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AJISEN RAMEN
味千拉麵

Ajisen (China) Holdings Limited
味千(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 538)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

2017 ANNUAL RESULTS HIGHLIGHTS

	For the year ended 31 December					
	2017		2016		**Increase/(Decrease)**	
	(RMB'000)	***(RMB'000)****	*(RMB'000)*	*(RMB'000)**	%	%*
Turnover	**2,332,283**	**2,332,283**	2,379,096	2,379,096	(2.0)	(2.0)
Sales from restaurant operation	**2,211,658**	**2,211,658**	2,219,230	2,219,230	(0.3)	(0.3)
Gross profit	**1,754,527**	**1,754,527**	1,712,493	1,712,493	2.5	2.5
Profit from operation	**301,538**	**301,538**	241,755	241,755	24.7	24.7
(Loss)/Profit before taxation	**(533,862)**	**423,197**	926,845	280,755	(157.6)	50.7
(Loss)/Profit attributable to owners of the Company	**(486,650)**	**276,058**	665,292	166,359	(173.1)	65.9
Basic (Loss) earnings per share (RMB)	**(0.45)**	**0.25**	0.61	0.15	(173.8)	66.7
Total dividend per share (RMB)	**0.06 (HK7.50 cents)**		0.12 (HK14.20 cents)		(50)	
Total number of restaurants (at 31 December)	**704**		650		8.3	

* Excluded the fair value change of our investment in Baidu Takeout Delivery designated as at FVTPL

ANNUAL RESULTS

The board of directors (the "Board") of Ajisen (China) Holdings Limited (the "Company" or "Ajisen") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 together with the comparative figures for the year 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*5*	**2,332,283**	2,379,096
Cost of inventories consumed		**(577,756)**	(666,603)
Staff costs		**(590,245)**	(561,516)
Depreciation and amortisation		**(151,342)**	(163,417)
Property rentals and related expenses		**(382,927)**	(388,087)
Other operating expenses		**(328,475)**	(357,718)
Profit from operation		**301,538**	241,755
Other income	*6*	**88,575**	84,922
Other gains and losses	*7*	**(914,322)**	612,645
Share of results of associates		**(4,107)**	(2,849)
Finance costs		**(5,546)**	(9,628)
(Loss)/profit before taxation	*8*	**(533,862)**	926,845
Taxation	*9*	**(50,793)**	(156,662)
(Loss)/profit for the year		**(584,655)**	770,183
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment on transfer of investment properties		**1,562**	4,533
Deferred tax liability on recognition of revaluation of property, plant and equipment on transfer of investment properties		**(742)**	(2,744)
		820	1,789

	NOTES	**2017**	2016
		RMB'000	*RMB'000*
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of available-for-sale investments		**-**	2,168
Deferred tax liability on recognition of revaluation of available-for-sale investments		**-**	(542)
Reclassification of cumulative gain on fair value change previously recognised in other comprehensive income to profit or loss on an available-for-sale investment		**(1,626)**	-
Exchange differences arising on translation of foreign operation		**(32,688)**	87,110
		(34,314)	88,736
Other comprehensive (expense) income for the year, net of income tax		**(33,494)**	90,525
Total comprehensive (expense) income for the year		**(618,149)**	860,708
(Loss) profit for the year attributable to:			
Owners of the Company		**(486,650)**	665,292
Non-controlling interests		**(98,005)**	104,891
		(584,655)	770,183
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(506,595)**	748,836
Non-controlling interests		**(111,554)**	111,872
		(618,149)	860,708
		2017	2016
		RMB	*RMB*
(Loss) earnings per share	*11*		
– Basic		**(0.45)**	0.61
– Diluted		**(0.45)**	0.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**2017** ***RMB'000***	2016 *RMB'000*
Non-current assets			
Investment properties		**492,042**	474,228
Property, plant and equipment		**874,763**	849,173
Prepaid lease payments		**64,999**	75,603
Intangible assets		**5,350**	5,725
Interest in associates	*14*	**144,644**	94,014
Interest in a joint venture		**5,143**	-
Loan to an associate		**1,250**	1,337
Rental deposits		**81,802**	82,748
Goodwill		**6,801**	7,277
Deferred tax assets		**1,484**	1,712
Available-for-sale investments	*12*	**6,906**	52,428
Financial assets designated as at FVTPL	*13*	**245,487**	1,272,943
		1,930,671	2,917,188
Current assets			
Inventories		**70,397**	82,356
Trade and other receivables	*15*	**135,524**	101,024
Amount due from a related party		**12**	12
Taxation recoverable		**2,335**	1,261
Pledged bank deposits		**380**	380
Bank balances and cash		**1,534,103**	1,313,304
		1,742,751	1,498,337
Current liabilities			
Trade and other payables	*16*	**224,898**	274,550
Amounts due to related companies		**5,071**	5,168
Amounts due to directors		**441**	471
Amount due to a shareholder		**27,756**	27,564
Amounts due to non-controlling interests		**13,516**	13,943
Amount due to associates		**12,063**	4,602
Dividend payable		**24**	26
Taxation payable		**50,162**	46,703
Bank loans		**269,532**	237,552
		603,463	610,579

