and the Discharge Standards for Water Pollutants for Meat Packing Industry (GB13457-92). We use our own sewage treatment facilities to carry out preliminary treatment of various types of operating wastewater, including raw material cleaning water, filter pressing water, equipment cleaning water and floor cleaning water. After being treated to meet the standards, the wastewater is discharged together with domestic sewage into the municipal water pipe network for further treatment. According to statistics, the Group's total sewage discharge during the Reporting Period was 35,278.00 tonnes.

Use of Resources

The Group attaches great importance to the efficient use of resources and is committed to reducing waste to minimise the environmental impact of its operations. We have put in place comprehensive environmental protection measures that all employees are required to abide by to ensure that resources are used appropriately and efficiently at all operation sites. For specific measures, please refer to the section headed"Emissions Management".

Energy

In terms of energy management, the Group's energy usage during the Reporting Period was as follows: total energy consumption was 25,853.23 MWh, and the energy consumption intensity was 3.31 MWh per employee. Our energy mix includes both direct energy (natural gas) and indirect energy (purchased electricity and gas). As the environmental data for this year covers the gas consumption of the production workshop in Hong Kong and the fuel consumption of its logistics fleet, the Group's direct energy consumption during the year is higher than that of last year. For detailed data, please refer to the environmental performance table in the Appendix to the Report.

Water

In terms of water management, the Group's business operations require a large amount of water, mainly sourced from municipal water supply, which provides a stable and sufficient supply. In order to improve water efficiency, we have equipped the workshops at our production bases with advanced cooling water recycling systems to realise the recycling of water used for product cooling. During the Reporting Period, the Group's total water consumption was 130,612.00 cubic meters, and the water consumption density was 16.74 cubic meters per employee. It is worth noting that since there is no separate water meter installed in the Hong Kong office, the relevant water consumption data cannot be counted for the time being. The Group continues to promote water conservation awareness, and pledges to further improve water efficiency and ensure the sustainable use of water resources by strengthening water management and formulating relevant measures.

Packaging materials

In terms of the use of packaging materials, during the Reporting Period, the Group used a total of 351.00 tonnes of packaging materials in the production of packaged noodles, and the density of packaging materials reached 0.20 tonnes per RMB million. Our packaging materials mainly include plastic bags, cartons, tableware, takeaway bags, drink cups and other necessary supplies.

The Group is well aware of the impact of its business activities on the environment and natural resources, and therefore actively promotes a green and low-carbon development strategy. We regularly review and update our environmental technologies and equipment to continuously improve our emissions management and resource efficiency. Based on the results of the environmental assessment, the Group is committed to exploring and implementing innovative environmental protection measures to balance economic development and environmental protection. We optimise our resource recycling and reuse solutions, increase the proportion of environmentally friendly products, and actively participate in environmental protection activities. In addition, the Group has fully fulfilled its corporate social responsibility in sustainable development by strengthening its cooperative relationship with various stakeholders to promote green supply chain management and provide customers with more environmentally friendly products and services.

Climate Change

The Group attaches great importance to the profound impact of climate change on the global economy and corporate operations. To perform our corporate social responsibility, we actively implement a comprehensive environmental protection strategy, including a systematic greenhouse gas reduction plan, the application of innovative energy-saving technologies, and a sound resource management system. The Group is committed to reducing the carbon footprint of its operations by optimising its production processes and enhancing energy efficiency. Meanwhile, we have established a sound waste management system to ensure that resources are recycled to the greatest extent.

In response to the continuous attention from all sectors of society to corporate climate risk management, the Group is now in the process of formulating a comprehensive climate change response strategy. We will conduct systematic climate risk assessments in accordance with international standards and establish a sound risk management mechanism to effectively identify and respond to climate-related challenges and opportunities. By strengthening its climate resilience, the Group is committed to making a positive contribution to the mitigation of global climate change.

PEOPLE-ORIENTED

Employment Management

As a responsible employer, the Group has always adhered to the people-oriented philosophy and attaches great importance to safeguarding employees' welfare and rights. We have established a sound employment management system, including the Human Resources Policy, the Employee Handbook and other core policy documents. The Group is committed to safeguarding the rights and interests of employees in an all-round way, covering various aspects such as remuneration and benefits, career development, working conditions, leave system, equal opportunities, diversity and inclusion. Through regular review and enhancement of relevant policies and measures, we continue to strengthen our employment management standards to ensure compliance with the latest labour laws and regulations.

Recruitment, Promotion and Dismissal

The Group adheres to the principle of fair and equitable talent recruitment, and selects suitable talents through a sound recruitment process and assessment mechanism. In accordance with the recruitment process set out in the Human Resources Policy, the Group comprehensively considers various objective factors such as applicants' academic qualifications, professional experience and professional ethics to ensure the fairness of the talent selection process. In order to achieve effective management and development of talents, the Group has established a comprehensive performance appraisal system to regularly review the performance and development potential of employees, and use the result as an important basis for promotion and salary adjustment. In terms of resignation management, the Group strictly follows the standard procedures set out in the Employee Handbook, and ensures that all resignation and dismissal arrangements comply with the requirements of relevant laws and regulations, so as to fully protect the rights and interests of both employers and employees.

Compensation and other welfare and benefits

The Group has established a comprehensive and competitive remuneration system, aiming to enhance employees' motivation and maintain a competitive edge in the market. We regularly review and adjust the Office Operating Salary Structure in accordance with the Company's operating conditions, market salary levels, industry standards and relevant government guidelines. Employees' remuneration packages, including basic salary, year-end bonuses and other benefits, are adjusted accordingly based on the results of performance appraisals. In addition, the Group provides a complete employee benefits scheme, covering various areas such as medical insurance, pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and mandatory provident fund.

In order to promote team cohesion and enhance employees' sense of belonging, the Group regularly organises a variety of corporate culture activities. These activities include the monthly recognition of cultural outstanding employees, employees' birthday celebrations, outdoor team-building activities, traditional festival gatherings, etc., which effectively enrich the leisure time of employees and create a harmonious and inclusive corporate culture atmosphere.

Working hours and holidays

The Group is committed to the reasonable arrangement of employees' working hours and has clearly set out the working hours arrangement in the Employee Handbook and employment contracts. We provide employees with a comprehensive holiday benefit system, including statutory holidays, paid annual leave, sick leave, marriage and funeral leave, maternity leave, etc. The Group implements a standard working hours system, and in case of overtime work under special circumstances, employees must apply to their superiors and be reviewed by the Human Resources Department to ensure the standardisation and legality of working time management.

Equal opportunity, diversity and anti-discrimination

The Group upholds the values of fairness, justice, openness and inclusiveness, and is committed to creating a diverse and inclusive working environment. We strictly enforce our anti-discrimination policy and prohibit discrimination in the respect of gender, race, religion, ethnicity, age, disability, etc. In terms of human resources management, the Group ensures that all employees enjoy equal opportunities in all aspects such as recruitment, training, promotion and work allocation.

To promote the development of workplace diversity, the Group actively pays attention to and responds to the different backgrounds and needs of employees, ensuring that every employee can give full play to their strengths and achieve career development. Through cooperation with the Selective Placement Division of the Labour Department, we take the initiative to provide employment opportunities for people with disabilities. At the corporate governance level, the Group implements a policy on the diversity of the Board, whereby we, when selecting candidates, not only consider their potential contributions to the Board, but also attach great importance to their positive impact on the diverse composition of the Board.

Eliminate child or forced labour

The Group strictly complies with employment-related laws and regulations, and prohibits the employment of child labour and forced labour. During the recruitment process, we require all applicants to provide valid identification documents to verify age eligibility. In order to protect the rights and interests of both employers and employees, the Group has signed a formal employment contract with each employee, which clearly regulates the rights and obligations of employees and the departments they work for, ensuring that the employment relationship is established on a voluntary and legal basis. Once any violation of the provisions on the prevention of child labour and forced labour is discovered, the Group will take appropriate legal and administrative measures in accordance with the law, including reporting to the relevant government departments and assuming corresponding compensation liability.

As at the end of the Reporting Period, the Group had a total of 7,396 employees, mainly working in the core business areas including operation of restaurants, and manufacture and sales of noodles and related products. Detailed employee profiles, turnover and other relevant data are set out in the section headed "Social Performance" in the Appendix to the Report.

Health and Safety

The Group attaches great importance to the physical and mental health of its employees and is committed to creating a healthy and safe working environment. By continuously reviewing and assessing existing and potential health and safety risks in the workplace, we have developed a sound occupational hazard protection policy. In order to ensure the effective implementation of the policy, the Group has established a robust safety management system, including the formulation of regulatory documents such as the Employee Handbook, the Code of Occupational Safety and Health and the Work Safety Instruction, which provide clear safety guidelines for various workplaces. For high-risk positions, we have strengthened our safety management measures, including regularly updating operation guidelines and providing professional training, so as to prevent work-related accidents.

In terms of cultivating occupational safety awareness, the Group adopts diverse training and advocacy methods to ensure that all employees fully understand and strictly comply with various safety regulations. We regularly organise production safety training to strengthen employees' safety awareness and operational skills. At the same time, the Group provides employees with a comprehensive health protection plan, including pre-employment medical examination and complete employer's liability insurance. During the Reporting Period, the Group recorded 105 work-related accidents, the main types of which included scalds, bruises, falls, cuts and traffic accidents during commuting, with a work-related injury rate of 14.2 per 1,000 employees and a total of 553 lost working days. In response to these situations, the Group has further strengthened the construction and advocacy of the occupational safety and health management system.

Development and Training

The Group regards talent cultivation and development as an important cornerstone for building long-term competitiveness. In order to ensure that our employees can effectively perform their duties and improve their work efficiency, we continuously invest resources in improving the professional skills and comprehensive quality of our employees. Based on the business development plan, talent requirements, comprehensive quality and career development intentions of employees, the Group has formulated a comprehensive annual training plan, a training and development system, and a mid-level and senior talent reserve strategy. These measures are taken with the aim of nurturing talented people and promoting the continuous progress of the Group's business.

Types of training	Examples of training activities	Purpose
Orientation training	Basic Hygiene Instructions for New Employees, Food Safety and ISO 22000 Basics	To help employees better understand the Group's policies and corporate culture, and master the necessary skills and knowledge to adapt to work as soon as possible
New product training	Face-to-face job skills training for new products	To ensure that employees understand the latest product information, and at the same time meet their different development needs, and improve their comprehensive professional capabilities

To support the continuous development of employees, the Group actively encourages employees to participate in external training and continuing education activities, and provides support such as educational funds and subsidies for special government training fees. We have established a sound performance management system to regularly evaluate employees' performance and provide promotion opportunities for outstanding employees. Department heads work together with employees to set annual work goals, and conduct regular performance communication and feedback to ensure that employees receive appropriate guidance and support for their career development.

During the Reporting Period, a total of 9,880 employees of the Group were trained, accounting for 126.62% of the total number of employees, with an average of 50.65 hours of training per employee. Specific data on employee training are set out in the section headed "Social Performance" in Appendix.

RESPONSIBLE OPERATIONS

Supply Chain Management

As a leading company in the catering industry, the Group has always placed supplier management at the core of its business operations and is committed to ensuring excellent quality and safety standards for its products and services. We have established a sound procurement bidding process and supplier performance evaluation and management system to regulate procurement standards and procedures, and ensure that the supplier selection process is fair, open and reasonable. During the supplier admission assessment stage, the Group implements a strict on-site evaluation system and requires suppliers to provide industry qualification certification for corresponding product categories. For existing suppliers in cooperation, we continue to conduct regular and irregular on-site inspections and reviews, and take measures such as terminating cooperation with suppliers who do not meet the standards.

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

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

In terms of supply chain risk management, the Group deeply integrates the concept of social responsibility into the supply chain management system. We have established long-term strategic cooperative relationships with our suppliers to effectively communicate the Group's vision and requirements for environmental and social responsibility through goal setting, event organisation and training programs. At the same time, we have established a sound supplier supervision mechanism, requiring suppliers to conduct regular self-assessment of environmental and social responsibility performance, and implement corresponding improvement plans.

The Group actively promotes the green procurement strategy by holding seminars and training activities on environmental protection to encourage suppliers to adopt environmentally friendly materials and promote the concept of resource conservation and recycling. We have set up an annual supplier appraisal and reward mechanism to recognise partners with outstanding performance in environmental protection.

Looking ahead, the Group will continue to optimise the supply chain data collection system, strengthen the disclosure of relevant information, and further improve the supply chain environmental and social risk assessment mechanism. We will prioritise the procurement of environmentally friendly products and services, and work with our suppliers to achieve sustainable development goals.

Product Responsibility

Adhering to the highest standards of product responsibility management, the Group is committed to ensuring that its products and services achieve excellence in quality, health and safety, advertising, labelling and privacy protection, so as to meet the needs of customers and exceed their expectations.

Quality control

The Group regards food safety as the top priority of its operations. We implement a comprehensive quality management system, strictly regulating every step from raw material procurement to final distribution. Through a scientific and systematic management model, we integrate large-scale procurement, standardised operations, and intensive production, and establish a complete cold chain production and distribution network with the production base as the core. In addition, we make full use of modern technology to ensure production efficiency and product consistency, as well as the safety of food materials in the process of processing, outbound, logistics and distribution, so as to continuously provide customers with safe and high-quality food and beverage products.

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

Intelligent Tracking for Quality Assurance: Building Intelligent Tracking for Food Safety Management Across the Entire Chain

The Group has established a complete product traceability and tracking system in active compliance with food safety regulatory requirements and. We use the CTTIC Global Traceability Cloud Platform and implement a "one bag, one code" tracking mechanism, which enables comprehensive tracking of every step from raw material procurement to the production process and until the store receives the products. This system not only helps to enhance internal control, but also effectively addresses external doubts and is recognised by government regulators.

In addition, we strictly adhere to the requirements of the Shanghai Food Safety Information Traceability Management Measures. Through the Shanghai Food Safety Information Traceability Platform, we implement information traceability management for the entire process of food production, circulation, and catering services. The traceability scope covers ten categories of foods and edible agricultural products, ranging from grains, livestock products to aquatic products, fully demonstrating the Group's great attention and responsibility for food safety.

Realise the standardised production of bone soup through integrated production mode

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

During the Reporting Period, the Group did not identify any large batches of products that required recall for safety and health reasons.

Customer service

Adhering to the customer-oriented service philosophy, the Group has established various customer communication channels with an aim to maintain close contact with customers. We have a dedicated customer service hotline to actively receive and address customer feedback, which can be translated into motivation for continuous improvement of service quality. The Group has put in place a sound customer complaint handling mechanism to ensure that the relevant departments can respond to and follow up on each case promptly and report the handling progress to customers in a timely manner, reflecting our emphasis on service commitments.

In 2024, the Group received a total of 390 cases of customer enquiries and complaints, all of which were largely satisfactorily resolved, fully demonstrating our efficient complaint handling capabilities and customer-oriented service attitude.

Customer privacy and intellectual property rights

The Group attaches great importance to the protection of customer privacy and intellectual property rights. To ensure the effective operation of our information security management system, we have implemented a comprehensive cyber security strategy, including the deployment of advanced network firewalls and anti-virus systems, as well as the establishment of a sound server security management mechanism. In terms of data management, we adopt a systematic classification and storage solution and regularly perform backup procedures for important data. In addition, we implement strict login permission control, regularly update system software, and continuously optimise the security management system of the computer room. In order to further strengthen the confidentiality of information, the Group clearly stipulates that all employees must strictly abide by the confidentiality agreement, and it is strictly prohibited to disclose any customer information, business data or intellectual property-related information to third parties without authorisation.

Advertising and labelling

The Group attaches great importance to the protection of consumer rights and interests and strives to ensure the accurate transmission of product information. In terms of dissemination of corporate and product information, we strictly comply with relevant national laws and regulations, and carry out prudent and reasonable advertising activities based on consumer needs. In order to standardise the management of advertisements and labels, the Group has specially formulated the guidelines for the Labelling and Identification of Ajisen Raw Materials, which aims to ensure that all advertisements and labels not only meet the requirements of authenticity, accuracy and legality, but also effectively and clearly convey relevant information to consumers.

Anti-corruption

The Group adheres to the highest standards of business integrity and adopts a zero-tolerance attitude towards any form of corruption or unethical behavior. We have established a comprehensive anti-corruption management system to strictly comply with relevant laws and regulations, and have developed sound internal policies and measures. The Employee Handbook regulates the code of conduct for employees in detail, explicitly prohibiting any form of bribery, improper transfer of benefits and conflicts of interest. All employees are required to sign the form for

Declaration of Receipt of Gifts/Gains upon onboarding to ensure that they fully understand the relevant requirements.

In order to strengthen confidentiality management and maintain a fair competitive environment, the Group strictly regulates the use and disclosure of customer and supplier information. We regularly conduct anti-corruption training and integrity education activities to continuously enhance the compliance awareness of employees and suppliers. During the year, although the Group did not conduct formal anti-corruption training, it strengthened the advocacy of anti-corruption policies and compliance requirements in its daily operations to ensure that all management and staff had sufficient understanding of relevant information.

The Group has put in place a well-established whistleblowing mechanism to encourage employees to report any suspected misconduct through confidential channels. We pledge to protect the rights and interests of whistleblowers to ensure that they are protected from any form of retaliation, and take appropriate investigation and rectification measures in a timely manner. Through the effective implementation of these mechanisms, we are committed to maintaining the Group's culture of integrity and good business ethics.