	2017	2016
	RMB'000	*RMB'000*
Net current assets	**1,139,288**	887,758
Total assets less current liabilities	**3,069,959**	3,804,946
Non-current liabilities		
Long-term bank loans	**50,586**	57,388
Deferred tax liabilities	**73,424**	128,505
	124,010	185,893
Net assets	**2,945,949**	3,619,053
Capital and reserves		
Share capital	**108,404**	108,404
Reserves	**2,623,575**	3,239,384
Equity attributable to owners of the Company	**2,731,979**	3,347,788
Non-controlling interests	**213,970**	271,265
Total equity	**2,945,949**	3,619,053

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for 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 in the current year.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill.

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

Investment in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate and joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposed are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

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

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

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

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

Royalty income

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

Interest income

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates and joint ventures.

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

Retirement benefit costs and termination benefit

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

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

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share based payment transactions.

Share options granted to employees

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the year

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

Property, plant and equipment

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

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

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

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

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

Investment properties

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

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

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

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

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

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

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVPTL.

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

Loans and receivables

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

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

Available-for-sale investments

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

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

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

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

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Financial liabilities at amortised cost

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

Derecognition

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

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

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

4. KEY SOURCE OF ESTIMATION AND UNCERTAINTY CRITICAL ACCOUNTING JUDGEMENTS

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

Key source of estimation uncertainty

Fair value measurements and valuation processes

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

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

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

Useful lives and residual value of property, plant and equipment

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

At 31 December 2017, the carrying amount of property, plant and equipment amounted to approximately RMB874,763,000 (31 December 2016: RMB849,173,000).

Critical judgements in applying accounting policies

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

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

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

5. SEGMENT INFORMATION

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

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

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

Information regarding these segments is presented below.

Segment revenue and results

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

For the year ended 31 December 2017

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

For the year ended 31 December 2016

	Operation of restaurants			Manufacture and sales of noodles and related	Investment	Segment		
	PRC	Hong Kong	Total	products	holding	total	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
– external sales	2,009,126	210,104	2,219,230	159,866	–	2,379,096	-	2,379,096
– inter-segment sales	–	–	–	585,128	–	585,128	(585,128)	–
	2,009,126	210,104	2,219,230	744,994	–	2,964,224	(585,128)	2,379,096
Segment profit (loss)	313,954	(17,756)*	296,198	12,278	676,050	984,526	–	984,526
Unallocated income								23,943
Unallocated expenses								(71,996)
Finance costs								(9,628)
Profit before taxation								926,845
Taxation								(156,662)
Profit for the year								770,183

* No further impairment loss on the goodwill allocated to cash generating unit of certain restaurants operated in Hong Kong was recognised for the year ended 31 December 2017(for the year ended 31 December 2016: RMB25,118,000).

Other information

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

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

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

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

	2017	2016
	RMB'000	*RMB'000*
The PRC	**1,156,560**	1,108,706
Hong Kong	**369,197**	386,048
	1,525,757	1,494,754

All of the Group's revenue from external customers are attributed to the location of the relevant group entities, which is the PRC and Hong Kong, during the years ended 31 December 2017 and 31 December 2016.

None of the customers accounted for 10% or more of the total revenue of the Group during each of the years ended 31 December 2017 and 31 December 2016.

6. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Royalty income from sub-franchisee	**25,821**	15,805
Government grant *(note)*	**14,375**	16,607
Bank interest income	**13,226**	23,943
Property rental income, net of direct outgoings	**23,451**	21,829
Compensation received from landlord for early termination of operating leases of restaurants	**385**	672
Others	**11,317**	6,066
	88,575	84,922

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

7. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Fair value (loss)/gain on financial assets designated as at FVTPL	**(935,059)**	646,090
Fair value gain on investment properties	**23,036**	11,446
Loss on disposal of property, plant and equipment	**(6,091)**	(11,290)
Reclassification of cumulative gain on fair value change previously recognised in other comprehensive income to profit or loss on an available-for-sale investment	**1,626**	–
Net foreign exchange gain/(loss)	**2,166**	(8,018)
Impairment loss on goodwill	**–**	(25,118)
Impairment loss on available-for-sale investments	**–**	(465)
	(914,322)	612,645

8. (LOSS)/PROFIT BEFORE TAXATION

	2017	2016
	RMB'000	*RMB'000*
(Loss)/profit before taxation has been arrived at after charging:		
Cost of inventories consumed *(note a)*	**577,756**	666,603
Directors' remuneration	**3,366**	3,395
Other staff's salaries, wages and other benefits	**518,030**	488,615
Other staff's retirement benefits scheme contributions	**66,629**	62,945
Other staff's share-based payment expenses	**2,220**	6,561
Total staff costs	**590,245**	561,516
Advertising and promotion expenses	**16,239**	48,821
Depreciation of property, plant and equipment	**149,376**	161,007
Auditor's remuneration	**2,500**	2,500
Non-audit services	**692**	693
	3,192	3,193
Fuel and utility expenses	**111,450**	115,168
Operating lease rentals in respect of		
– land lease	**1,966**	2,410
– rented premises *(note b)*	**331,624**	337,891
	333,590	340,301

Notes:

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

b. Included in the operating lease rentals in respect of rented premises are minimum lease payments of approximately RMB248,835,000 (2016: RMB242,261,000) and contingent rent of approximately RMB82,789,000 (2016: RMB95,630,000).

9. TAXATION

	2017	2016
	RMB'000	*RMB'000*
Hong Kong Profits Tax		
– Current year	**2,319**	3,039
PRC Income Tax		
– Current year	**99,700**	87,377
– Over provision in prior years	**(3,560)**	(6,578)
	96,140	80,799
Deferred taxation (credit) charge	**(47,666)**	72,824
	50,793	156,662

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2017 and 31 December 2016.

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

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

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

During the year ended 31 December 2016, Chongqing Weiqian was granted a preferential tax rate of 15% for the year 2015, and therefore, Chongqing Weiqian reversed the income tax liability of approximately RMB4,211,000 which was previously recognised in the year 2015.

According to the PRC EIT Law, 10% withholding tax shall be imposed to any gain arising from the transfer of the PRC established equity investments by the entities incorporated elsewhere other than the PRC which are deemed as non-resident enterprises. During the year ended 31 December 2017, the Group reversed the deferred tax liability recognised in respect of temporary differences attributable to the fair value change of the financial assets designated as at FVTPL amounting to RMB64,539,000 (for the year ended 31 December 2016: the Group recognised the deferred tax charge amounting to RMB64,609,000).

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

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

	Hong Kong				**PRC**				**Total**			
	2017		**2016**		**2017**		**2016**		**2017**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	***RMB'000***	*%*	*RMB'000*	*%*	***RMB'000***	*%*	*RMB'000*	*%*
(Loss) profit before taxation	**(960,905)**		587,407		**427,043**		339,438		**(533,862)**		926,845	
Tax at the applicable income tax rate	**(158,549)**	**16.5**	96,922	16.5	**106,761**	**25.0**	84,859	25.0	**(51,788)**	**9.7**	181,781	19.6
Tax effect of expenses not deductible for tax purposes	**–**	**–**	4,417	0.8	**201**	**0.0**	477	0.1	**201**	**(0.0)**	4,894	0.5
Tax effect of income not taxable for tax purpose	**(2,398)**	**0.2**	(1,672)	(0.3)	**–**	**–**	(273)	(0.1)	**(2,398)**	**0.4**	(1,945)	(0.2)
Tax effect of tax losses not recognised	**8,951**	**(0.9)**	11,631	2.0	**1,813**	**0.4**	1,887	0.6	**10,764**	**(2.0)**	13,518	1.5
Tax effect of utilisation of tax losses previously not recognised	**(2,396)**	**0.2**	(395)	(0.1)	**(196)**	**(0.0)**	(198)	(0.1)	**(2,592)**	**0.5**	(593)	(0.1)
Effect of different tax rate on fair value change on financial assets designated as at FVTPL*	**93,375**	**(9.8)**	(41,996)	(7.1)	**–**	**–**	–	–	**93,375**	**(17.5)**	(41,996)	(4.5)
Withholding tax on dividends from PRC subsidiaries	**–**	**–**	–	–	**5,191**	**1.2**	6,929	2.0	**5,191**	**(1.0)**	6,929	0.7
Over provision in prior years	**–**	**–**	–	–	**(3,560)**	**(0.8)**	(6,578)	(1.9)	**(3,560)**	**0.7**	(6,578)	(0.7)
Others	**(20)**	**0.0**	(77)	(0.0)	**(2,902)**	**(0.7)**	(227)	(0.1)	**(2,922)**	**0.5**	(304)	0.0
Land appreciation tax effect	**–**	**–**	–	–	**4,522**	**1.1**	956	0.3	**4,522**	**(0.8)**	956	0.1
Tax charge and effective rate for the year	**(61,037)**	**6.4**	68,830	11.7	**111,830**	**26.2**	87,832	25.9	**50,793**	**(9.5)**	156,662	16.9

* *Amount represents the withholding tax reversal (provision) on financial assets designated as at FVTPL.*

10. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Interim, paid – RMB0.02 (HK2.5cents) per share for 2017 (2016: paid – RMB0.04 (HK4.90 cents) per share for 2016)	**23,610**	46,326
Final, paid – RMB0.08 (HK9.30 cents) per share for 2016 (2016: paid – RMB0.10 (HK12.00 cents) per share for 2015)	**87,830**	113,452
	111,440	159,778

A final dividend of RMB0.04 (HK5.0 cents) per ordinary share (2016: a final dividend of RMB0.08 (HK9.30 cents) per share), in an aggregate amount of RMB0.06 (HK$7.5 cents) has been proposed by the directors of the Company and is subject to approval by the shareholders in the annual general meeting.

11. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2017	2016
	RMB'000	*RMB'000*
(Loss) earnings for the purposes of basic and diluted earnings per share, being (loss) profit for the year attributable to owners of the Company	**(486,650)**	665,292

Number of shares

	2017	2016
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,091,538,820**	1,091,538,820
Effect of dilutive potential ordinary shares relating to: – outstanding share options	**–**	–
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**1,091,538,820**	1,091,538,820

All (31 December 2016: all) outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2017 because the exercise prices of these options were higher than the average market prices of the Company's shares during the year.

12. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments, at fair value *(Note 1)*	**–**	45,522
Unlisted equity investments, at cost *(Note 2)*	**25,278**	24,112
Exchange realignment	**(1,203)**	1,166
	24,075	25,278
Less: provision for impairment	**18,371**	17,221
Exchange realignment	**(1,202)**	1,151
	6,906	6,906
	6,906	52,428

Note 1: The balance as at 31 December 2016 represented an investment made by the Group in the 8.33% equity interest in Jiangsu Hong Xuan Ecological Agriculture Company Limited ("Hong Xuan"), which is engaging in agriculture business. During the year ended 31 December 2017, the Group has been able to increase its influence over Hong Xuan after the Group has been able to appoint one director into its board of directors. As such, the Group reclassified this investment of RMB45,522,000 from an available-for-sale investment to an investment in an associate. Accordingly, the cumulative gain on fair value of RMB1,626,000 previously recognised in other comprehensive income were reclassified from equity to profit or loss.

Note 2: The above investments are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair values cannot be measured reliably. During the year ended 31 December 2017, no additional impairment loss (for the year ended 31 December 2016: RMB465,000 impairment loss) has been made on the Group's unlisted equity investments.

13. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

	RMB'000
At 1 January 2016	454,496
Exchange alignment	51,935
Addition	120,422
Gain on fair value change	646,090
At 31 December 2016	1,272,943
Exchange alignment	(43,093)
Addition	39,578
Disposal	(88,882)
Loss on fair value change	(935,059)
At 31 December 2017	245,487

The components of financial assets designated as at FVTPL are as follow:

	2017	2016
	RMB'000	*RMB'000*
Baidu Takeout Delivery	**–**	1,152,521
Ele. me	**63,487**	–
Yunxi	**122,000**	50,000
Jiahua Anyuan Fund	**60,000**	70,422
	245,487	1,272,943

During the year ended 31 December 2017, the Group has additionally invested in the following investments:

a. During the year, as a result of a merger of the takeout business of Baidu, Inc. known as "Baidu Takeout Delivery" (百度外賣) in the PRC ("Project BW"), in which the Group originally invested RMB454,496,000 (US$70,000,000) and took up less than 10% equity interest through the 86% equity investment in Hina Group Fund III Limited Partnership ("Hina Fund III") of the Group towards the end of 2015, with Ele. me (餓了麼), which is a similar takeout business operating in PRC (the "Merger"), the Group was paid in aggregate RMB152,370,000 (US$23,520,000), comprising of (i) RMB88,882,000 (US$13,720,000) in cash, and (ii) RMB63,487,000 (US$9,800,000) worth of Series G-1 shares in the holding company of Ele.me ("Ele. me"). After the Merger, the former investment in Project BW was exchanged as investment in Ele.me, and such investment was presented as financial asset designated as at FVTPL in the statement of financial position of the Hina Fund III and in the consolidated statement of financial position of the Group. The fair value of the shares in Ele.me was made with reference to the respective recent investment cost, i.e. share price in the Merger, on initial recognition. As at 31 December 2017, the Group has been fully paid with cash and shares.

Based on the issue price of Series G-1 Shares in the Merger, the management of the Group determined that the fair value of the investment in Ele.me as at 31 December 2017 is RMB63,487,000 (US$9,800,000) and therefore the Group has recognised a fair value loss on financial asset designated as at FVTPL of approximately RMB957,059,000 (US$142,730,000) in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2017.

b. During the year, certain other investors made a cash capital contribution of RMB50,000,000 in Shanghai JingJing Investment Center (Limited Partnership) ("Jingiing"), a consolidated subsidiary towards the end of 2016, and as such the equity interest of Jingjing held by the Group was diluted from 99.99% to approximately 50%. The Group still holds the majority shares in Jingjing. In 2016, Jingjing invested RMB50,000,000 in Guangzhou Yunxi Information Technology Co., Ltd. ("Yunxi") and an additional RMB50,000,000 during the year. Therefore, as at 31 December 2017, Jingjing invested RMB100,000,000 in Yunxi, which represents approximately 8.6957% equity interest of Yunxi.

Based on the valuation of Yunxi, the management of the Company determined that the fair value of the investment as at 31 December 2017 is RMB122,000,000 and therefore the Group has recognised a fair value gain on financial asset designated as at FVTPL of approximately RMB22,000,000 in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2017 (for the year ended 31 December 2016: Nil).

c. During the year, certain other investors made a cash capital contribution of RMB20,000,000 in Jiahua Mingde (Tianjin) Enterprise Management and Consulting Partnership (Limited Partnership) ("Jiahua Mingde"), a consolidated subsidiary towards the end of 2016, and as such the equity interest of Jiahua Mingde held by the Group was diluted from 99.99% to approximately 71.33%. In 2016, Jiahua Mingde invested RMB70,422,000 in Anhui Jiahua Anyuan Investment Fund Partnership (Limited Partnership) ("Jiahua Anyuan Fund"). During the year, Jiahua Mingde withdrew an investment of RMB20,422,000 and made a new investment of RMB10,000,000 in Jiahua Anyuan Fund. Therefore, as at 31 December 2017, Jiahua Mingde invested RMB60,000,000 in Jiahua Anyuan Fund, which represents approximately 16% equity interest of Jiahua Anyuan Fund.