COMMUNITY INVESTMENT

Upholding the core value of corporate social responsibility, the Group is committed to creating long-term value for its stakeholders and the communities in which it operates. By deeply understanding the needs of the community and identifying key areas for development, we actively invest in social welfare projects, including various activities such as charitable donations and volunteer services. In recognition of the Group's outstanding performance in community engagement, the Group has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for 13 consecutive years. During the Reporting Period, we carried out several influential community projects, including supporting the Yan Chai Hospital Volunteer Group to carry out the "Love in Action", sponsoring the Flag Days organised by the CSDCU Education Fund, launching the inclusive employment program for the disabled and able-bodied, and actively participating in environmental initiatives such as the Energy Saving Charter 2023.

As a socially responsible corporate citizen, the Group is deeply aware of its important role in social development. We incorporate community interests into the core considerations of corporate decision-making, formulate a comprehensive community investment strategy, and continuously explore innovative social investment solutions. By strengthening in-depth communication and cooperation with various sectors of the community, the Group is committed to establishing closer partnerships, working together to promote sustainable social development, and creating long-term stable value for stakeholders.

APPENDIX

Environmental Performance

Environmental KPIs[2]	Unit	2024	2023
Air pollutant emissions[3]			
Nitrogen oxides	kg	**2,001.88**	813.04
Sulphur oxides	kg	**223.96**	0.37
Respirable suspended particulates	kg	**184.33**	74.39
Greenhouse gas emissions[4][5]			
Scope 1[6] Direct greenhouse gas emissions	tonnes CO_2e	**8,585.78**	8,494.35
Scope 2[7] Energy indirect greenhouse gas emissions	tonnes CO_2e	**6,140.86**	6,137.48
Total greenhouse gas emissions	tonnes CO_2e	**14,726.64**	14,631.83
Greenhouse gas emissions intensity (in terms of number of employees)	tonnes CO_2e per employee	**1.89**	1.98
Hazardous waste			
Total hazardous waste	tonnes	**0.70**	0.00
Hazardous waste intensity (in terms of number of employees)	tonnes per employee	**0.0001**	0.00
Non-hazardous waste[8]			
Total non-hazardous waste	tonnes	**836.52**	387.23
Non-hazardous waste intensity (in terms of number of employees)	tonnes per employee	**0.11**	0.05
Energy			
Direct energy[9]	MWh	**14,117.13**	6,781.54
Indirect energy[10]	MWh	**11,764.38**	10,783.40
Total energy consumption	MWh	**25,853.23**	17,564.94
Energy consumption intensity (in terms of number of employees)	MWh per employee	**3.31**	2.38

2 The number of employees and revenue used in intensity data calculation are consistent with the scope of environmental KPIs.
3 The calculation refers to "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, and emissions are mainly generated from motor vehicles.
4 The Group's air pollutant emissions increased significantly compared to last year, mainly due to the inclusion of the gas consumption of the production workshop in Hong Kong and the fuel consumption of its logistics fleet this year.
5 The calculation and emission factors refer to the "GHG Protocol Tool For Energy Consumption in China (Version 2.1)" published by World Resources Institute, the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Enterprises – Power Generation Facilities (2022 Revision)" issued by the Ministry of Ecology and Environment of the People's Republic of China, the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Industrial and Other Industrial Enterprises" issued by the National Development and Reform Commission of the People's Republic of China, and "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEX.
6 Scope 1 includes direct greenhouse gas emissions from combustion of petrol, liquefied petroleum gas and natural gas in stationary sources and mobile sources.
7 Scope 2 includes energy indirect greenhouse gas emissions from purchased electricity from third parties.
8 The non-hazardous waste generated this year increased compared to last year, mainly due to the relatively large amount of sludge generated at the production base in Shanghai during the year.
9 Includes petrol, petroleum gas and natural gas.
10 Includes purchased electricity.

Environmental KPIs[2]	Unit	2024	2023
Water[11]			
Total water consumption	m^3	**130,612**	131,992.80
Water consumption intensity (in terms of number of employees)	m^3 per employee	**16.74**	17.89
Packaging material			
Total packaging material consumption	tonnes	**351.00**	1,548.00
Packaging material consumption intensity (in terms of revenue)	tonnes per RMB million revenue	**0.20**	0.85

Social Performance

Employee profile[12]		2024		2023	
		Number	**Percentage**	Number	Percentage
Total		**7,803**	**100%**	7,380	100%
Gender	Male	**2,768**	**35.47%**	2,726	36.94%
	Female	**5,035**	**64.53%**	4,654	63.06%
Age	24 or below	**2,277**	**29.18%**	2,030	27.51%
	25-40	**2,575**	**33.00%**	2,658	36.02%
	41-59	**2,798**	**35.86%**	2,556	34.63%
	60 or above	**153**	**1.96%**	136	1.84%
Rank	Senior management	**47**	**0.60%**	52	0.70%
	Middle management	**428**	**5.49%**	270	3.66%
	General staff	**7,328**	**93.91%**	7,058	95.64%
Employment type	Full-time	**3,670**	**47.03%**	3,065	41.53%
	Part-time	**4,133**	**52.97%**	4,315	58.47%
Geographical region	Mainland China	**7,396**	**94.78%**	6,993	94.76%
	Hong Kong, China	**407**	**5.22%**	387	5.24%

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

Employee turnover[13]		2024		2023	
		Number	**Percentage**	Number	Percentage
Total		**9,280**	**100%**	9,912	100%
Gender	Male	**4,075**	**100%**	4,167	100%
	Female	**5,205**	**100%**	5,745	100%
Age	24 or below	**5,542**	**100%**	5,572	100%
	25-40	**1,908**	**74.10%**	2,325	87.47%
	41-59	**1,732**	**61.90%**	1,916	74.96%
	60 or above	**98**	**64.05%**	99	72.79%
Rank	Senior management	**8**	**17.02%**	4	7.69%
	Middle management	**90**	**21.03%**	36	13.33%
	General staff	**9,182**	**100%**	9,872	100%
Geographical region	Mainland China	**8,760**	**100%**	9,329	100%
	Hong Kong, China	**520**	**100%**	583	100%
New employees[14]		**2024**		2023	
		Number	**Percentage**	Number	Percentage
Total		**10,454**	**100%**	10,855	100%
Gender	Male	**4,443**	**100%**	4,614	100%
	Female	**6,011**	**100%**	6,241	100%
Age	24 or below	**6,315**	**100%**	6,372	100%
	25-40	**2,028**	**78.76%**	2,372	89.24%
	41-59	**2,016**	**72.05%**	2,024	79.19%
	60 or above	**95**	**62.09%**	87	63.97%
Rank	Senior management	**8**	**17.02%**	5	9.62%
	Middle management	**77**	**17.99%**	25	9.26%
	General staff	**10,369**	**100%**	10,825	100%
Geographical region	Mainland China	**9,880**	**100%**	10,310	100%
	Hong Kong, China	**574**	**100%**	545	100%

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

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

Occupational health and safety	2024	2023
Number and rate of work-related fatalities	**0, 0%**	0, 0%
Number of work-related injuries	**112**	110
Lost days due to work injury	**553**	97
Rate of work-related injuries (per 1,000 employees)	**14.35**	14.91[15]

Employees trained[16]		2024		2023	
		Number	Percentage	Number	Percentage
Total		**9,880**	**100%**	310	4.20%
Gender	Male	**4,134**	**100%**	121	4.44%
	Female	**5,746**	**100%**	189	4.06%
Rank	Senior management	**0**	**0%**	0	0%
	Middle management	**0**	**0%**	0	0%
	General staff	**9,880**	**100%**	310	4.39%

Average training hours[17] (hours)		2024	2023
Per employee		**50.65**	0.81
Gender	Male	**59.74**	0.86
	Female	**45.65**	0.79
Rank	Senior management	**0.00**	0
	Middle management	**0.00**	0
	General staff	**53.93**	0.85

15 The rate of work-related injuries in 2023 has been restated to ensure consistency with the calculation for this year.

16 Rate of employees trained (percentage) = Number of employees trained of respective category/Total number of employees of respective category at the end of the Reporting Period x 100%.

17 Average employee training hours = Total training hours for employees of respective category/Total number of employees of respective category at the end of the Reporting Period.

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Aspects, General Disclosures and KPIs	Content	Page/Note
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	35-36, 38
A1.1	The types of emissions and respective emissions data.	38, 47
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	38, 47
A1.3	Total hazardous waste produced.	38, 47
A1.4	Total non-hazardous waste produced.	38, 47
A1.5	Description of emissions target(s) set and steps taken to achieve them.	38
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	38
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	39
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	39, 47
A2.2	Water consumption in total and intensity.	39, 48
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	39
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	39
A2.5	Total packaging material used for finished products and with reference to per unit produced.	39, 48

Aspects, General Disclosures and KPIs	Content	Page/Note
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	37-39
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	37-39
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	39
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	39
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	35-36, 40-41
B1.1	Total workforce by gender, employment type, age group and geographical region.	41, 48
B1.2	Employee turnover rate by gender, age group and geographical region.	49
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	35-36, 41
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	41, 50
B2.2	Lost days due to work injury.	41, 50
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	41

Aspects, General Disclosures and KPIs	Content	Page/Note
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	42
B3.1	The percentage of employees trained by gender and employee category.	42, 50
B3.2	The average training hours completed per employee by gender and employee category.	42, 50
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	35-36, 41
B4.1	Description of measures to review employment practices to avoid child and forced labour.	41
B4.2	Description of steps taken to eliminate such practices when discovered.	41
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	42-43
B5.1	Number of suppliers by geographical region.	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	42-43
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	42-43
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	42-43

Aspects, General Disclosures and KPIs	Content	Page/Note
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	35-36, 43-45
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	45
B6.2	Number of products and service related complaints received and how they are dealt with.	45
B6.3	Description of practices relating to observing and protecting intellectual property rights.	45
B6.4	Description of quality assurance process and recall procedures.	43-45
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	45
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	35-36, 45-46
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	35-36
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	45-46
B7.3	Description of anti-corruption training provided to directors and staff.	45-46
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	46
B8.1	Focus areas of contribution.	46
B8.2	Resources contributed to the focus area.	46

Executive Directors

Poon Wai (潘慰), aged 69, is the founder of the Group and has been an executive Director of the Company since 6 April 2006. She is the Chairman and Chief Executive Officer of the Company. She is responsible for the overall management, including critical decision-making and planning for the strategic activities of the Group. As the founder of the Company, Ms. Poon has been playing an important role in the development of the Group since its inception in 1995. She is also a director of certain subsidiaries of the Group. Ms. Poon is an experienced entrepreneur who has over 25 years' experience in the F&B industry. Prior to establishing the Company, Ms. Poon was engaged in trading Asian food products in the US and Hong Kong. Ms. Poon is particularly well versed and experienced in specialty foods from northern and southern regions of China. Ms. Poon currently serves as the senior vice president of China Hotel Association. She was special vice president of China Cuisine Association (中國烹飪協會), director of China Association of Enterprises Confederation and China Enterprise Directors Association. Meanwhile, Ms. Poon is also the vice chairman of Shanghai Restaurants Cuisine Association. She was the vice president of Shanghai Commercial Enterprise Management Association. Ms. Poon was awarded Ernst & Young Entrepreneur of The Year for Hong Kong/Macau Region in October 2007. Ms. Poon was awarded "the Most Influential Entrepreneur in Chinese Restaurant Industry" (「中國餐飲最具影響力企業家」) by China Cuisine Association (中國烹飪協會) and "Contribution to Shanghai Restaurant Industry in 30 Years" (「上海餐飲三十年功勛人物獎」) by Shanghai Restaurants Cuisine Association in 2015. Ms. Poon is the sister of Mr. Poon Ka Man, Jason and is the mother of Ms. Ng Minna.

Poon Ka Man, Jason (潘嘉聞), aged 68, is an executive Director and the Chief Marketing Officer of the Company. He has been an executive Director since 8 March 2007. He is responsible for the marketing of the Ajisen brand name and the design of the Group's chain restaurants. Mr. Poon is also a director of certain subsidiaries of the Group. Mr. Poon has over 30 years of experience in construction and design. Mr. Poon also owns his own contracting and design firm in Hong Kong, specializing in the design and renovation of offices, commercial retail spaces, factories and residential properties. Mr. Poon is the brother of Ms. Poon Wai and is the maternal uncle of Ms. Ng Minna.

Ng Minna (伍美娜), aged 36, has been an executive Director of the Company since 20 August 2019 and the Director of New Business Department and Operating Officer of Hong Kong and Macau Businesses of the Group, overseeing Hong Kong operation, overseas business development and new brand restaurants of the Group. Ms. Ng is also a director of certain subsidiaries of the Group. After joining the Group in 2011, she has held various managerial roles within the Group, including restaurant operation, R&D and business development. She graduated from Bentley University in Boston, US with Bachelor degrees in Economics and Finance. Ms. Ng Minna is the daughter of Ms. Poon Wai and the niece of Mr. Poon Ka Man, Jason.

Non-executive Directors

Katsuaki Shigemitsu (重光克昭), aged 56, has been a non-executive Director since 8 March 2007. Mr. Shigemitsu is also a shareholder and director of Shigemitsu, the Group's franchisor. Mr. Shigemitsu has over 25 years of experience in the F&B industry. After his graduation in 1991, Mr. Shigemitsu joined his family's business, Shigemitsu. Mr. Shigemitsu commenced his work as a restaurant manager in an Ajisen restaurant in Japan. Subsequently, Mr. Shigemitsu has assumed several senior management positions in Shigemitsu. In 1995, he was appointed as the vice-chairman of Shigemitsu. In 1997, he was appointed as the chairman of Shigemitsu. Mr. Shigemitsu holds a degree in structural engineering from the Kumamoto Institute of Technology (熊本工業大學).

Yew Yat On (姚逸安), aged 53, has been a non-executive Director of the Company since 7 June 2023. Mr Yew has near 30 years of experience in investment banking and finance. He held various senior positions in several international, Hong Kong and China investment banks and handled a number of initial public offering and merger and acquisition deals. He is the founder and managing director of Alliance Capital Partners Limited, a leading boutique corporate finance house carrying Type 1 and Type 6 regulated activities under the Securities and Futures Ordinance. Mr. Yew holds an Executive Diploma in Organization Leadership from Saïd Business School, University of Oxford, and obtained a Master of Science degree in Investment Management from The Hong Kong University of Science and Technology, and a Bachelor of Arts degree from The University of Hong Kong. Mr. Yew is a chartered financial analyst. Mr. Yew is also an independent non-executive director of China Shineway Pharmaceutical Group Limited (stock code: 2877), a company listed on the Stock Exchange.

Independent non-executive Directors

Jen Shek Voon (任錫文), aged 78, has been an independent non-executive Director since 8 March 2007. He was a sole proprietor of Jen Shek Voon, PAS, a Chartered Accountant and Public Accounting Singapore firm in Singapore that specializes in international and regional financial and business advisory services. Mr. Jen also was an independent non-executive director of the boards of directors of a number of non-publicly listed companies in Singapore and Hong Kong. Mr. Jen is a Fellow of the Singapore Institute of Directors. He holds a Bachelor of Accounting degree (Hons) from the University of Singapore and a M Comm (Hons) degree from the University of New South Wales. He is a Life Member of the Association of Chartered Certified Accountants in the UK; the Institute of Singapore Chartered Accountants (ISCA) and the Malaysian Institute of Accountants and a member of the British Computer Society. He is a Forensic Financial Professional, an accreditation with the Institute of Singapore Chartered Accountants (ISCA).

Lo Peter (路嘉星), aged 69, has been an independent non-executive Director since 8 March 2007. Mr. Lo is also an independent non-executive director of Uni-President China Holdings Ltd (stock code: 0220), a company listed on the Stock Exchange. Mr. Lo was the chairman and an executive director of China Outfitters Holdings Limited (stock code: 1146) from March 2010 to June 2018, a company listed on the Stock Exchange. Mr. Lo has more than 25 years of experience in operating businesses in the PRC, including but not limited to trade and investment in various industries such as leather goods, power plants, auto manufacturers, medical equipment and beer brewery. Mr. Lo holds a bachelor degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science.

Ho Pak Chuen Brian (何百全), aged 51, has been an independent non-executive Director since 5 April 2024. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree, both from Monash University, Australia and a Master's Degree of Business Administration from the University of Sydney, Australia and University of New South Wales, Australia.

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

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2024.

Principal activities

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

Defined Contribution Retirement Plan

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

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

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

Employees, Training and Remuneration Policies

As of 31 December 2024, the Group had 7,803 employees, as compared to approximately 7,380 employees as of 31 December 2023. The Group incurred a total staff costs (including Directors' emoluments), which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares including share-based payment, in the amount of approximately RMB479.5 million for the year ended 31 December 2024.

As regards our corporate governance, we have specific policies on declaration of potential conflicts of interest, anti-money laundering measures and procurement management to ensure compliance with all relevant laws and regulations and avoid corruption in our business operations. For the year ended 31 December 2024, to the best of the knowledge and belief of our Directors, there were no legal proceedings regarding corrupt practices brought against us or any of our directors and employees.

To the best knowledge and belief of our Directors, as at the date of this annual report, we were not subject to any significant environmental, social and climate-related risks that could negatively impact our Group's businesses, strategies and financial performance. Our Directors confirm that for the year ended 31 December 2024, we were not subject to any material claim, lawsuit, penalty or administrative action relating to non-compliance with health, work safety or environmental laws and regulations.

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

Environmental Policies and Performance

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

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

Results and appropriations

The results and appropriations of the Group are set out on page 80 to page 83 of the consolidated financial statements respectively.