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

The Group has engaged an independent qualified professional valuer to assist the management of the Company in determining the fair value of these investments as at 31 December 2017. As these investments are not publicly traded, for Ele.me and Yunxi, the key input for the valuation of fair value is the price agreed and accepted by other independent third party investors relating to the Merger and the price paid by other third investors in recent funding rounds. For the other investment, the fair value valuation is made with reference to the recent investment cost of its investment on initial recognition.

14. INTEREST IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Cost of investment in associates	**151,341**	96,734
Share of post-acquisition results and other comprehensive expense	**(6,697)**	(2,720)
	144,644	94,014

Subsequent to the reclassification of Hong Xuan from an available-for-sale investment to an investment in an associate as disclosed in Note 12, during the year, certain other investors of Hong Xuan have subscribed for new shares of Hong Xuan and therefore the equity interest held by the Group was diluted to approximately 7.858%.

During the year, the Group made a cash capital contribution of RMB12,800,000, representing 29% of total capital contribution in Shenzhen Jupeng Kitchen Equipment Co., Ltd. ("Shenzhen Jupeng"), an independent unlisted third party established in the PRC. Shenzhen Jupeng is principally engaged in the manufacturing and sale of kitchen equipment. As the Group has the right to appoint one director into the board of directors of Shenzhen Jupeng, the Group has significant influence over Shenzhen Jupeng. As such, the Group has accounted for Shenzhen Jupeng as an investment in an associate.

During the year, the Group made an additional cash capital contribution of RMB1,640,000 in Hubei Jupeng Kitchen Equipment Co., Ltd. ("Hubei Jupeng"). As at 31 December 2017, the equity interest held by the Group was 29% (as at 31 December 2016: 29%). During the year, the Group received the dividend amounting to RMB812,000 from Hubei Jupeng (for the year ended 31 December 2016: nil).

15. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables		
– a related company	**935**	1,075
– others	**36,311**	17,803
	37,246	18,878
Rental and utility deposits	**16,962**	12,805
Property rentals paid in advance for restaurants	**24,638**	22,000
Advance to suppliers	**23,434**	23,101
Deductible value added tax	**15,839**	6,159
Other receivables	**17,405**	18,081
	135,524	101,024

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

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

	2017	2016
	RMB'000	*RMB'000*
Ageing		
0 to 30 days	**32,739**	15,040
31 to 60 days	**134**	739
61 to 90 days	**674**	9
91 to 180 days	**–**	91
181 to 365 days	**714**	1
Over 365 days	**2,985**	2,998
	37,246	18,878

No interest is charged on the trade receivables. Major debtors comprising the Group's trade receivables that are neither past due nor impaired at 31 December 2017 and 31 December 2016 have no default history and of good credit quality.

Included in the Group's trade receivable balances are debtors with a carrying amount of approximately RMB3,699,000 (as at 31 December 2016: RMB2,999,000) which are past due for over 180 days as at 31 December 2017 for which the Group has not provided for impairment loss as these balances are mainly due from related parties and certain group-buying companies with good credit. The Group does not hold any collateral over the balances.

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

The balances of other receivables of the Group are unsecured, interest-free and repayable on demand. As at 31 December 2017 and 31 December 2016, other receivables of the Group are neither past due nor impaired as they have no default history and there are continuous subsequent settlement.

16. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
– related companies	**6,474**	5,336
– others	**89,348**	88,715
	95,822	94,051
Payroll and welfare payables	**33,651**	38,969
Customers' deposits received	**8,618**	10,190
Payable for acquisition of property, plant and equipment	**15,418**	28,687
Payable for property rentals	**26,376**	30,540
Other taxes payable	**22,645**	25,308
Others	**22,368**	46,805
	224,898	274,550

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

The average credit period for purchase of goods is 60 days (31 December 2016: 60 days). The following is an ageing analysis of trade payables presented based on invoice dates at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Ageing		
0 to 30 days	**60,373**	61,956
31 to 60 days	**26,496**	23,133
61 to 90 days	**1,252**	1,072
91 to 180 days	**1,221**	4,532
Over 180 days	**6,480**	3,358
	95,822	94,051

DIVIDEND

A final dividend of RMB0.04 (HK5.00 cents) per ordinary share (2016: RMB0.08 (HK9.30 cents) per ordinary share) for the year ended 31 December 2017 has been proposed by the Board and is subject to the approval by the shareholders of the Company (the "Shareholders") at the annual general meeting ("AGM") to be held on 23 May 2018. The proposed final dividend is expected to be paid on or about 28 September 2018. Including the interim dividend of RMB0.02 (HK2.50 cents) per ordinary share (2016: RMB0.04 (HK4.90 cents) per ordinary share) already paid, the total dividend for the year ended 31 December 2017 will amount to RMB0.06 (HK7.50 cents) per ordinary share (2016: RMB0.12 (HK14.20 cents) per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2017, benefited from the overall recovery of developed economies, emerging markets and developing economies, the global economy enjoyed a growth of 3.7%, representing a 0.5 percentage point faster than the growth rate of 3.2% in 2016. In 2017, China's economy outperformed and was steady with positive growth prospectus. China's GDP grew 6.9% on a year-on-year basis (corresponding period of 2016: 6.7%) to RMB82,712.2 billion. With the rapid growth of household income and further implementation of the supply-side reform, the transformation and upgrading of the economy acquired new advance. The market of consumer goods maintained stable growth and the upgrading of consumption structure saw further progress, resulting in an increase of 8.2% in the National Index of Service Production (全國服務生產業指數) as compared to that of 2016.

By exerting the strengths in exploring consumers' needs and driving economy growth, the catering industry continued to maintain steady and healthy advancement and realised sustainable development. In 2017, China's catering industry recorded a revenue of RMB3,964.4 billion, representing an increase of 10.7% (corresponding period of 2016: 10.8%). The growth of the catering industry was greater than 6.9% of GDP increment.

Competition in the catering industry has intensified with high opening rate and high closure rate. It was the first time in recent years to record a negative growth in the number of restaurants, gradually correcting the over-supply of restaurants. In 2017, the total number of catering stores reached 5.81 million in China and decreased by 210,000 stores as compared to 6.02 million in 2016, representing a decrease of 3.48%. 160,000 stores were closed during the first half of 2017. However, the number of new restaurants and practitioners reached 100 and 2.4 million, respectively in the first-tier cities, including Beijing, Shanghai, Guangzhou and Shenzhen.

According to "2017 Development of China's Takeaway Service Research Report (二零一七年中國外賣發展研究報告)" published by Meituan-Dianping Institute (美團點評研究院), the market scale of China's online takeaway service amounted to approximately RMB204.6 billion in 2017, up 23% as compared to last year, and the number of online subscribers was nearly 300 million. After rocket growth, the takeaway delivery service has come into stable development. In 2017, the takeaway delivery service has brought immense change for the catering industry. Consumers have now preferred brands instead of lower prices when buying takeaway delivery service, reflecting a change from "quantity-oriented" to "quality-oriented", which is a great opportunity for catering enterprises with good brand names.

Reputation, as always, is the key criterion for consumers to make their choices. With the advancement of Internet technology, especially in mobile Internet, "Internet +" has gradually penetrated into all walks of life. Consumers prefer to count on information from the third-party online platforms or appraisals and reviews from other consumers on social platforms, rather than to count on self-promotions and marketing initiatives of the restaurants. According to a research, 57.3% of the consumers would pick restaurants with good reputations on online catering review platforms. When comparing with the new media marketing which was popular in the catering industry previously, the freedom for consumers to give reviews has facilitated the improvement in service quality of restaurants, and the catering market is now shifting to consumer-oriented. An effective maintenance of third-party platforms is a required course to catering enterprises.

Nowadays, the development of the catering industry is shifting from "outward expansion" to "self-enhancement" and from "scale-and-speed-oriented" to "quality-and-efficiency-oriented". The industry is experiencing a comprehensive progress in terms of operation and management, brand building, model innovation, technology application, modern supply chain and other aspects. Enhancing the quality of supply-side is the key development direction for the supply-side structural reform of the catering industry while improving development quality and efficiency will be its basic development strategy. The Group will continue to adopt lean management approach and strictly control the quality of food. Moreover, the Group will establish smart stores to enhance customer experience through proactive development and research of intelligence technology. Meanwhile, the management is currently seeking targets of investment actively, with a view to achieving synergy of operation by capitalising on opportunities arising from industry reform and bringing better return on investment for shareholders.