Dividend

At the meeting of the Board held on 27 March 2025, the Board recommended the payment of a final dividend of RMB0.06 (HK$6.4 cents) per ordinary share for the year ended 31 December 2024 (2023: RMB0.08 (HK$8.6 cents)) to Shareholders whose names are on the register of members of the Company on 29 May 2025 and is subject to the approval by the Shareholders at the AGM to be held on 20 May 2025. The Company had continuously paid a final dividend to its Shareholders since the year ended 31 December 2007. The proposed final dividend is expected to be paid to Shareholders on or about 15 August 2025.

Donations

The Company made no charitable and other donations during the year (2023: RMB2,703).

Share capital

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

No shares were issued for the year ended 31 December 2024.

Distributable reserves

Distributable reserves of the Company as at 31 December 2024 amounted to RMB305,539,000 (2023: RMB156,552,000), are set out in note 33 to the consolidated financial statements.

Debentures issued

The Company did not issue debenture for the year ended 31 December 2024 (2023: Nil).

Equity-Link agreements

Save as disclosed in the section headed "Share Option Scheme" as set out in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during the year ended 31 December 2024.

Subsidiaries

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

Principal properties

Details of the principal properties held for development and or sale and for investment purpose are set out on pages 181 to 183 of this annual report.

Pre-emptive rights

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

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 184 of this annual report.

Major customers and suppliers

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2024 were less than 5.0% of the Group's total turnover. The purchases from the Group's largest supplier, Qingdao Xin Xie Hang International Logistic Company Limited (青島新協航國際物流有限公司) accounted for approximately 8.1% of the Group's total purchases for the year ended 31 December 2024 and the purchase from the five largest suppliers of the Group accounted for approximately 31.3% of the Group's total purchases for the year ended 31 December 2024.

Save for Mr. Katsuaki Shigemitsu, the non-executive Director, who indirectly owns approximately 68.35% 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 70 to page 71 of this annual report), none of the Directors or their respective associates, or the Shareholders who, to the knowledge of the Directors, own more than 5% of the issued shares of the Company, has any interest in any of the five largest customers or the five largest suppliers of the Group during the year.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares, if any) during the year ended 31 December 2024. As at 31 December 2024, no treasury shares were held by the Company.

Directors

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

Executive Directors

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

Non-executive Directors

Mr. Katsuaki Shigemitsu
Mr. Yew Yat On

Independent Non-executive Directors

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

Confirmation of independence of independent non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the INEDs, namely Mr. Jen Shek Voon, Mr Lo Peter and Mr. Ho Pak Chuen Brian. The Company considers that Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Ho Pak Chuen Brian are independent.

Directors' service contracts

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

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

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

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

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

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

As at 31 December 2024, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("the SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

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

Name of directors	Capacity/Nature of interests	Number of shares *(Note 1)*	Approximate% of shareholding
Ms. Poon Wai	Founder of a discretionary trust *(Note 2)*	480,123,041 (L)	43.99%
	Beneficial owner	38,848,347 (L)	3.56%
Mr. Poon Ka Man, Jason	Beneficial owner	2,500,000 (L)	0.23%
Ms. Ng Minna	Beneficial owner	2,788,000(L)	0.26%
Mr. Katsuaki Shigemitsu	Beneficial owner	21,771,129 (L)	2.00%
	Interest of controlled corporation *(Note 3)*	10,604,251 (L)	0.97%
Mr. Jen Shek Voon	Beneficial owner	95,000 (L)	0.01%
Mr. Yew Yat On	Beneficial owner	149,000 (L)	0.01%

Notes:

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

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

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

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

(1) Long position in the shares of Anmi Holding

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

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

(2) Long position in the shares of Favor Choice

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

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

Save as disclosed herein, as at 31 December 2024, none of the Directors and the chief executive of the Company, or any of their spouse, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders discloseable under the SFO

So far as is known to the Company, as at 31 December 2024, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or the chief executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests or short positions in the shares or underlying shares of the Company:

Name of shareholders	**Capacity and nature of interest**	**Number of shares** *(Note 1)*	**Approximate % of shareholding**
Favor Choice *(Note 2)*	Beneficial owner	480,123,041 (L)	43.99%
Anmi Holding *(Note 2)*	Interest of controlled corporation	480,123,041 (L)	43.99%
HSBC International Trustee Limited *(Note 2)*	Trustee	480,123,041 (L)	43.99%

Notes:

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

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

Save as disclosed herein, as at 31 December 2024, the Company had not been notified of any substantial shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' interests in transactions, arrangement and contracts

Save as disclosed in the sections headed "Continuing connected transactions" below and note 41 to the consolidated financial statements, no transactions, arrangements or contracts of significance (as defined in Appendix D2 of the Listing Rules), in relation to the Group's business to which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director, and the Director's connected party, had a material interest, whether directly or indirectly, subsisted at the end of 2024 or at any time during the year.

Directors' interests in competing business

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

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

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

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

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

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

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

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

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

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

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

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

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

Management contracts

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

Share Option Schemes

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

Purpose of the Schemes

The purpose of the 2007 Share Option Scheme is to enable the Company to grant options to the eligible participants in recognition of their contribution made or to be made to the Group.

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

Participants of the Schemes

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

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

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

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

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

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

The total number of shares available for issue under the 2007 Share Option Scheme was 2,320,000 shares, representing approximately 0.21% of the shares of the Company in issue as at the date of this annual report.

The total number of shares available for issue under the 2017 Share Option Scheme was 98,865,482 shares, representing approximately 9.06% of the shares of the Company in issue as at the date of this annual report.

Maximum entitlement of each participant under the Schemes

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

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

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

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

The basis of determining the exercise price of options granted

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

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

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

(iii) the nominal value of the shares.

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

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

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

The vesting period of options under the share option schemes

The vesting period of options under the 2007 Share Option Scheme and the 2017 Share Option Scheme are set out in the table on page 67 to page 68 of this annual report.

The remaining life of the Schemes

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

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

As at 31 December 2024, the number of shares in respect of which options under the 2007 Share Option Scheme and the 2017 Share Option Scheme had been granted and remained outstanding was 2,470,000 shares and 27,056,000 shares respectively, representing approximately 0.23% and 2.48% of the shares of the Company in issue as at 31 December 2024.

Details of the share options granted

Details of the share options granted under the 2007 Share Option Scheme and the 2017 Share Option Scheme are contained in note 32 to the consolidated financial statements, the movement during 2024 and the vesting period of the options granted are as follows:

		Number of share options movement during the year									Price of share	
Name or category of participants	Date of grant	As at 1 January 2024	Granted	Exercised	Cancellation	Lapsed (Note 1)	As at 31 December 2024	Vesting period/ exercise period	Validity period of shares options	Exercise Price/ Purchase Price HK$	Prior to the grant date of the share options	Prior to the exercise date of the share options
Employee participants												
Tranche 1	8 January 2015	150,000	–	–	–	–	150,000	Note 2	8 January 2015 to 7 January 2025	5.900	5.990	–
Tranche 2	17 April 2015	900,000	–	–	–	–	900,000	Note 3	17 April 2015 to 16 April 2025	5.060	4.950	–
Tranche 3	2 July 2015	1,420,000	–	–	–	–	1,420,000	Note 2	2 July 2015 to 1 July 2025	4.104	4.150	–
Tranche 4	19 July 2017	500,000	–	–	–	–	500,000	Note 2	19 July 2017 to 18 July 2027	3.504	3.470	–
Tranche 5	1 June 2018	1,600,000	–	–	–	(200,000)	1,400,000	Note 2	1 June 2018 to 31 May 2028	3.256	3.190	–
Tranche 6	14 January 2019	55,000	–	–	–	–	55,000	Note 2	14 January 2019 to 13 January 2029	2.214	2.250	–
Tranche 7	3 June 2019	200,000	–	–	–	–	200,000	Note 2	3 June 2019 to 2 June 2029	3.322	3.300	–
Tranche 8	27 August 2020	700,000	–	–	–	–	700,000	Note 2	27 August 2020 to 26 August 2030	1.250	1.250	–
Tranche 9	8 April 2021	500,000	–	–	–	(500,000)	–	Note 2	8 April 2021 to 7 April 2031	1.300	1.270	–
Tranche 10	1 November 2021	25,516,000	–	–	–	(2,315,000)	23,201,000	Note 2	1 November 2021 to 31 October 2031	1.344	1.350	–
Tranche 11	12 July 2024	–	1,000,000	–	–	–	1,000,000	Note 2	12 July 2024 to 11 July 2034	1.010	1.010	–
		31,541,000	1,000,000	–	–	(3,015,000)	29,526,000					

Note 1: The number of options which lapsed in accordance with the terms of the 2007 Share Option Scheme and the 2017 Share Option Scheme were nil and 3,015,000 respectively.

Note 2: Grantees may only exercise their share options in the following manner:

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

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

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

Directors' rights to acquire shares or debentures

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

Retirement scheme

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

Continuing connected transactions

Details of the continuing connected transactions during the year ended 31 December 2024 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, indirectly owns approximately 68.35% in Shigemitsu through Shigemitsu Corporation Limited, a company incorporated in Japan which is wholly owned by Mr. Katsuaki Shigemitsu, which is thus a connected person of the Company pursuant to the Listing Rules.

1. *The franchise agreements*

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

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

The annual cap set for the aggregate franchise fees and technical fees payable under the Franchise Agreements for the year ended 31 December 2024 is RMB25,060,000 (equivalent to approximately HK$27,472,000). The aggregate amount of the franchise fees and the technical fees for the year ended 31 December 2024 was approximately RMB22,649,000 (equivalent to approximately HK$24,829,000).

The annual cap set for the aggregate royalty of airports in Europe for the year ended 31 December 2024 is RMB150,000 (equivalent to approximately HK$164,000). The aggregate amount of the royalty for the year ended 31 December 2024 is approximately RMB85,000 (equivalent to approximately HK$93,000).

2. *Supply agreements between the Group and Shigemitsu*

Fortune Choice Limited ("Fortune Choice"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu on 23 March 2006, as supplemented by a supplemental supply agreement entered into by the same party on 16 September 2006 (the "Supply Agreement"). As the Group intended to continue carrying out the transactions under the Supply Agreement, the Group renewed the Supply Agreement with Fortune Choice on 14 May 2024 for a further three-year term. Pursuant to the Supply Agreement, Shigemitsu agrees to supply materials and supplies which are required by the Group for the operation of the Franchise Business.

Festive Profits Limited ("Festive Profits"), an indirect wholly-owned subsidiary of the Company entered into a supply agreement with Shigemitsu Food (Shanghai) Co., Ltd. ("Shigemitsu Food") on 14 May 2009 (the "Supply Agreement (PRC)"). As the Group intended to continue carrying out the transactions under the Supply Agreement (PRC), the Group renewed the Supply Agreement (PRC) with Festive Profits on 14 May 2024 for a further three-year term. Shigemitsu Food is wholly owned by Eagle Sky International Limited, which is in turn owned by Mr. Katsuaki Shigemitsu and Shigemitsu as to 60% and 30% respectively. Pursuant to the Supply Agreement (PRC), Shigemitsu Food agrees to sell materials and supplies which are required by the Group for the operation of the Franchise Business in the PRC, including the soup base and other goods.

The annual cap set for the Group's total amount payable to Shigemitsu under the Supply Agreement and the Supply Agreement (PRC) for the year ended 31 December 2024 is RMB35,663,000 (equivalent to approximately HK$39,095,000). The actual amount payable for the year ended 31 December 2024 was approximately RMB30,840,000 (equivalent to approximately HK$33,080,000).

3. *Sales agreement between Fortune Choice and Shigemitsu*

Fortune Choice and Shigemitsu entered into a sales agreement on 23 March 2006 (the "Sales Agreement"). As the Group intended to continue carrying out the transactions under the Sales Agreement, the Group renewed the Sales Agreement with Fortune Choice on 14 May 2024 for a further three-year term. Pursuant to Sales Agreement, Fortune Choice agrees to sell and export various goods to Shigemitsu, including fried onion crispy packs, fried garlic crispy packs and other sundry items.

The annual cap set for Shigemitsu's total amount payable to the Group under the Sales Agreement for the year ended 31 December 2024 is RMB1,909,000 (equivalent to approximately HK$2,093,000). The actual amount received for the year ended 31 December 2024 was approximately RMB1,362,000 (equivalent to approximately HK$1,493,000).

Design Union transactions

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

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

A framework agreement was entered into between Design Union and the Group on 8 March 2007 (the "Design Union Agreement"). As the Group intended to continue carrying out the transactions under the Design Union Agreement, the Group renewed the Design Union Agreement with Design Union on 14 May 2024 for a further three-year term. Pursuant to the Design Union Agreement, Design Union agrees to provide services and materials for design, decoration and renovation for restaurants operated or to be operated by the Group in Hong Kong.

The annual cap set for the amount payable by the Group to Design Union under the Design Union Agreement for the year ended 31 December 2024 is RMB5,080,000 (equivalent to approximately HK$5,569,000). The Group has had no transaction with Design Union for the year ended 31 December 2024.

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

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company has performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2024 and stated that:

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

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the annual cap as set by the Company.

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

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

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

Poon Wai transactions

On 30 June 2023, Weiqian Noodle Food Service (Shenzhen) Co., Limited ("Weiqian Noodle Food Service"), an indirect wholly-owned subsidiary of the Company, and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company) entered into a lease agreement, pursuant to which Ms. Poon has agreed to lease the office premises located at Rooms 2301, 2302, 2303, 2305, 2306, 2307 and 2309, Golden Central Tower, Futian District, Shenzhen, Guangdong Province, the PRC (with an aggregate floor area of approximately 813.06 square meters) to Weiqian Noodle Food Service upon the terms and subject to the conditions set out in the tenancy agreement for a term of three years commencing on 1 July 2023 until 30 June 2026 (both dates inclusive). The office premises will be used by Weiqian Noodle Food Service as its office. Pursuant to the lease agreement, the monthly rent payable to Ms. Poon amounts to RMB138,220.2. The total monthly rents of the office premises incurred during the period from 1 January 2024 to 31 December 2024 were RMB1,658,642.

On 30 June 2023, Weiqian Noodle (Shenzhen) Co., Limited ("Weiqian Noodle"), an indirect wholly-owned subsidiary of the Company, and Ms. Poon Wai (the chairman, an executive Director and a controlling shareholder of the Company) entered into a lease agreement in relation to office premises at Room 2308, Golden Central Tower, Futian District, Shenzhen, Guangdong Province, the PRC (with an aggregate floor area of approximately 92.75 square meters) to Weiqian Noodle upon the terms and subject to the conditions set out in the tenancy agreement for a term of three years commencing on 1 July 2023 until 30 June 2026 (both dates inclusive). The office premises will be used by Weiqian Noodle as its office. Pursuant to the lease agreement, the monthly rent payable to Ms. Poon amounts to RMB15,767.5. The total monthly rents of the office premises incurred during the period from 1 January 2024 to 31 December 2024 were RMB189,210.

Employee's remuneration and policy

As at 31 December 2024, the Group employed 7,803 persons (31 December 2023: 7,380 persons), most of the Group's employees work in the chain restaurants of the Group in the PRC. The number of employees will be changed from time to time as may be necessary and the remuneration will be determined by reference to the practice of the industry.

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

The total remuneration payment of the Group for the year ended 31 December 2024 was approximately RMB479,456,000 (31 December 2023: approximately RMB475,830,000).

Pursuant to code provision E.1.5 of the Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2024 is set out below:

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

Details of the remuneration of each of the director of the Company for the year ended 31 December 2024 are set out in note 11 to the consolidated financial statements.

Permitted Indemnity

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective articles of associations. Such provisions were in force during the course of the financial year ended 31 December 2024 and remained in force as of the date of this annual report. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Auditor

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

Sufficiency of public float

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

Subsequent events after the reporting period

Save as disclosed above, all Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2024 and up to the date of this annual report.

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

Hong Kong, 27 March 2025

Deloitte.

德勤

TO THE SHAREHOLDERS OF AJISEN (CHINA) HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ajisen (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 180, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of property, plant and equipment and right-of-use assets We identified the impairment of property, plant and equipment and right-of-use assets as a key audit matter because the carrying amounts of these assets were significant and the impairment assessment involved significant management judgement and estimation in determining the recoverable amounts of these assets. As disclosed in note 4 to the consolidated financial statements, management assesses whether property, plant and equipment and right-of-use assets are impaired requires an estimation of the recoverable amount of individual assets or the cash generating units ("CGUs") to which the assets belong using a value in use calculation. In assessing value in use, it requires significant management judgments and assumptions with respect to factors such as budgeted gross margin, revenue growth rate, and discount rate, which are used to prepare cash flow projections in arriving at the present value of the CGUs. At 31 December 2024, the carrying amounts of the Group's property, plant and equipment and right-of-use assets amounted to RMB437,090,000 and RMB566,180,000, respectively, with impairment loss recognised during the year amounted to RMB3,034,000 and RMB11,527,000, respectively.	Our procedures to assess management's impairment evaluation included: • Understanding the management's consideration and process for identifying property, plant and equipment and right-of-use assets with impairment indicators; • Understanding and evaluating the design and implementation of key controls related to the impairment assessment of property, plant and equipment and right-of-use assets; • Understanding the management's methodology adopted and assessing whether the model used by the management in calculating the value in use of the individual cash-generating unit is in compliance with Hong Kong Accounting Standard 36 "Impairment of Assets"; and • On a sampling basis, evaluating the reasonableness of cash flow projections, including the appropriateness of the key assumptions such as budgeted gross margin, revenue growth rate, and discount rate.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	**1,717,290**	1,815,406
Cost of inventories consumed		**(403,638)**	(442,076)
Staff costs	10	**(479,456)**	(475,830)
Depreciation	10	**(321,488)**	(316,692)
Other operating expenses		**(497,793)**	(453,966)
Profit from operation		**14,915**	126,842
Other income	7	**88,981**	109,842
Impairment losses under expected credit loss model, net of reversal		**242**	(1,452)
Impairment loss recognised in respect of:			
– property, plant and equipment	16	**(3,034)**	(961)
– right-of-use assets	17	**(11,527)**	(2,625)
– interests in associates	21	**(6,429)**	(987)
Other gains and losses	8	**(110,510)**	37,236
Share of loss of associates		**(949)**	(1,901)
Share of gain of a joint venture		**772**	1,059
Finance costs	9	**(22,593)**	(19,178)
(Loss) profit before tax	10	**(50,132)**	247,875
Income tax credit (expense)	12	**34,891**	(55,348)
(Loss) profit for the year		**(15,241)**	192,527
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**15,653**	7,851
Other comprehensive income for the year, net of income tax		**15,653**	7,851
Total comprehensive income for the year		**412**	200,378

(Continued)

	NOTE	2024 RMB'000	2023 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(20,224)**	181,188
Non-controlling interests		**4,983**	11,339
		(15,241)	192,527
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(2,845)**	189,440
Non-controlling interests		**3,257**	10,938
		412	200,378

	NOTE	2024 RMB	2023 RMB
(Loss) earnings per share	*14*		
– Basic		**(0.02)**	0.17
– Diluted		**(0.02)**	0.17

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Investment properties	*15*	**816,634**	1,007,255
Property, plant and equipment	*16*	**437,090**	349,071
Right-of-use assets	*17*	**566,180**	423,864
Goodwill	*18*	**1,375**	1,355
Intangible assets	*19*	**1,808**	1,506
Interests in associates	*21*	**35,763**	43,110
Interest in a joint venture	*22*	**8,593**	7,820
Rental deposits		**67,459**	60,752
Deferred tax assets	*20*	**34,920**	38,982
Term deposits with banks	*26*	**26,180**	–
Financial assets at fair value through profit or loss ("FVTPL")	*23*	**115,535**	125,867
		2,111,537	2,059,582
Current assets			
Inventories	*24*	**76,625**	76,247
Trade and other receivables	*25*	**158,817**	177,852
Taxation recoverable		**550**	28
Restricted bank deposits	*26*	**113**	15,136
Financial assets at FVTPL	*23*	**10,000**	25,031
Bank balances and cash	*26*	**1,629,653**	1,607,635
		1,875,758	1,901,929
Current liabilities			
Trade and other payables	*27*	**251,204**	249,488
Lease liabilities	*28*	**211,607**	168,231
Contract liabilities		**1,005**	1,439
Amounts due to related companies	*29*	**4,100**	1,819
Amounts due to directors	*29*	**1,111**	604
Amounts due to non-controlling interests	*29*	**13,551**	13,543
Amount due to an associate	*29*	**2,296**	2,247
Amount due to a joint venture	*29*	**323**	350
Taxation payable		**18,183**	24,234
Bank borrowings	*30*	**5,287**	5,247
		508,667	467,202
Net Current Assets		**1,367,091**	1,434,727
Total Assets less Current Liabilities		**3,478,628**	3,494,309

(Continued)

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	*28*	**365,029**	234,074
Bank borrowings	*30*	**29,322**	32,237
Deferred tax liabilities	*20*	**116,810**	167,945
Financial liabilities at FVTPL	*23*	**–**	2,127
		511,161	436,383
Net Assets		**2,967,467**	3,057,926
Capital and reserves			
Share capital	*31*	**108,404**	108,404
Reserves		**2,802,867**	2,891,987
Equity attributable to owners of the Company		**2,911,271**	3,000,391
Non-controlling interests		**56,196**	57,535
Total Equity		**2,967,467**	3,057,926

The consolidated financial statements on pages 80 to 180 were approved and authorised for issue by the Board of Directors on 27 March 2025 and are signed on its behalf by:

Poon Ka Man Jason
DIRECTOR

Ng Minna
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(note a)*	Share-based payments reserve RMB'000 *(note b)*	Capital reserve RMB'000 *(note c)*	Properties revaluation reserve RMB'000 *(note d)*	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Other reserve RMB'000 *(note e)*	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2024	108,404	1,545,754	(234,729)	7,414	1,159	173,305	(161,707)	160,285	(10,005)	1,410,511	3,000,391	57,535	3,057,926
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(20,224)	(20,224)	4,983	(15,241)
Other comprehensive income (expense) for the year	–	–	–	–	–	–	17,379	–	–	–	17,379	(1,726)	15,653
Transfer	–	–	–	–	–	–	–	3,109	–	(3,109)	–	–	–
Total comprehensive income (expense) for the year	–	–	–	–	–	–	17,379	3,109	–	(23,333)	(2,845)	3,257	412
Dividends recognised as distribution (note 13)	–	(87,323)	–	–	–	–	–	–	–	–	(87,323)	(4,596)	(91,919)
Recognition of share-based payment (note 32)	–	–	–	1,048	–	–	–	–	–	–	1,048	–	1,048
Transfer on forfeiture and expiry of share options	–	–	–	(107)	–	–	–	–	–	107	–	–	–
As at 31 December 2024	108,404	1,458,431	(234,729)	8,355	1,159	173,305	(144,328)	163,394	(10,005)	1,387,285	2,911,271	56,196	2,967,467

(Continued)

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

(Continued)

Notes:

(a) The special reserve mainly represents the aggregate of:

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

(ii) A net amount of approximately RMB45 million, arising from:

(ii.1) a share premium from the issuance of shares of Ajisen International of RMB219 million to acquire the additional interests in subsidiaries, which resulted in a goodwill of approximately RMB36 million; and

(ii.2) an amount of approximately RMB174 million, being the difference between the fair value and the carrying amount of the additional interests in these subsidiaries before the acquisition. This amount represents a revaluation increase in the net assets attributable to the Group's additional interest in the subsidiaries in 2007.

(iii) A net debit amount of approximately RMB321 million, resulting from:

(iii.1) the consideration of the acquisition cost of Luck Right Limited ("Luck Right") and its subsidiaries from Ms. Poon Wai in 2008 which comprised a cash consideration of RMB184 million and share consideration of RMB137 million; and

(iii.2) the share capital of Luck Right.

(b) Share-based payments reserve represents fair values of share options recognised as an expense over their vesting periods on a straight-line basis. When the share options are exercised, their fair values previously recognised in this reserve will be transferred to share premium. If the share options are forfeited after the vesting date or remained unexercised upon expiry, the fair values of share options previously recognised in this reserve will be transferred to retained profits.

(c) Capital reserve represents the difference between the actual contribution and the registered paid-in capital of certain subsidiaries.

(d) Properties revaluation reserve represents the difference between:

(i) the properties' carrying amounts; and

(ii) the fair values of property interest that were previously classified as property, plant and equipment but later reclassified as investment properties at the dates when the Group changed their intention.

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

In accordance with the relevant laws and regulations governing foreign investment enterprises in People's Republic of China (the"PRC"), the Company's subsidiaries in Mainland China (excluding Hong Kong) are required to maintain a statutory surplus reserve fund, which is non-distributable. Appropriations to this reserve are made out of profit after taxation of the statutory financial statements of these subsidiaries, the amounts and allocation are determined annually by their board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, or converted into capital through capitalisation issue.

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(50,132)**	247,875
Adjustments for:		
Fair value loss (gain) on financial assets at FVTPL	**9,271**	(23,935)
Fair value gain on financial liabilities at FVTPL	**(2,127)**	(4,947)
Fair value loss (gain) on investment properties	**101,253**	(8,822)
Depreciation of property, plant and equipment	**104,399**	113,283
Depreciation of right-of-use assets	**217,089**	203,409
Impairment loss, net of reversal		
– property, plant and equipment	**3,034**	961
– right-of-use assets	**11,527**	2,625
– interests in associates	**6,429**	987
– financial assets under expected credit loss model	**(242)**	1,452
Finance costs	**22,593**	19,178
Bank interest income	**(31,112)**	(31,425)
Loss on disposal of property, plant and equipment	**2,293**	3,479
Net gain on termination of right-of-use assets and lease liabilities	**(2,177)**	(3,239)
Share-based payments	**1,048**	1,729
Share of loss of associates	**949**	1,901
Share of gain of a joint venture	**(772)**	(1,059)
Waive of franchise commission	**(5,942)**	(12,049)
Net foreign exchange loss (gain)	**2,627**	(2,670)
Operating cash flows before movements in working capital	**390,008**	508,733
(Increase) decrease in inventories	**(378)**	23,173
Decrease (increase) in trade and other receivables	**19,011**	(23,712)
Increase in trade and other payables	**40,611**	6,870
Decrease in contract liabilities	**(434)**	(1,120)
Cash generated from operations	**448,818**	513,944
Income tax paid	**(18,873)**	(10,767)
NET CASH FROM OPERATING ACTIVITIES	**429,945**	503,177
INVESTING ACTIVITIES		
Interest received	**32,037**	30,821
Proceeds from disposal of property, plant and equipment	**2,119**	9,872
Payments for purchases of property, plant and equipment, and right-of-use assets	**(110,461)**	(70,322)
Purchase of financial assets at FVTPL	**(55,000)**	(45,040)
Proceeds from disposal of financial assets at FVTPL	**71,092**	43,521
Payments for rental deposits	**(28,430)**	(13,190)
Refund of rental deposits	**21,723**	20,147
Withdrawal of restricted bank deposits	**15,023**	–
Placement of restricted bank deposits	**–**	(12,836)
Placement of term deposits with original maturity over three months	**(812,759)**	(544,902)
Withdrawal of term deposits with original maturity over three months	**472,221**	75,351
NET CASH USED IN INVESTING ACTIVITIES	**(392,435)**	(506,578)

(Continued)

	2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES		
Advance from related companies	**2,274**	288
Repayment to related companies	**(35)**	(4,145)
Advance from directors	**620**	48
Repayment to directors	**(122)**	–
Advance from a joint venture	**–**	61
Repayment to a joint venture	**(27)**	–
Repayment of bank borrowings	**(3,640)**	(3,499)
Repayment of lease liabilities	**(217,857)**	(237,128)
Interest paid	**(22,603)**	(19,176)
Dividends paid to shareholders of the Company	**(87,323)**	(65,493)
Dividends paid to non-controlling interests	**(4,596)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(333,309)**	(329,044)
Net decrease in cash and cash equivalents	**(295,799)**	(332,445)
Cash and cash equivalents as at 1 January	**1,135,414**	1,465,111
Effect of foreign exchange rate changes on bank balances and cash held in foreign currencies	**1,345**	2,748
Cash and cash equivalents as at 31 December, represented by bank balances and cash	**840,960**	1,135,414

1. GENERAL INFORMATION

Ajisen (China) Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 6 April 2006 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 March 2007.

Its immediate holding company is Favor Choice Group Limited, a British Virgin Islands incorporated entity, which is wholly-owned by Anmi Holding Company Limited. Anmi Holding Company Limited is incorporated in the British Virgin Islands and is wholly-owned by Anmi Trust, which is controlled by Ms. Poon Wai ("Ms.Poon"), the Chairwoman and Managing Director of the Company.

The addresses of the registered office and the principal place of business of the Company are detailed in the "Corporate Information" section to the annual report.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISIONS OF THE HKFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

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

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Interests in associates and a joint venture

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

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

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's interest in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

3.2 Material accounting policy information (Continued)

Interests in associates and a joint venture (Continued)

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

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

Revenue from contracts with customers

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

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

3.2 *Material accounting policy information (Continued)*

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

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

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

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

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

- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

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

Refundable rental deposits

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

Lease modification

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

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

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

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

3.2 Material accounting policy information *(Continued)*

Foreign currencies

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

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

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

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

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Taxation

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

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

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

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

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

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

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment (Continued)

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

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

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

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

Investment properties

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

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

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

3.2 Material accounting policy information (Continued)

Investment properties (Continued)

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

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

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

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

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

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

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

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

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

3.2 Material accounting policy information *(Continued)*

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

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

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

Cash and cash equivalents

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Inventories

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

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

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

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

The Group always recognises lifetime ECL for trade receivables and lease receivables.

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Foreign exchange gains and losses

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

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

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

3.2 *Material accounting policy information (Continued)*

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Financial liabilities at amortised cost

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

Foreign exchange gains and losses

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

For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have assessed the Group's investment property portfolios and concluded that these properties are not held under a business model whose objective is to consume substantially all of their economic benefits over time. Consequently, in determining deferred taxation on investment properties located in the Mainland China, as determined by the Company's directors, 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, deferred tax liabilities of RMB124,248,000 have been recognised as at 31 December 2024 (2023: RMB172,810,000), including land appreciation tax ("LAT") provided for income from sale of properties in the Mainland China. If the final LAT differs from the initially recognised amounts, adjustments will be made in the period when the final LAT is determined.

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

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

Key sources of estimation uncertainty

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

Fair value measurement of financial instruments

As at 31 December 2024, certain of the Group's financial assets and liabilities, amounting to RMB35,221,000 and nil (2023: RMB45,553,000 and RMB2,127,000), respectively, are measured at fair value using valuation techniques based on significant unobservable inputs. Judgements and estimation are required in establishing relevant valuation model and inputs. Changes in assumptions related to these factors could result in material adjustments to the fair value of these financial assets and liabilities. Details are provided in note 34(c).

For these financial instruments, the Group's management may engage a third party qualified valuer to assist with fair value measurement. The management works closely with the qualified external valuer to ensure appropriate valuation techniques are used. The valuation findings are reported to the board of directors of the Company (the "Board") regularly. Any significant fluctuations in the fair value of the related assets and liabilities are required to be explained.

Estimated impairment of interests in associates

As at 31 December 2024, the Group's management identified indication of impairment and conducted an impairment on assessment on its interests in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the associates, which is the higher of value in use and fair value less costs of disposal. The fair value less costs of disposal calculation involves judgements and estimates by the management of the Group in developing the valuation model and inputs. If change in facts and circumstances lead to a revision of these estimates, a material reversal or additional impairment may be recognised in profit or loss for the period when such changes occur.

As at 31 December 2024, the carrying amount of interests in associates subject to impairment assessment was RMB35,763,000 (2023: RMB43,110,000), net of accumulated impairment losses of RMB117,102,000 (2023: RMB110,673,000).

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

Key sources of estimation uncertainty (Continued)

Deferred tax asset

As at 31 December 2024, deferred tax asset of RMB34,920,000 (2023: RMB38,982,000) was recognised in the consolidated statement of financial position, as disclosed in note 20. The realization of this deferred tax asset mainly depends on the availability of sufficient future taxable profits or the reversal of taxable temporary differences within the same period as the deductible temporary differences. If actual future taxable profits differs from estimates or changes occur in assumptions, a material adjustment to deferred tax assets may be necessary, which would be recognised in profit or loss for the period in which such adjustment takes place.

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

At the end of each reporting period, the Group's management will review the Group's property, plant and equipment, and right-of-use assets to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use calculated based on its present value of expected future cash flows. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. In assessing value in use, it involves managements' significant judgments and assumptions on budgeted revenue, gross margin, long term growth rate, and discount rate when preparing the cash flow forecast to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flow, additional impairment loss may arise. On the contrary, a reversal of impairment loss may become necessary.

As at 31 December 2024, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were RMB6,411,000 and RMB39,344,000 (2023: RMB4,461,000 and RMB13,115,000), respectively, net of accumulated impairment losses of RMB10,065,000 and RMB38,441,000 (2023: RMB7,031,000 and RMB26,914,000) in respect of property, plant and equipment and right-of-use assets that have been recognised, respectively. Details of these impairment assessment are disclosed in notes 16 and 17.

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

Key sources of estimation uncertainty (Continued)

Fair values of investment properties

Investment properties are measured at fair value based on valuations performed by an external independent professional valuer. The valuation method used to determine the fair value involves assumptions about market conditions, which are detailed in note 15.

The directors of the Company have exercised their judgements and are satisfied that the valuation method reflect current market conditions. However, changes in assumptions, including risks related to market fluctuations, geopolitical and social factors, changes in policy or mortgage requirements, or other unexpected incidents, could impact the fair values of the Group's investment properties and result in adjustments in the consolidated statement of profit or loss and other comprehensive income.

To assess these risks, the directors of the Company have conducted internal evaluations, including sensitivity analysis, to estimate potential impacts on the Group's investment properties.

As at 31 December 2024, the carrying amount of the Group's investment properties was RMB816,634,000 (2023: RMB1,007,255,000).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Operation of restaurants	**1,649,827**	1,734,200
Manufacture and sales of noodles and related products	**67,463**	81,206
	1,717,290	1,815,406
Timing of revenue recognition		
A point in time	**1,717,290**	1,815,406

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

For operation of restaurants, revenue is recognised when control of the goods is transferred, being the point the customer purchases the goods at the restaurant. Payment of the transaction price is due immediately upon purchase. Advance payments received from certain customers are recorded as contract liabilities until control on the goods is transferred, at which point they are recognised as revenue.

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

During the year, revenue of RMB1,080,000 (2023: RMB2,120,000) was recognised from contract liabilities that were included in the balance at the beginning of the year.

For manufacture and sales of noodles and related products, revenue is recognised when control of the goods is transferred, being the goods are delivered to the customer's designated location. The normal credit term is 90 days from the date of delivery.

6. OPERATING SEGMENTS

Information reported to Ms. Poon, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance, is analysed based on operating divisions and geographical locations. The Group is organised and specifically focuses on three operating divisions: operation of restaurants, manufacture and sales of noodles and related products, and investment holding. No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

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

Information regarding these segments is presented below.

6. OPERATING SEGMENTS *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2024

	Operation of restaurants			Manufacture and sales of noodles		Total		
	Mainland China RMB'000	Hong Kong RMB'000	Total RMB'000	and related products RMB'000	Investment holding RMB'000	reportable segments RMB'000	Eliminations RMB'000	Total RMB'000
SEGMENT REVENUE								
– External sales	1,452,891	196,936	1,649,827	67,463	–	1,717,290	–	1,717,290
– Inter-segment sales	–	–	–	619,163	–	619,163	(619,163)	–
	1,452,891	196,936	1,649,827	686,626	–	2,336,453	(619,163)	1,717,290
Segment profit (loss)	13,396	2,388	15,784	2,947	(60,482)*	(41,751)	–	(41,751)
Interest income								31,112
Unallocated administrative expenses								(38,484)
Unallocated finance costs								(1,009)
Loss before tax								(50,132)
Income tax credit								34,891
Loss for the year								(15,241)

6. OPERATING SEGMENTS *(Continued)*

Segment revenues and results (Continued)

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

For the year ended 31 December 2023

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

* Segment profit (loss) in investment holding segment included share of loss of associates and joint venture totalling RMB177,000 (2023: RMB842,000) for the current and prior reporting periods, respectively.

6. OPERATING SEGMENTS *(Continued)*

Other information

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the loss incurred/profit earned by each segment, excluding interest income, certain administrative expenses and finance costs, and income tax credit (expense). This measure is reported to the CODM, Ms. Poon, for resource allocation and performance assessment.

Inter-segment sales are conducted at prevailing market rates.

Total assets and total liabilities are not reported, as this financial information is not reviewed by the CODM when evaluating performance or allocating resources across the Group's business activities.

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

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

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December		**Year ended 31 December**	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mainland China	**1,511,068**	1,609,482	**1,376,716**	1,343,385
Hong Kong	**206,222**	205,924	**489,343**	489,243
	1,717,290	1,815,406	**1,866,059**	1,832,628

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

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

7. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Royalty income from sub-franchisee *(note i)*	**5,420**	7,650
Gross rental income from investment properties *(note ii)*	**42,680**	41,525
Less: direct operating expenses incurred for investment properties generating rental income during the year	**(1,732)**	(1,726)
	40,948	39,799
Bank interest income	**31,112**	31,425
Waive of franchise commission payable to a related party *(note iii)*	**5,942**	12,049
Compensation received from landlord for early termination of operating leases of restaurants	**–**	379
Government grants *(note iv)*	**2,030**	10,101
Others	**3,529**	8,439
	88,981	109,842

Notes:

(i) The Group grants franchisees the right to operate restaurants under the "Ajisen" brand for fixed contract terms. Royalty income is recognised over time based on the amounts specified in the contract.

(ii) Property rental income is recognised on a straight-line basis over the lease terms. All leases for the years ended 31 December 2024 and 2023 were operating leases with fixed lease payments.

(iii) During the years ended 31 December 2024 and 2023, the franchise commission payable to Shigemitsu Industry Co., Ltd ("Shigemitsu Industry"), a related party, was waived under mutually agreed terms between the Group and Shigemitsu Industry.

(iv) In the year ended 31 December 2024, the Group recognised government grants of RMB2,030,000 (2023: RMB10,101,000), representing subsidies received from local district authorities in the Mainland China for business activities conducted by the Group. These grants had no specific conditions attached.

8. OTHER GAINS AND LOSSES

	2024	2023
	RMB'000	RMB'000
Fair value (loss) gain on investment properties	**(101,253)**	8,822
Loss on disposal of property, plant and equipment	**(2,293)**	(3,479)
Net gain on termination of right-of-use assets and lease liabilities	**2,177**	3,239
Fair value (loss) gain on financial assets at FVTPL	**(9,271)**	23,935
Fair value gain on financial liabilities at FVTPL	**2,127**	4,947
Net foreign exchange loss	**(1,997)**	(228)
	(110,510)	37,236

9. FINANCE COSTS

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities	**21,584**	18,096
Interest on bank borrowings	**1,009**	1,082
	22,593	19,178

10. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Directors' remuneration *(note 11)*	4,782	4,195
Salaries, wages and other benefits	426,328	424,247
Retirement benefits scheme contributions	47,298	45,659
Share-based payment	1,048	1,729
Total staff costs	479,456	475,830
Depreciation of property, plant and equipment	104,399	113,283
Depreciation of right-of-use assets	217,089	203,409
Total depreciation	321,488	316,692
Auditor's remuneration:		
Audit services	3,100	3,100

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

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

	2024					2023				
	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive bonuses RMB'000 *(note i)*	Retirement benefits scheme contributions RMB'000	Total RMB'000	Fees RMB'000	Salaries and other Benefits RMB'000	Performance related incentive bonuses RMB'000 *(note i)*	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors										
Ms. Poon	–	1,944	137	–	2,081	–	1,813	92	–	1,905
Ms. Ng Minna	–	854	142	17	1,013	–	644	65	16	725
Mr. Poon Ka Man Jason	–	854	71	–	925	–	785	48	–	833
Non-executive directors										
Mr. Katsuaki Shigenitsu	112	–	–	–	112	113	–	–	–	113
Mr. Yew Yat On	172	–	–	–	172	98	–	–	–	98
Independent non-executive directors										
Mr. Jen Shek Voon	176	–	–	–	176	183	–	–	–	183
Mr. Peter Lo	176	–	–	–	176	183	–	–	–	183
Mr. Ho Pak Chuen Brian *(note ii)*	127	–	–	–	127	–	–	–	–	–
Mr. Wang Jincheng (note iii)	–	–	–	–	–	155	–	–	–	155
	763	3,652	350	17	4,782	732	3,242	205	16	4,195

Notes:

(i) The performance related incentive bonuses for the years ended 31 December 2024 and 2023 were determined based on performance of the Group and individuals.

(ii) Mr. Ho Pak Chuen Brian was appointed as independent non-executive director on 8 April 2024.

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

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

Ms. Poon also serves as Chief Executive Officer of the Company, and her emoluments disclosed above include compensation for her services in this role.

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

There were no arrangements during the year under which a director or the chief executive officer waived or agreed to waive their remuneration.

Among the five individuals with the highest emoluments in the Group, three (2023: three) were directors of the Company, and their emoluments are included in the disclosures above. The emoluments of the remaining two (2023: two) individuals are as follows:

	2024	2023
	RMB'000	RMB'000
Employees		
– Salaries and other benefits	**1,200**	1,155
– Share-based payment	**30**	106
– Retirement benefits scheme contributions	**247**	339
	1,477	1,600

The number of the highest paid employees who are not directors of the Company, categorized by remuneration band, is as follows:

	No. of employees	
	2024	2023
Nil to HK$1,000,000	**2**	2

During the current and prior reporting periods, no emoluments were paid by the Group to the directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX (CREDIT) EXPENSE

	2024	2023
	RMB'000	RMB'000
Hong Kong Profits Tax		
– Current year	**2,749**	2,925
– Under provision in prior years	**82**	372
	2,831	3,297
Mainland China Income Tax		
– Current year	**9,227**	18,879
– Under (over) provision in prior years	**124**	(277)
	9,351	18,602
Deferred taxation (credit) expense *(note 20)*	**(47,073)**	33,449
	(34,891)	55,348

Under the two-tiered profits tax rates regime of Hong Kong, the first HK$2 million of assessable profit for a qualifying group entity is taxed at 8.25%, while profits above HK$2 million are taxed at 16.5%. Group entities that do not qualify for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5% on their estimated assessable profit.

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

According to the tax law and implementation regulations in the PRC, dividends paid from net profits earned by the operating subsidiaries in Mainland China after 1 January 2008 are subject to withholding tax at a rate of 10%, unless a lower treaty rate applies. Under the relevant tax treaty, dividends paid to Hong Kong resident companies are subject to a reduced withholding tax rate of 5%. Withholding tax has been provided based on the anticipated level of dividend payout ratio of the entities in Mainland China.

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

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

	Hong Kong				Mainland China				Total			
	2024		2023		2024		2023		2024		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
(Loss) profit before tax	(12,960)		43,852		(37,172)		204,023		(50,132)		247,875	
Tax at the applicable income tax rate	(2,138)	16.5	7,236	16.5	(9,293)	25.0	51,006	25.0	(11,431)	22.8	58,242	23.5
Tax effect of expenses not deductible for tax purpose	5,880	(45.4)	664	1.5	12,421	(33.4)	782	0.4	18,301	(36.5)	1,446	0.6
Tax effect of income not taxable for tax purpose	(2,482)	19.2	(7,038)	(16.0)	(193)	0.5	(265)	(0.1)	(2,675)	5.3	(7,303)	(2.9)
Tax effect of tax losses not recognised	2,559	(19.7)	3,559	8.1	9,198	(24.7)	555	0.3	11,757	(23.5)	4,114	1.7
Tax effect of utilisation of tax losses previously not recognised	(1,242)	9.6	(2,152)	(4.9)	(3,566)	9.6	(4,537)	(2.2)	(4,808)	9.6	(6,689)	(2.7)
Income tax at concessionary rate	–	–	–	–	(1,620)	4.4	(830)	(0.4)	(1,620)	3.2	(830)	(0.3)
Withholding tax on dividends from subsidiaries in Mainland China	–	–	–	–	2,298	(6.2)	5,835	2.9	2,298	(4.6)	5,835	2.4
Under (over) provision in prior years	82	(0.6)	372	0.8	124	(0.3)	(277)	(0.1)	206	(0.4)	95	0.0
Others	69	(0.5)	649	1.5	215	(0.6)	(387)	(0.2)	284	(0.6)	262	0.1
LAT effect	–	–	–	–	(47,203)	127.0	176	0.1	(47,203)	94.2	176	0.1
Tax (credit) expense and effective rate for the year	2,728	(21.0)	3,290	7.5	(37,619)	101.2	52,058	25.5	(34,891)	69.6	55,348	22.3

13. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2024 **RMB'000**	2023 RMB'000
Final, paid – RMB0.08 (HK$0.086) per share for 2023 (2023: paid – RMB0.06 (HK$0.068) per share for 2022)	**87,323**	65,493

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of RMB0.06 (HK$0.064) (2023: final dividend in respect of the year ended 31 December 2023 of RMB0.08 (HK$0.086)) per ordinary share, in an aggregate amount of RMB65,492,000 (HK$69,858,000) (2023: RMB87,323,000 (HK$93,872,000)), has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

14. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings figures are calculated as follows:

	2024 **RMB'000**	2023 RMB'000
(Loss) earnings for the purposes of basic and diluted earnings per share, being (loss) earnings for the year attributable to owners of the Company	**(20,224)**	181,188

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

Number of shares

	2024	2023
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**1,091,538,820**	1,091,538,820

During the year ended 31 December 2024, the computation of diluted loss per share did not assume the exercise of outstanding share options of the Company as this would result in the decrease in the loss per share.

In respect of the year ended 31 December 2023, the computation of diluted earnings per share did not assume the exercise of outstanding share options of the Company as the exercise price of the Company's outstanding options is higher than the average market price of the Company's share.

15. INVESTMENT PROPERTIES

The Group leases out various offices and warehouses under operating leases with rental payments on monthly basis. The leases typically run for an initial period of 1 to 20 years (2023: 1 to 20 years) with extension rights available to lessees only.

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

For the year ended 31 December 2024, the total cash outflow for leases amounted to RMB558,000 (2023: RMB530,000).

15. INVESTMENT PROPERTIES *(Continued)*

	RMB'000
FAIR VALUE	
As at 1 January 2023	999,262
Exchange alignment	5,717
Transfer from property, plant and equipment	1,754
Transfer to property, plant and equipment	(8,300)
Net increase in fair value recognised in profit or loss	8,822
As at 31 December 2023	1,007,255
Exchange alignment	8,257
Transfer to property, plant and equipment	(97,625)
Net decrease in fair value recognised in profit or loss	(101,253)
As at 31 December 2024	816,634

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 as investment properties.

The fair value of the Group's investment properties as at 31 December 2024 and 2023 was determined based on valuations conducted on the respective dates by International Valuation Limited, an independent qualified professional valuers not connected to the Group.

The management works closely with the qualified external valuer to determine appropriate valuation techniques and key inputs. The Chief Financial Officer reports management's findings to the Board, providing explanations for any fluctuations in the fair value of the investment properties.

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

	2024 **RMB'000**	2023 RMB'000
Commercial property units located in Hong Kong	**375,325**	401,228
Commercial property units located in Mainland China	**441,309**	606,027
	816,634	1,007,255

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

15. INVESTMENT PROPERTIES *(Continued)*

The table below provides details on the determination of the fair values of these investment properties as at 31 December 2024, including the valuation techniques and inputs used. It also indicates the fair value hierarchy, which is categorised based on the degree of observability of the significant inputs.

Type	Valuation technique(s)	Significant unobservable input(s)	Range
Commercial office units in Mainland China	Direct comparison approach	Market unit rate *(note i)*	RMB16,765 (2023: RMB7,446 to RMB30,305) per square meter ("sqm")
	Income capitalisation approach	Monthly market rent *(note ii)*	RMB62.66 to RMB124.40 (2023: nil) per sqm per month
		Capitalisation rate *(note iii)*	5.50% to 9.70% (2023: nil)
Industrial properties in Mainland China	Direct comparison approach	Market unit rate *(note i)*	RMB7,658 to RMB7,696 (2023: RMB7,809 to RMB77,247) per sqm
	Income capitalisation approach	Monthly market rent *(note ii)*	RMB5.11 to RMB282.00 (2023: RMB3.29 to RMB78.79) per sqm per month
		Capitalisation rate *(note iii)*	1.65% to 9.00% (2023: 5.70% to 9.00%)
Car parking spaces in Mainland China	Direct comparison approach	Market unit rate *(note i)*	RMB450,000 (2023: RMB440,000) per unit
Commercial office units in Hong Kong	Direct comparison approach	Market unit rate *(note i)*	RMB2,822 (2023: RMB3,599) per square feet ("sq ft")
Industrial properties in Hong Kong	Direct comparison approach	Market unit rate *(note i)*	RMB2,790 to RMB20,177 (2023: RMB2,884 to RMB22,470) per sq ft
Car parking spaces in Hong Kong	Direct comparison approach	Market unit rate *(note i)*	RMB1,482,000 to RMB2,037,000 (2023: RMB1,900,000 to RMB2,600,000) per unit

Notes:

(i) An increase in the market unit rate used would result in an increase in fair value, and vice versa.

(ii) An increase in the market rent used would result in an increase in fair value, and vice versa.

(iii) An increase in the capitalisation rate used would result in an decrease in fair value, and vice versa.

As at 31 December 2024 and 2023, the Group pledged certain of its investment properties as security for its general banking facilities. Further details are set out in note 37.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
As at 1 January 2023	447,850	962,066	214,769	7,063	390,956	274	2,022,978
Exchange alignment	101	1,287	80	35	416	–	1,919
Additions	–	46,514	8,767	852	5,109	2,912	64,154
Transfer from investment properties	8,300	–	–	–	–	–	8,300
Transfer to investment properties	(2,497)	–	–	–	–	–	(2,497)
Transfer	–	1,963	–	–	–	(1,963)	–
Disposals	(328)	(88,775)	(22,612)	–	(9,090)	–	(120,805)
As at 31 December 2023	453,426	923,055	201,004	7,950	387,391	1,223	1,974,049
Exchange alignment	121	2,253	125	64	684	26	3,273
Additions	–	70,838	14,686	–	8,671	7,378	101,573
Transfer from investment properties	97,625	–	–	–	–	–	97,625
Transfer	–	6,694	–	–	–	(6,694)	–
Disposals	–	(78,145)	(51,658)	(281)	(17,225)	–	(147,309)
As at 31 December 2024	551,172	924,695	164,157	7,733	379,521	1,933	2,029,211
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
As at 1 January 2023	211,167	911,480	174,943	6,407	313,427	–	1,617,424
Exchange alignment	42	1,001	62	30	372	–	1,507
Provided for the year	18,431	58,856	22,960	517	12,519	–	113,283
Eliminated on transfer to investment properties	(743)	–	–	–	–	–	(743)
Eliminated on disposals	(87)	(82,357)	(18,449)	–	(6,561)	–	(107,454)
Impairment loss recognised in profit or loss *(note 17)*	–	961	–	–	–	–	961

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023	228,810	889,941	179,516	6,954	319,757	–	1,624,978
Exchange alignment	57	1,764	100	56	619	11	2,607
Provided for the year	19,099	53,785	17,256	352	13,151	756	104,399
Eliminated on disposals	–	(75,857)	(51,373)	(281)	(15,386)	–	(142,897)
Impairment loss recognised in profit or loss *(note 17)*	–	3,034	–	–	–	–	3,034
As at 31 December 2024	247,966	872,667	145,499	7,081	318,141	767	1,592,121
CARRYING VALUES							
As at 31 December 2024	303,206	52,028	18,658	652	61,380	1,166	437,090
As at 31 December 2023	224,616	33,114	21,488	996	67,634	1,223	349,071

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

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

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

As at 31 December 2024 and 2023, the Group pledged certain of its property, plant and equipment as security for its general banking facilities granted. Details of the asset pledge are set out in note 37.

17. RIGHT-OF-USE ASSETS

	Land use right RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2024			
Carrying amount	32,708	533,472	566,180
As at 31 December 2023			
Carrying amount	33,787	390,077	423,864
For the year ended 31 December 2024			
Depreciation charge	(1,207)	(215,882)	(217,089)
Exchange alignment	128	1,178	1,306
For the year ended 31 December 2023			
Depreciation charge	(1,204)	(202,205)	(203,409)
Exchange alignment	88	191	279

	2024 **RMB'000**	2023 RMB'000
Expense relating to short-term leases	**12,836**	29,108
Variable lease payments not included in the measurement of lease liabilities	**21,743**	27,162
Total cash outflow for leases	**252,436**	293,398
Additions to right-of-use assets	**375,971**	193,500
Termination of right-of-use assets	**(6,345)**	(9,154)
Impairment loss of right-of-use assets recognised in profit or loss	**(11,527)**	(2,625)

For the years ended 31 December 2024 and 2023, the Group leased various offices and chain stores for its operations. Lease contracts were entered into for fixed term of 1 to 15 years (2023: 1 to 15 years) and negotiated individually and varied significantly in terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determined the enforceable period accordingly.

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

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

Variable lease payments

Leases of chain stores are either with only fixed lease payments or contain variable lease payments based on 5% to 30% (2023: 5% to 30%) of sales, along with minimum annual fixed lease payments. These payment structures are common for chain stores where the Group operates. The amounts of fixed and variable lease payments paid/payable to lessors for the years ended 31 December 2024 and 2023 are set out below:

For the year end 31 December 2024

	Number of Stores	**Fixed payments RMB'000**	**Variable payments RMB'000**	**Total payments RMB'000**
Chain stores without variable lease payments	**230**	**102,806**	**–**	**102,806**
Chain stores with variable lease payments	**332**	**118,096**	**21,743**	**139,839**

For the year end 31 December 2023

	Number of Stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Chain stores without variable lease payments	250	144,062	–	144,062
Chain stores with variable lease payments	290	113,508	27,162	140,670

The overall financial effect of using variable payment terms is that higher sales incur higher rental costs. However, variable rental expenses are expected to account for a smaller proportion of store sales in future years.

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

Restrictions or covenants on leases

As at 31 December 2024, the Group recognised lease liabilities of RMB576,636,000 (2023: RMB402,305,000) along with related right-of-use assets of RMB533,472,000 (2023: RMB390,077,000). The lease agreements do not impose any covenants other than the security interests held by the lessor over the leased assets. Additionally, leased assets cannot be used as security for borrowing purposes.

Rent concessions

During the years ended 31 December 2024 and 2023, no rent concessions were provided to the Group.

Impairment assessment

For the year ended 31 December 2024, the overall food catering market was in a recovery phase. As a result, certain restaurants of the Group did not achieve the break-even profitability. Given this, the management identified indicators of impairment and conducted an impairment assessment on specific property, plant and equipment, as well as right-of-use assets. The aggregate carrying amounts of these assets totalled RMB45,755,000 (2023: RMB17,576,000), net of accumulated impairment losses of RMB48,506,000 (2023: RMB33,945,000).

The recoverable amount of each CGU, representing each individual restaurant, has been determined using a value in use calculation. As at 31 December 2024, this calculation is based on cash flow projections derived from financial budgets approved by the management, covering the lease terms. The pre-tax discount rates applied were 9% (2023: 11%) for Mainland China and of 9% (2023: 10%) for Hong Kong.

Key assumptions in the value in use calculation include budgeted gross profit, gross margin and revenue growth rate, which are mainly determined based on the CGUs' past performance and management's expectations for market development.

Following the impairment assessment, management concluded that the recoverable amounts of certain CGUs or group of CGUs were lower than their carrying amounts. The impairment loss was allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset was not reduced below the highest of its fair value less cost of disposal, value in use and zero.

Based on the value in use calculation and the allocation, an impairment loss of RMB3,034,000 and RMB11,527,000 (2023: RMB961,000 and RMB2,625,000), was recognised against the carrying amounts of property, plant and equipment and right-of-use assets, respectively.

18. GOODWILL

	Group of certain Mainland China Restaurants CGUs	Group of certain Hong Kong Restaurants CGUs	Total
	RMB'000	RMB'000	RMB'000
COST			
As at 1 January 2023	1,342	31,458	32,800
Exchange alignment	13	407	420
As at 31 December 2023	1,355	31,865	33,220
Exchange alignment	20	697	717
As at 31 December 2024	1,375	32,562	33,937
ACCUMULATED IMPAIRMENT			
As at 1 January 2023	–	(31,458)	(31,458)
Exchange alignment	–	(407)	(407)
As at 31 December 2023	–	(31,865)	(31,865)
Exchange alignment	–	(697)	(697)
As at 31 December 2024	–	(32,562)	(32,562)
CARRYING VALUES			
As at 31 December 2024	1,375	–	1,375
As at 31 December 2023	1,355	–	1,355

As at 31 December 2024, goodwill before impairment amounting to RMB32,562,000 is allocated to the CGUs of certain restaurants operated in Hong Kong ("the group of certain Hong Kong Restaurants CGUs") and goodwill amounting to RMB1,375,000 is allocated to the CGUs of certain restaurants operated in Mainland China ("the group of certain Mainland China Restaurants CGUs").

Based on the management's assessment, no additional impairment loss was required for the years ended 31 December 2023 and 2024.

19. INTANGIBLE ASSETS

	Trademark RMB'000
COST	
As at 1 January 2023	14,196
Exchange alignment	163
As at 31 December 2023	14,359
Exchange alignment	583
As at 31 December 2024	14,942
ACCUMULATED IMPAIRMENT	
As at 1 January 2023	(12,883)
Exchange alignment	30
As at 31 December 2023	(12,853)
Exchange alignment	(281)
As at 31 December 2024	(13,134)
CARRYING VALUES	
As at 31 December 2024	1,808
As at 31 December 2023	1,506

The Group's management considers the trademark has indefinite useful life, as it is expected to generate net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

No additional impairment loss is required for the years ended 31 December 2023 and 2024 as the management of the Group is of the opinion that the carrying amounts do not exceed their recoverable amounts.

20. DEFERRED TAXATION

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

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**34,920**	38,982
Deferred tax liabilities	**(116,810)**	(167,945)
	(81,890)	(128,963)

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

	Revaluation of properties in Mainland China RMB'000	LAT in Mainland China RMB'000 *(note)*	Lease liability RMB'000	Right-of-use assets RMB'000	Withholding tax on undistributed dividends RMB'000	Revaluation of financial assets and liabilities at FVTPL RMB'000	Difference in depreciation RMB'000	Impairment of interests in associates RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2023	(61,339)	(108,098)	108,602	(92,493)	(3,695)	24,297	(57)	15,326	23,526	(1,583)	(95,514)
(Charge) credit to profit or loss	(3,197)	(176)	(13,274)	9,672	(5,835)	(5,530)	7	–	(15,329)	213	(33,449)
As at 31 December 2023	(64,536)	(108,274)	95,328	(82,821)	(9,530)	18,767	(50)	15,326	8,197	(1,370)	(128,963)
Credit (charge) to profit or loss	1,359	47,203	37,412	(36,620)	(2,298)	592	(2)	–	(547)	(26)	47,073
As at 31 December 2024	(63,177)	(61,071)	132,740	(119,441)	(11,828)	19,359	(52)	15,326	7,650	(1,396)	(81,890)

Note: As the Group's investment properties located in Mainland China are held under a business model whose objective is to gain the economic benefits through sale or lease, LAT is calculated and recognised on:

(i) Properties revaluation reserves (charge to other comprehensive income) when property, plant and equipment are transferred to investment properties; and

(ii) Change in fair values of investment properties (charge to profit or loss) when fair value adjustments occur at the end of the year.

20. DEFERRED TAXATION *(Continued)*

As at 31 December 2024, the Group had accumulated unutilised tax losses of approximately RMB653,505,000 (2023: RMB623,218,000) available for offset against future profits. However, no deferred tax asset has been recognised on RMB622,906,000 (2023: RMB590,430,000) of these tax losses due to the unpredictability of future profit streams. The unrecognised tax losses are detailed in the table below.

	2024 RMB'000	2023 RMB'000
Year of expiry		
2024	–	6,217
2025	12,912	15,631
2026	22,872	23,894
2027	19,007	27,380
2028	1,886	2,218
2029	36,792	–
Indefinitely	529,437	515,090
	622,906	590,430

Under the EIT Law, withholding tax is imposed on dividends declared from profits earned by subsidiaries in Mainland China from 1 January 2008 onwards.

As at 31 December 2024, deferred tax liabilities of RMB36,638,000 (2023: RMB98,150,000) have been recognised for the undistributed profits of certain operating subsidiaries in Mainland China. No deferred tax liabilities have been provided for in the consolidated financial statements in respect of temporary differences related to the undistributed profits of subsidiaries in Mainland China, amounting to RMB1,582,389,000 (2023: RMB1,557,964,000) as in the opinion of the management, the Group is able to control the timing of the reversal of these temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future.

21. INTERESTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Cost of investment in associates	**161,341**	161,341
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(9,860)**	(8,911)
	151,481	152,430
Less: Accumulated impairment losses recognised *(note i)*	**(117,102)**	(110,673)
Loan to an associate *(note ii)*	**1,384**	1,353
	35,763	43,110

Notes:

(i) During the year ended 31 December 2024, due to the poor performance of certain associates, the Company's directors assessed the recoverable amount of the Group's interests in these associates. The recoverable amount, determined as the higher of value in use and fair value less costs of disposal, was found to be lower than the carrying amount. As a result of the impairment assessment, the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount.

For interest in Shenzhen Jupeng Kitchen Equipment Co., Ltd. (深圳市巨鵬廚房設備有限公司), the recoverable amount was determined based on fair value less costs of disposal. Consequently, an impairment loss of RMB6,429,000 (2023: nil) was recognised for the year ended 31 December 2024.

Regarding the Group's interest in Guangzhou Yunnex Information Technology Co., Ltd. ("Yunnex"), the recoverable amount is determined based on fair value less costs of disposal. For the year ended 31 December 2023, an impairment loss of RMB987,000 has been recognised, resulting carrying amount of nil as at 31 December 2023.

(ii) Loan to an associate forms part of the net interests in the associate. The amount is unsecured, interest free and will not be repayable within twelve months from the end of the reporting period.

22. INTEREST IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
Cost of investment in a joint venture	**12,858**	12,858
Share of post-acquisition results and other comprehensive expense	**(4,265)**	(5,038)
	8,593	7,820

Interest in a joint venture represents the Group's 42% equity interest in Beijing Feicui Jinghua & Restaurant Management Co., Ltd. ("Feicui Jinghua"), which is principally engaged in operating restaurants, under the joint venture cooperation agreement with two independent third parties in 2017.

According to its articles of association, the financial and operating policies of Feicui Jinghua are determined by resolutions passed at its shareholders' meeting. Although the Group holds 42% of total voting rights, a valid resolution requires approval from more than two-thirds of total votes. Additionally, decisions regarding relevant activities of Feicui Jinghua require unanimous consent from the Group and the other equity holders who share control. In this regard, Feicui Jinghua is accounted for as a joint venture in the Group's consolidated financial statements.

23. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

Financial assets at FVTPL

	2024 RMB'000	2023 RMB'000
Current assets:		
Reverse repurchase treasury bond *(note i)*	**10,000**	–
Wealth management product *(note ii)*	**–**	25,031
Non-current assets:		
Unlisted equity investments and fund investments *(note iii)*	**115,535**	125,867
	125,535	150,898

23. FINANCIAL ASSETS AND LIABILITIES AT FVTPL *(Continued)*

Financial assets at FVTPL (Continued)

The components of unlisted equity instruments and fund investments are as follows:

	2024 RMB'000	2023 RMB'000
Guangzhou Yunxi Information Technology Co., Ltd.	–	5,961
Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership)	13,254	13,254
Guangzhou Hezhi Investment Center (Limited Partnership)	72,281	75,509
Jialan Jiahua (Tianjin) Venture Capital Fund Partnership (Limited Partnership)	20,000	20,000
Others	10,000	11,143
	115,535	125,867

	2024 RMB'000	2023 RMB'000
Financial liabilities at FVTPL *(note ii)*	–	2,127

Notes:

(i) During the year ended 31 December 2024, the Group purchased reverse repurchase treasury bond issued by the PRC government with interest yield rates ranging from 0.5% to 5% per annum and with maturity ranging from 1 day to 182 days.

(ii) In the year ended 31 December 2023, the Group entered into a contract with a bank to purchase wealth management product. The wealth management product is with maturity within 12 months. The expected return rates ranging from 1.32% to 1.91% per annum.

(iii) Financial assets and liabilities at FVTPL are classified as non-current as they are neither part of the working capital used in the Group's normal operating cycle nor held for trading purpose, therefore the Company's directors consider it is appropriate to classify it as non-current as of the end of the reporting period.

24. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials and consumables	66,253	65,469
Work in progress	107	7
Finished goods	10,265	10,771
	76,625	76,247

25. TRADE AND OTHER RECEIVABLES

	2024	2023
	RMB'000	RMB'000
Trade receivables		
– contracts with customers (third parties)	**18,115**	32,989
Less: allowance for credit losses	**(1,637)**	(1,879)
	16,478	31,110
Other receivables		
Value added tax recoverable	**46,947**	41,521
Rental and utility deposits	**36,216**	31,448
Advance to suppliers	**19,592**	27,535
Prepaid management fee and property rental *(note)*	**14,636**	15,639
Lease receivables	**11,741**	18,376
Prepayments	**6,247**	4,625
Staff advance	**5,869**	9,400
Others	**10,859**	7,966
	152,107	156,510
Less: allowance for credit losses	**(9,768)**	(9,768)
	142,339	146,742
	158,817	177,852

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

Customers relating to manufacture and sales of noodles and related products are normally granted a credit period of 0 to 90 days (2023: 0 to 90 days) upon issuance of invoices, except for certain well established customers, their credit terms may up to 180 days (2023: 180 days). There is no credit period for customers relating to sales from operation of restaurants, unless when the payments are made through online electronic payment platforms, in which case the trade receivables from these online electronic payment platforms are normally settled within 30 days.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

At the end of the reporting period, the aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice dates for manufacture and sales of noodles and related products, and based on transaction dates in respect of sales from operation of restaurant, is as follows:

	2024 **RMB'000**	2023 RMB'000
0 to 30 days	**15,363**	23,165
31 to 60 days	**537**	1,333
61 to 90 days	**160**	5,158
91 to 180 days	**132**	261
180 to 365 days	**286**	1,193
	16,478	31,110

As at 31 December 2024, of the Group's trade receivables are debtors with gross carrying amount of RMB983,000 (2023: RMB1,901,000) which are past due 90 days or more as at the reporting date. These past due balances are not considered as default as the Group's management considered that these balances are mainly due from customers with good credit quality. The Group does not hold any collateral over these balances.

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

26. CASH AND CASH EQUIVALENTS

	2024 **RMB'000**	2023 RMB'000
Term deposits with banks	**792,993**	615,307
Cash at bank and in hand	**836,660**	992,328
Bank balances and cash	**1,629,653**	1,607,635
Less: Term deposits with banks over three months of maturity at acquisition under current assets	**(788,693)**	(472,221)
Cash and cash equivalents	**840,960**	1,135,414

26. CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents comprise demand deposits and short-term deposits, which are held for the purpose of meeting the Group's short term cash commitments. Term deposits and bank balances carry interest at market rates, ranging from 0.001% to 5.65% (2023: 0.001% to 5.65%) per annum.

The Group's bank balances and cash that are denominated in currency other than the functional currencies of the relevant group entities, are set out below:

	2024	2023
	RMB'000	RMB'000
– US$	**266,492**	295,415

27. TRADE AND OTHER PAYABLES

	2024	2023
	RMB'000	RMB'000
Trade payables		
– related parties *(note)*	**34,826**	32,785
– third parties	**62,566**	62,863
	97,392	95,648
Other payables		
Payroll and welfare payables	**40,201**	30,495
Rental deposits received	**19,337**	14,039
Payable for acquisition of property, plant and equipment	**27,019**	24,010
Payable for variable lease payments	**12,021**	15,541
Other taxes payable	**7,404**	7,374
Others	**47,830**	62,381
	251,204	249,488

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

27. TRADE AND OTHER PAYABLES *(Continued)*

The average credit period for purchase of goods is 60 days (2023: 60 days). The following is an aged analysis of trade payables, presented based on invoice dates, as of the end of the reporting period:

	2024	2023
	RMB'000	RMB'000
0 to 30 days	**76,648**	69,928
31 to 60 days	**15,619**	19,684
61 to 90 days	**198**	344
91 to 180 days	**372**	1,615
Over 180 days	**4,555**	4,077
	97,392	95,648

28. LEASE LIABILITIES

	2024	2023
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**211,607**	168,231
In more than one year but not more than two years	**156,880**	116,226
In more than two years but not more than five years	**201,288**	116,664
In more than five years	**6,861**	1,184
	576,636	402,305
Less: Amount due for settlement within 12 months shown under current liabilities	**(211,607)**	(168,231)
Amount due for settlement after 12 months shown under non-current liabilities	**365,029**	234,074

The weighted average incremental borrowing rates applied to lease liabilities range from 3.18% to 5.17% (2023: 3.18% to 5.17%)

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

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

The amounts due to related companies are unsecured, non-trade related, interest-free and repayable on demand. Either Ms. Poon or Mr. Katsuaki Shigemitsu has controlling interest over these related companies.

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

30. BANK BORROWINGS

	2024	2023
	RMB'000	RMB'000
Secured bank borrowings with carrying amounts repayable:		
Within one year or repayable on demand	**5,287**	5,247
In more than one year but not more than two years	**5,395**	5,354
In more than two years but not more than five years	**16,853**	16,727
In more than five years	**7,074**	10,156
	34,609	37,484
Less: Amounts due within one year shown under current liabilities	**(5,287)**	(5,247)
Amounts shown under non-current liabilities	**29,322**	32,237

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

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

Denominated in	**Interest rate**	**2024**	2023
		RMB'000	RMB'000
HK$	Prime rate of the counterparty bank minus 3.25% (2023: prime rate of the counterparty bank minus 3.25%)	**31,150**	33,762
HK$	Prime rate of the counterparty bank minus 2.8% (2023: prime rate of the counterparty bank minus 2.8%)	**3,459**	3,722
		34,609	37,484

30. BANK BORROWINGS *(Continued)*

Loan covenants

As at 31 December 2024, the Group's bank borrowings with carrying amounts of RMB31,150,000 (2023: RMB33,762,000) are subject to the following financial covenants that are required to be met throughout the duration of the loans or until repayment:

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

In respect of bank borrowings with carrying amounts of RMB3,459,000 as at 31 December 2024 (2023: RMB3,722,000), the associated financial covenants are as follows:

- The loan-to-value ratio (i.e. the ratio of aggregate outstanding amount of the banking facilities to the current market value (in the opinion of the Bank's approved valuer) of the property) shall not exceed 50%. Otherwise, a subsidiary of the Company shall provide additional security acceptable to the bank or repay the outstanding balance within one month upon receipt the notice from the bank so as to restore the loan-to-value ratio at 40% or below in any event if the loan-to-value ratio exceeds 50%.

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

The weighted average effective interest rate on the bank borrowings is analysed as follows:

	2024	2023
Denominated in HK$	**2.75%**	2.98%

Detail of the assets of the Group as at 31 December 2024 and 2023 that have been pledged as collateral to secure general bank facilities are set out in note 37.

31. SHARE CAPITAL

	Number of shares	Share capital
		RMB'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2023, 31 December 2023 and 31 December 2024	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	1,091,538,820	108,404

32. SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant option to the eligible participants in recognition of their contribution made or to be made to the Group. Under the Share Option Scheme, the Board 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 which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an eligible participant in any 12-month period shall not exceed 1% of the number of shares in issue unless approved by shareholders in a general meeting. The maximum number of shares that may be granted under the Share Option Scheme shall not exceed 10% of the total number of shares in issue at the date the Share Option Scheme was, i.e. a total of 109,153,882 shares.

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

32. SHARE OPTION SCHEMES *(Continued)*

Details of specific categories of options are as follows:

Grant Date	Vesting Period	Expected Life	Exercise Price
Employees			
26 August 2011	26 August 2012 to 25 August 2017	26 August 2012 to 25 August 2021	HK$5.530
15 October 2012	15 October 2012 to 25 August 2017	15 October 2012 to 25 August 2021	HK$5.530
2 July 2013	2 July 2014 to 1 July 2023	2 July 2014 to 1 July 2023	HK$6.310
27 August 2013	27 August 2014 to 26 August 2019	27 August 2014 to 26 August 2023	HK$8.740
25 September 2014	25 September 2015 to 24 September 2020	25 September 2014 to 24 September 2024	HK$6.450
8 January 2015	8 January 2016 to 7 January 2021	8 January 2015 to 7 January 2025	HK$5.900
17 April 2015	17 April 2016 to 16 April 2024	17 April 2015 to 16 April 2025	HK$5.060
2 July 2015	2 July 2016 to 1 July 2021	2 July 2015 to 1 July 2025	HK$4.104
19 July 2017	19 July 2018 to 18 July 2023	19 July 2017 to 18 July 2027	HK$3.504
1 June 2018	1 June 2019 to 31 May 2024	1 June 2018 to 31 May 2028	HK$3.256
14 January 2019	14 January 2020 to 13 January 2025	14 January 2019 to 13 January 2029	HK$2.214
3 June 2019	3 June 2020 to 2 June 2025	3 June 2019 to 2 June 2029	HK$3.322
27 August 2020	27 August 2021 to 26 August 2026	27 August 2020 to 26 August 2030	HK$1.250
8 April 2021	8 April 2022 to 7 April 2027	8 April 2021 to 7 April 2031	HK$1.300
1 November 2021	1 November 2022 to 31 October 2027	1 November 2021 to 31 October 2031	HK$1.344
12 July 2024	12 July 2025 to 11 July 2030	12 July 2024 to 11 July 2034	HK$1.010
Directors			
15 October 2012	15 October 2012 to 14 October 2017	15 October 2012 to 14 October 2022	HK$5.530

32. SHARE OPTION SCHEMES *(Continued)*

Details of the movements of the Company's Share Option Scheme during the years ended 31 December 2024 and 2023 are set out below.

For the year ended 31 December 2024

Grant date	Outstanding at 1 January 2024	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2024
Employees						
8 January 2015	150,000	–	–	–	–	150,000
17 April 2015	900,000	–	–	–	–	900,000
2 July 2015	1,420,000	–	–	–	–	1,420,000
19 July 2017	500,000	–	–	–	–	500,000
1 June 2018	1,600,000	–	–	–	(200,000)	1,400,000
14 January 2019	55,000	–	–	–	–	55,000
3 June 2019	200,000	–	–	–	–	200,000
27 August 2020	700,000	–	–	–	–	700,000
8 April 2021	500,000	–	–	–	(500,000)	–
1 November 2021	25,516,000	–	–	–	(2,315,000)	23,201,000
12 July 2024	–	1,000,000	–	–	–	1,000,000
	31,541,000	1,000,000	–	–	(3,015,000)	29,526,000
Exercisable at the end of the year	15,600,400					19,105,600
Weighted average exercise price (HK$)	1.74	1.01	–	–	1.46	1.74

32. SHARE OPTION SCHEMES *(Continued)*

For the year ended 31 December 2023

Grant date	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2023
Employees						
27 August 2013	530,000	–	–	(530,000)	–	–
8 January 2015	150,000	–	–	–	–	150,000
17 April 2015	1,400,000	–	–	–	(500,000)	900,000
2 July 2015	1,520,000	–	–	–	(100,000)	1,420,000
19 July 2017	500,000	–	–	–	–	500,000
1 June 2018	1,900,000	–	–	–	(300,000)	1,600,000
14 January 2019	55,000	–	–	–	–	55,000
3 June 2019	200,000	–	–	–	–	200,000
27 August 2020	700,000	–	–	–	–	700,000
8 April 2021	500,000	–	–	–	–	500,000
1 November 2021	27,350,000	–	–	–	(1,834,000)	25,516,000
	34,805,000	–	–	(530,000)	(2,734,000)	31,541,000
Exercisable at the end of the year	11,448,000	15,600,400				
Weighted average exercise price (HK$)	1.89	–	–	8.74	2.33	1.74

For the year ended 31 December 2024, the Group recognised total expense in the amount of RMB1,048,000 (2023: RMB1,729,000) for share options granted by the Company under the Share Option Scheme. The Group transferred the expense of RMB107,000 (2023; RMB3,259,000) previously recognised in share-based payments reserve to retained profits, upon the forfeiture of share options after the vesting date.

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

	2024 RMB'000	2023 RMB'000
Non-current asset		
Interests in a subsidiary	**60,506**	60,506
	60,506	60,506
Current assets		
Bank balances and cash	**725**	706
Dividend receivable	**239,998**	–
	240,723	706
Current liabilities		
Amounts due to subsidiaries	**196,676**	106,517
Other payables	**2,849**	2,919
	199,525	109,436
Net current assets (liabilities)	**41,198**	(108,730)
Total assets less current liabilities	**101,704**	(48,224)
Capital and reserves		
Share capital	**108,404**	108,404
Reserves	**(6,700)**	(156,628)
Total equity	**101,704**	(48,224)

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

Movement in Company's reserves

	Share premium RMB'000 *(note i)*	Share-based payment reserve RMB'000	Special reserve RMB'000 *(note ii)*	Accumulated losses RMB'000 *(note i)*	Total RMB'000
As at 1 January 2023	1,611,247	8,944	(320,594)	(1,387,604)	(88,007)
Total comprehensive expense for the year	–	–	–	(4,857)	(4,857)
Dividends recognised as distribution *(note 13)*	(65,493)	–	–	–	(65,493)
Recognition of share-based payment	–	1,729	–	–	1,729
Transfer on forfeiture and expiry of share options	–	(3,259)	–	3,259	–
As at 31 December 2023	1,545,754	7,414	(320,594)	(1,389,202)	(156,628)
Total comprehensive income for the year	–	–	–	236,203	236,203
Dividends recognised as distribution *(note 13)*	(87,323)	–	–	–	(87,323)
Recognition of share-based payment	–	1,048	–	–	1,048
Transfer on forfeiture and expiry of share options	–	(107)	–	107	–
As at 31 December 2024	1,458,431	8,355	(320,594)	(1,152,892)	(6,700)

Notes:

(i) As at 31 December 2024, the distributable reserve of the Company amounted to RMB305,539,000 (2023: RMB156,552,000), represents the aggregate balance of share premium and accumulated losses.

(ii) A debit amount of approximately RMB321 million represents the aggregate amount of the consideration which was settled by the Company with (i) cash consideration of approximately RMB184 million and (ii) share consideration of approximately RMB137 million for the acquisition of Luck Right and its subsidiaries from Ms. Poon in 2008.

34. FINANCIAL INSTRUMENTS

(a) *Categories of financial instruments*

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets at amortised cost	1,790,315	1,764,008
Financial assets at FVTPL	125,535	150,898
	1,915,850	1,914,906
Financial liabilities		
Financial liabilities at amortised cost	259,589	267,666
Financial liabilities at FVTPL	–	2,127
	259,589	269,793
Lease liabilities	576,636	402,305
	836,225	672,098

(b) *Financial risk management objectives and policies*

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

Currency risk

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

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Currency risk (Continued)

The carrying amounts of the Group's bank balances and cash that are denominated in currencies other than the functional currency of the entities in Mainland China, i.e. US$, as at 31 December 2024 and 2023 are immaterial.

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

Interest rate risk

As at 31 December 2024, the Group is exposed to fair value interest rate risk in relation to its lease liabilities (see note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate deposits and bank balances (see note 26 for details), and variable-rate bank borrowings (see note 30 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the Group's bank deposits and balances, and certain bank borrowings. To manage interest rate exposure, the Group evaluates the potential impact of interest rate movements based on interest rate level and market outlook. Management regularly reviews the proportion of borrowings in fixed rate and floating rate borrowings to ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 15 basis point (2023: 15 basis point) increase or decrease in variable-rate bank balances and 50 basis point (2023: 50 basis point) increase or decrease in variable-rate bank borrowings are used, representing management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 15 basis points (2023: 15 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2024 would decrease/increase by RMB1,978,000(2023: post tax profit increase/decrease by RMB1,995,000).

If interest rates on variable-rate bank borrowings had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2024 would increase/decrease by RMB144,000 (2023: post tax profit decrease/increase by RMB156,000).

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

As at 31 December 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables. To measure the ECL of trade receivables, they are assessed individually for debtors with significant balances and/or collectively for other debtors using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate and loss allowance of RMB242,000 was reversed (2023: loss allowance of RMB1,199,000 was recognised).

Bank balances (including term deposits)

Credit risk on bank balances (including term deposits) is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Loan to an associate, other receivables (except lease receivables) and rental deposits

For loan to an associate, other receivables (except lease receivables) and rental deposits, the directors of the Company believe that there is no significant increase in credit risk since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for loan to an associate, other receivables (except lease receivables) and rental deposits and no loss allowance was recognised.

Lease receivables

For lease receivables, the management makes periodic assessment on the recoverability of lease receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the year ended 31 December 2023, the directors of the Company believed that there was evidence indicating certain lease receivable was credit-impaired, as such, a loss allowance of RMB253,000 was recognised respectively. No such evidence and no additional loss allowance was recognised for the year ended 31 December 2024.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets and other item, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	**2024 gross carrying amount RMB'000**	2023 gross carrying amount RMB'000
Financial assets at amortised cost					
Bank balances and cash (including term deposits)	26	N/A	12m ECL	**1,655,833**	1,607,635
Restricted bank deposits	26	N/A	12m ECL	**113**	15,136
				1,655,946	1,622,771
Loan to an associate	21	Low risk	12m ECL	**1,384**	1,353
Trade receivables	25	Low risk	Lifetime ECL (not credit-impaired)	**16,997**	30,816
		Watch list	Lifetime ECL (not credit-impaired)	**425**	1,522
		Loss	Lifetime ECL (credit-impaired)	**693**	651
				18,115	32,989
Other receivables and rental deposits	25	Low risk	12m ECL	**126,275**	135,374
Other item					
Lease receivables	25	Low risk	Lifetime ECL (not credit-impaired)	**2,277**	8,912
		Loss	Lifetime ECL (credit-impaired)	**9,464**	9,464
				11,741	18,376

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2023	228	452	680
Impairment losses reversed	(225)	(149)	(374)
Impairment losses recognised	1,225	348	1,573
As at 31 December 2023	1,228	651	1,879
Impairment losses reversed	(1,226)	–	(1,226)
Impairment losses recognised	942	42	984
As at 31 December 2024	944	693	1,637

The following table shows reconciliation of loss allowance that has been recognised for other receivables and rental deposits using the general approach under HKFRS 9:

	12m ECL RMB'000
As at 1 January 2023, 31 December 2023 and 31 December 2024	160

The following table shows reconciliation of loss allowance that has been recognised for lease receivables using the simplified approach under HKFRS 9:

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2023	215	9,140	9,355
Impairment losses recognised	253	–	253
As at 31 December 2023 and 2024	468	9,140	9,608

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date in which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2024							
Financial liabilities							
Trade and other payables	NA	203,599	–	–	–	203,599	203,599
Amounts due to related companies	NA	4,100	–	–	–	4,100	4,100
Amounts due to directors	NA	1,111	–	–	–	1,111	1,111
Amounts due to non-controlling interests	NA	13,551	–	–	–	13,551	13,551
Amount due to an associate	NA	2,296	–	–	–	2,296	2,296
Amount due to a joint venture	NA	323	–	–	–	323	323
Lease liabilities	4.14%	123,659	107,631	387,186	7,541	626,017	576,636
Bank borrowings-variable interest rate	2.75%	2,991	3,044	26,339	5,794	38,168	34,609
		351,630	110,675	413,525	13,335	889,165	836,225

34. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk management (Continued)

	Weighted average effective interest rate	On demand or less than six months RMB'000	Six months to one year RMB'000	One year to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2023							
Financial liabilities							
Trade and other payables	NA	211,619	–	–	–	211,619	211,619
Amounts due to related companies	NA	1,819	–	–	–	1,819	1,819
Amounts due to directors	NA	604	–	–	–	604	604
Amounts due to non-controlling interests	NA	13,543	–	–	–	13,543	13,543
Amount due to an associate	NA	2,247	–	–	–	2,247	2,247
Amount due to a joint venture	NA	350	–	–	–	350	350
Lease liabilities	5.00%	95,788	86,094	238,089	1,349	421,320	402,305
Bank borrowings-variable interest rate	2.98%	3,000	3,052	26,395	11,846	44,293	37,484
		328,970	89,146	264,484	13,195	695,795	669,971

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) *Fair value measurements of financial instruments*

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

In estimating the fair value, the management of the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the management of the Group engages an independent qualified professional valuer to conduct the valuation. The Group's management works closely with the qualified external valuers to develop the appropriate valuation techniques and key inputs. The management reports the valuation findings to the Board regularly to explain the cause of fluctuations in the fair value.

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

The following tables give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2024

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Unlisted equity investments	–	–	35,221	35,221
Fund investments	–	80,314	–	80,314
Treasury bond reverse repurchase	10,000	–	–	10,000
	10,000	80,314	35,221	125,535
Financial liabilities				
Financial liabilities at FVTPL	–	–	–	–

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments (Continued)

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

Fair value hierarchy as at 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Unlisted equity investments	–	–	45,553	45,553
Fund investments	–	80,314	–	80,314
Wealth management product	–	25,031	–	25,031
	–	105,345	45,553	150,898
Financial liabilities				
Financial liabilities at FVTPL	–	–	2,127	2,127

34. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments (Continued)

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

Financial assets/ liabilities	Fair value as at 31/12/2024 RMB	Fair value as at 31/12/2023 RMB	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets at FVTPL – unlisted equity investments	**34,995,000**	41,195,000	Level 3	Market approach The key inputs include Equity value of investees, risk free rate, volatility, expected option life and probability of conversion, redemption and liquidation.	Equity value. Expected option life. Probability of conversion, redemption and liquidation.
Financial assets at FVTPL – unlisted equity investments	**226,000**	4,358,000	Level 3	Income approach - in this approach the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee based on an appropriate discount rate	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries *(note i)*. Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model *(note ii)*.
Financial assets at FVTPL – fund investments	**80,314,000**	80,314,000	Level 2	Discounted cash flow future cash flows are estimated based on expected return.	N/A

34. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Financial assets/ liabilities	Fair value as at 31/12/2024 RMB	Fair value as at 31/12/2023 RMB	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets at FVTPL – reverse repurchase treasury bond	10,000,000	–	Level 1	Quoted bid prices in the active market	N/A
Financial assets at FVTPL – wealth management product	–	25,031,000	Level 2	Discounted cash flow future cash flows are estimated based on expected return.	N/A
Financial liabilities at FVTPL	–	2,127,000	Level 3	Based on the net asset values/fair value of the underlying investments, which are determined by market approach and adjustments of related expenses.	The significant unobservable inputs are the same as the underlying investments, which are determined by market approach.

Note i: Any increase (decrease) in long-term revenue growth rate would result in an increase (decrease) in fair value.

Note ii: Any increase (decrease) in discount rate would result in a decrease (increase) in fair value.

There were no transfers between Level 1 and 2 during the years ended 31 December 2024 and 2023.

34. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) *Reconciliation of Level 3 fair value measurements*

	Financial assets at FVTPL RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
As at 1 January 2023	91,472	(7,074)	84,398
Transfer into Level 3	25,000	–	25,000
Transfer out of Level 3	(50,947)	–	(50,947)
Gain on fair value change	23,549	4,947	28,496
Disposal	(43,521)	–	(43,521)
As at 31 December 2023	45,553	(2,127)	43,426
Transfer into Level 3	–	–	–
Transfer out of Level 3	–	–	–
(Loss) gain on fair value change	(9,270)	2,127	(7,143)
Disposal	(1,062)	–	(1,062)
As at 31 December 2024	35,221	–	35,221

Of the total gains or losses for the year ended 31 December 2024, a loss of RMB9,270,000 (2023: gain of RMB23,549,000) and a gain of RMB2,127,000 (2023: gain of RMB4,947,000) were related to financial assets and liabilities at FVTPL held at the end of the current reporting period. Fair value gains or loss on these financial assets and liabilities at FVTPL are included in the line item 'other gains and losses'.

(iii) *Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2024 and 2023 approximate their fair values.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (bank borrowings and lease liabilities as detailed in notes 30 and 28), net of bank balances and cash, and equity attributable to owners of the Company, comprising share capital and reserves. Details of these items are disclosed in the consolidated financial statements.

The management reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank borrowings.

36. CAPITAL COMMITMENTS

	2024 **RMB'000**	2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	**12,323**	6,644

37. PLEDGE OF ASSETS

Certain of the Group's assets have been pledged to the banks as securities for its borrowings. The carrying amounts of these assets are as follows:

	2024 RMB'000	2023 RMB'000
Right-of-use assets	**5,935**	6,039
Investment properties	**371,435**	401,228
Property, plant and equipment	**5,044**	5,115
	382,414	412,382

38. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group's properties with carrying amounts of RMB816,634,000 (2023: RMB1,007,255,000) were held for rental purposes. These properties are expected to generate an annualised rental yield of approximately 5.0% (2023: 4.0%).

Undiscounted lease payments receivable on leases are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**39,155**	48,374
In the second year	**26,303**	39,773
In the third year	**21,255**	31,713
In the fourth year	**17,376**	30,446
In the fifth year	**18,069**	29,246
After five years	**190,562**	343,659
	312,720	523,211

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Amounts due to related companies RMB'000	Amounts due to directors RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to associates RMB'000	Amount due to a joint venture RMB'000	Dividend payable RMB'000	Interests payable RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2024	**1,819**	**604**	**13,543**	**2,247**	**350**	**–**	**51**	**37,484**	**402,305**	**458,403**
Financing cash flows	**2,239**	**498**	**–**	**–**	**(27)**	**(91,919)**	**(22,603)**	**(3,640)**	**(217,857)**	**(333,309)**
Exchange alignment	**42**	**9**	**8**	**49**	**–**	**–**	**–**	**765**	**683**	**1,556**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**91,919**	**–**	**–**	**–**	**91,919**
New lease entered	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**400,027**	**400,027**
Disposal of right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,522)**	**(8,522)**
Interest expenses	**–**	**–**	**–**	**–**	**–**	**–**	**22,593**	**–**	**–**	**22,593**
As at 31 December 2024	**4,100**	**1,111**	**13,551**	**2,296**	**323**	**–**	**41**	**34,609**	**576,636**	**632,667**

	Amounts due to related companies RMB'000	Amounts due to directors RMB'000	Amounts due to non-controlling interests RMB'000	Amounts due to associates RMB'000	Amount due to a joint venture RMB'000	Dividend payable RMB'000	Interests payable RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2023	5,644	549	13,538	2,215	289	–	49	40,417	462,716	525,417
Financing cash flows	(3,857)	48	–	–	61	(65,493)	(19,176)	(3,499)	(237,128)	(329,044)
Exchange alignment	32	7	5	32	–	–	–	566	366	1,008
Dividends declared	–	–	–	–	–	65,493	–	–	–	65,493
New lease entered	–	–	–	–	–	–	–	–	188,744	188,744
Disposal of right-of-use assets	–	–	–	–	–	–	–	–	(12,393)	(12,393)
Interest expenses	–	–	–	–	–	–	19,178	–	–	19,178
As at 31 December 2023	1,819	604	13,543	2,247	350	–	51	37,484	402,305	458,403

40. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, which is in the funds under the control of trustees. The Group contributes at the lower of RMB1,333 (HK$1,500) per month or 5% of the relevant payroll costs to the MPF Scheme.

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

No vesting policy exists for the MPF scheme and the state-merged retirement benefits scheme.

As at 31 December 2024, the total cost charged to profit or loss for the year is RMB47,315,000 (2023: RMB45,675,000) and amounts due to the MPF Scheme and state-managed retirement plans included in trade and other payables are RMB834,000 (2023: RMB706,000).

41. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions with related parties:

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

Relationship with related parties	Nature of transaction	2024 RMB'000	2023 RMB'000
Shigemitsu Industry a company Mr. Katsuaki Shigemitsu has controlling interests	Sales of noodles and related products	**1,362**	838
	Purchases of food products, materials and supplies	**(30,840)**	(29,308)
	Franchise commissions		
	– for restaurants operating in Hong Kong	**(399)**	(277)
	– for restaurants operating in Mainland China	**(21,924)**	(22,074)
	Technical fee paid/payable	**(326)**	(428)
	Rental income	**1,803**	1,964
	Waive of franchise commission	**5,942**	12,049
Ajisen Overseas Franchising Co., Ltd., a company Mr. Katsuaki Shigemitsu has controlling interests	Royalty fee paid/payable	**(85)**	(84)
Ms. Poon	Lease liabilities *(note)*	**(7,841)**	(16,730)
	Interest expense on lease liabilities	**(521)**	(792)
Companies in which Mr. Poon Ka Man, Jason, a director of the Company, has controlling interests	Fees for decoration and renovation services	**–**	(88)
Japan Foods Holding Ltd., non-controlling interests of a subsidiary	Franchise commissions paid/payable	**(1,501)**	(438)
Hubei Jupeng Kitchen Equipment Co., Ltd., an associate of the Company	Purchase of property, plant and equipment	**(9,602)**	(7,829)

Note: During the year ended 31 December 2023, the Group entered into two tenancy agreements with Ms. Poon for the use of office premises for an initial term of 3 years. Under these agreements, the Group recognised right-of-use assets of RMB22,422,000 and its associated lease liabilities with same amount.

Save as disclosed above, the Group did not enter into other tenancy agreement with Ms. Poon during the year ended 31 December 2024.

41. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	**5,965**	5,856
Retirement benefits scheme contributions	**264**	484
Share-based payment	**30**	155
	6,259	6,495

The remuneration of directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2024 and 31 December 2023 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2024	2023	
Ajisen International *(note)*	British Virgin Islands	US$1,000	100%	100%	Investment holding
Ajisen (Hong Kong) Limited	British Virgin Islands	US$990	100%	100%	Investment holding
Ajisen Investments Limited	British Virgin Islands	US$50,000	100%	100%	Investment holding
Ajisen China Group Management Limited	Hong Kong	HK$10,000	100%	100%	Provision of management services to group companies
Brilliant China Holdings Limited	Hong Kong	HK$10,000	100%	100%	Operating the Group's Hong Kong office and food processing Ajisen factory
Colour Wave Development Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Festive Profits Limited	British Virgin Islands	US$100	100%	100%	Investment holding
Fortune Choice Limited	Hong Kong	HK$10,000	100%	100%	Holding company of Shenzhen factory and trading of noodles
Gold Regent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Co., Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Hong Kong Ajisen Food Company Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2024	2023	
Nice Concept Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Long Wave Limited	Hong Kong	HK$10,000	70%	70%	Operating an Ajisen chain restaurant
Ocean Talent Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Pacific Smart Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Seamax Limited	Hong Kong	HK$10,000	70%	70%	Operating an Ajisen chain restaurant
Sunny Pearl Investment Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Top Overseas Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Wintle Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Well Good Limited	Hong Kong	HK$10,000	100%	100%	Operating an Ajisen chain restaurant
Ajisen International Limited	Hong Kong	US$1,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe
Colour Rise Limited	Hong Kong	HK$10,000	80%	80%	Operating Ajisen sub-franchise restaurants in Europe

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company 2024	2023	Principal activities
Miyamoto Holdings Ltd	Hong Kong	HK$10,000	100%	100%	Investment holding
Golden Bird Group Ltd	British Virgin Islands	US$50,000	70%	70%	Investment holding
Miyamoto Int'l Ltd	British Virgin Islands	US$50,000	55%	55%	Investment holding
Leadwind Enterprise Holding Ltd	Hong Kong	HK$282,471,485	100%	100%	Investment holding
Big Benefit Group Limited	British Virgin Islands	US$50,000	100%	100%	Investment holding
So Pho International Limited	British Virgin Islands	US$100	70%	70%	Investment holding
Fully Brave Limited	Hong Kong	HK$10,000	70%	70%	Investment holding
領先食品(上海)發展有限公司 Lead Food (Shanghai) Development Co. Ltd.	Mainland China wholly foreign owned enterprise	US$1,200,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
上海領先餐飲管理有限公司 Shanghai Lead Food & Restaurant Management Co. Ltd.	Mainland China wholly foreign owned enterprise	US$20,000,000	100%	100%	Investment holding and operating Ajisen chain restaurants in Shanghai, Mainland China
南京味千餐飲管理有限公司 Nanjing Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	RMB30,000,000	100%	100%	Operating Ajisen chain restaurants in Nanjing,Mainland China
杭州味千餐飲管理有限公司 Hangzhou Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	RMB20,000,000	100%	100%	Operating Ajisen chain restaurants in Hangzhou,Mainland China
山東味千餐飲管理有限公司 Shandong Weiqian Food & Restaurant Management Co. Ltd.	Mainland China limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Shandong,Mainland China

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company 2024	2023	Principal activities
北京味千餐飲管理有限公司 Beijing Weiqian Food & Restaurant Management Co. Ltd.	Mainland China sino-foreign equity joint venture	US$2,200,000	55%	55%	Operating Ajisen chain restaurants and food processing centre in Beijing, Mainland China
重慶味千餐飲文化有限公司 Chongqing Weiqian Food & Culture Co., Ltd.	Mainland China limited liability enterprise	RMB10,000,000	100%	100%	Operating Ajisen chain restaurants in Chongqing, Mainland China
味千拉麵飲食服務(深圳)有限公司 Weiqian Noodle Food Service (Shenzhen) Co., Ltd.	Mainland China limited liability enterprise	US$10,000,000	100%	100%	Operating Ajisen chainrestaurants in Guangdong province, Wuhan and Chengdu, Mainland China
領鮮食品(上海)有限公司 Lingxian Food (Shanghai) Co., Ltd.	Mainland China limited liability enterprise	US$15,000,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
味千拉麵深圳有限公司 Weiqian Noodle (Shenzhen) Co., Ltd.	Mainland China wholly foreign owned enterprise	HK$18,800,000	100%	100%	Operating a noodle factory in Shenzhen, Mainland China
領馳食品發展(上海)有限公司 Lingchi Food Development (Shanghai) Co., Ltd.	Mainland China wholly foreign owned enterprise	US$20,000,000	100%	100%	Operating a noodle factory in Shanghai, Mainland China
東莞領馳食品有限公司 Donguan Lingchi Food., Ltd.	Mainland China wholly foreign owned enterprise	US$20,000,000	100%	100%	Operating a noodle factory in Dongguan, Mainland China
上海領食餐飲管理有限公司 Shanghai Lingshi Food & Restaurant Management Co., Ltd.	Mainland China wholly foreign owned enterprise	US$1,000,000	70%	70%	Operating So Pho chain restaurants in Shanghai,Mainland China
Shanghai JingJing Investment Center (Limited Partnership)	Mainland China limited partnership	RMB115,010,000	52%	52%	Investment holding

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest/ voting rights held by the Company		Principal activities
			2024	2023	
Jiahua Mingde (Tianjin) Enterprise Management and Consulting partnership (Limited Partnership)	Mainland China limited partnership	RMB70,010,000	71.4%	71.4%	Investment holding
上海領馳供應鏈管理有限公司 .Shanghai Lingchi Supply Chain Management Co., Ltd	Mainland China limited liability enterprise	RMB1,000,000	100%	N/A	Operating a noodle factory in Shanghai, Mainland China

Note: This entity was directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

43. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

Name/Location	Type	Carrying values in existing state at 31 December 2024 RMB'000	Lease term
1. Workshops 1 to 24 on 10/F and Car Parking Space No. 52 on Level 3, Wah Yiu Industrial Centre, Nos. 30-32 Au Pui Wan Street, Shatin, New Territories, Hong Kong	C	93,530	Medium-term lease
2. Storage B on Base Floor, Storages/Workshops B on G/F and 1/F, Workshops B on 1/F, 3/F 5/F and Roof B, Storage B on B/F Ajisen Group Tower, Nos. 24-26 Sze Shan Street, Yau Tong, Kowloon, Hong Kong	C	208,545	Medium-term lease
3. Shop 5, G/F, Wo Fung Court, No. 8 Wo Fung Street, Luen Wo Market, Fanling, New Territories, Hong Kong	C	11,946	Medium-term lease
4. 9/F, Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong	C	57,414	Medium-term lease
5. Flat 3 on 18/F, Block G, Phase 1 Amoy Gardens, Kowloon	C	3,889	Medium-term lease
6. Unit 3101, 31/F, Golden Bell Plaza, No. 98 Huaihai Zhong Road, Luwan District, Shanghai, the PRC	C	37,500	Medium-term lease
7. Room 51801 and 51802, 18/F Unit 5, Block 1, Wangzuo Guojicheng, No. 1 Tongyan Road, Gaoxin District, Xi'an City Shaanxi Province, the PRC	C	5,200	Medium-term lease

Name/Location		Type	Carrying values in existing state at 31 December 2024 RMB'000	Lease term
8.	Units 903 to 908, Block A, Xinian Centre, Tairanjiu Road, Shennan Da Road South, Futian District, Shenzhen City, Guangdong Province, the PRC	C	7,300	Medium-term lease
9.	Units 2110 to 2116, 2118, 2121, 2214 and Two Underground Car Parking spaces, No. 1399 Haining Road, Zhabei District, Shanghai City, the PRC	C	8,370	Medium-term lease
10.	An Industry Property located at 398 Yongan Road, Ande Town Industrial Zone, Pi County, Chengdu City, Sichuan Province, The PRC	C	4,147	Medium-term lease
11.	No. 2, Block D, No. 951 Xinfei Road, Songjiang District, Shanghai City, The PRC	C	16,800	Medium-term lease
12.	Units B-613, 614, A-1216 and A-1217, Tai'an Court, Tairan Nineth Road, Futian District, Shenzhen City, Guangdong Province, The PRC	C	14,600	Medium-term lease
13.	Unit 4206-4207, No. 67 Zhujiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC	C	5,859	Medium-term lease

	Name/Location	Type	Carrying values in existing state at 31 December 2024 RMB'000	Lease term
14.	Unit B of Block 11, No. 951 Xinfei Road Songjiang District, Shanghai City, The PRC	C	16,600	Medium-term lease
15.	Shop 2, Level 2, Block A and Shop 4 Level 2, Block C, Hua Ye Commercial and Residential Estate, No. 65 Meijiang 2nd Road, Jiangnan District, Meizhou City, Guangdong Province, the PRC,	C	10,500	Medium-term lease
16.	Various Protions of level 1 to 3 Block 1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	5,300	Medium-term lease
17.	Site No.1, Xinguang Road, Phase III Jinhe Industrial District, Jinhe Community District, Zhangmutou Town, Dongguan City, Guangdong Province, the PRC	C	16,000	Medium-term lease
18.	115, podium of Dingcheng Building, Zhonghangyuan, Zhenhua Road, Futian District, Shenzhen City, Guangdong Province, the PRC	C	22,600	Medium-term lease
19.	Unit 2-1, 2-2, 2-3 and 2-5, Block 5, No. 88 Wuxing Street, Liouzhou City, Zhuang Autonomous Region, Guangxi Province, the PRC	C	10,100	Medium-term lease
20.	A parcel of land Songkai IV-110-2 with buildings and structures erected thereon, No.961 Xinfei Road, Songjiang District Industrial Zone, Songjiang District, Shanghai, The PRC	C	260,433	Medium-term lease

Type of properties: C- commercial

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

Financial Summary

	Year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Turnover	1,820,588	1,996,209	1,429,792	1,815,406	**1,717,290**
(Loss) profit before taxation	(97,999)	52,440	(176,765)	247,875	**(50,132)**
Income tax credit (expense)	19,110	(34,479)	20,397	(55,348)	**34,891**
(Loss) profit for the year	(78,889)	17,961	(156,368)	192,527	**(15,241)**
(Loss) profit for the year attributable to					
– Owners of the Company	(77,868)	20,940	(143,906)	181,188	**(20,224)**
– Non-controlling interests	(1,021)	(2,979)	(12,462)	11,339	**4,983**
	(78,889)	17,961	(156,368)	192,527	**(15,241)**
ASSET AND LIABILITIES					
Total assets	4,610,394	4,301,217	3,868,584	3,961,511	**3,987,295**
Total liabilities	(1,381,540)	(1,187,068)	(947,272)	(903,585)	**(1,019,828)**
Net assets	3,228,854	3,114,149	2,921,312	3,057,926	**2,967,467**

JAPAN CHINA
USA MALAYSIA
AUSTRALIA CANADA
SINGAPORE FINLAND
THAILAND ITALY
PHILIPPINES NEW ZEALAND

“味千拉面”不是用面来做人的生意，
而是追求用人来做面的生意。