Business Review

For the year ended 31 December 2017, the Group's turnover decreased from approximately RMB2,379 million in 2016, by approximately 2.0% to approximately RMB2,332 million in 2017. The gross profit of the Group reached approximately RMB1,755 million, an increase of approximately 2.5% from last year. In particular, profit from operation for the year of the Company increased by approximately 24.7% and profit attributable to the owners of the Company decreased by approximately 173.1% to loss of approximately RMB487 million from profit of approximately RMB665 million last year. Correspondingly, basic earnings per share decreased from RMB0.61 last year to RMB0.45 loss per ordinary share.

Given the growth of the current operation of the Company during the year, the Board recommended a final dividend of RMB0.04 (2016: RMB0.08) per ordinary share for the year ended 31 December 2017 as a return to the Shareholders.

The support from its production bases is an integral factor for the sustainable and steady expansion of the Group's chain restaurant network. As at 31 December 2017, the Group has five major production bases in Shanghai, Chengdu, Tianjin, Wuhan and Dongguan throughout China.

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

During the year, the Group's cost of inventories consumed as a proportion to turnover was approximately 24.8%, indicating a decrease of approximately 3.2 percentage points from that of the corresponding period last year. Accordingly, gross profit margin increased from approximately 72.0% last year to approximately 75.2% in 2017. The Company leveraged on the adjustment of menu prices and adoption of direct purchase to stabilize the cost of raw material. In addition, benefit from the value added tax ("VAT") reform in PRC with effective from 1 May 2016, the Group will be able to maintain a relatively high and stable gross profit margin.

During the year, the Group's labour costs accounted for approximately 25.3% of the turnover, which was approximately 1.7 percentage points higher than that of the corresponding period of last year. During the year, proactive cost control measures were implemented, and obvious effects were witnessed during the reporting period. The Group enacted new standards for staff allocation based on restaurant scale, optimized the ordering system and hiring more managerial experienced staff. These measures enhanced the efficiency of human resource utilization but leading to some increase in labour costs.

During the year, rental and related costs as a proportion to turnover of the Group was approximately 16.4%, which was approximately 0.1 percentage point higher than that of the corresponding period last year. Such increase was mainly attributable to the fact that the slower turnover growth for the period and with the recovery of turnover, rental costs will be diluted further, pushing up the proportion of rental and related costs to turnover. During the year, the Group maintained stringent criteria in location selection for new restaurants to ensure the rate of success of the new establishment. Also, a large number of medium- and small-sized restaurants were developed so as to enhance the output per unit area. On the other hand, with our branding effect becoming stronger, the Group has secured fixed leases on a long-term basis.

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

The effective operation of 704 restaurants under the Group would not be achieved without our efficient management and intensive staff training. During the year, the Group placed emphasis on the guidance and training of restaurant managers and regional supervisors. The operation efficiency of each restaurant was enhanced through constant upgrading of its basic management level. The Group also launched inter-restaurant competitions and new incentive bonus scheme so as to fully motivate its staff.

Retail Chain Restaurants

In 2017, the Group's major business and primary source of income continued to stem from the retail chain restaurant business. During the year, the Group's restaurant business income recorded approximately RMB2,211,658,000 (2016: RMB2,219,230,000), accounted for approximately 94.8% (2016: 93.3%) of the Group's total revenue.

As at 31 December 2017, the Group's restaurant portfolio consisted of 704 Ajisen chain restaurants, comprising the following:

	31 December 2017	31 December 2016	+/–
By provinces:			
Shanghai	**129**	135	-6
Beijing	**45**	43	2
Tianjin	**6**	5	1
Guangdong (excluding Shenzhen)	**49**	49	0
Shenzhen	**22**	26	-4
Jiangsu	**85**	77	8
Zhejiang	**66**	56	10
Sichuan	**16**	16	0
Chongqing	**14**	13	1
Fujian	**24**	24	0
Hunan	**19**	16	3
Hubei	**18**	12	6
Liaoning	**20**	14	6
Shandong	**38**	35	3
Guangxi	**10**	7	3
Guizhou	**3**	2	1
Jiangxi	**16**	12	4
Shaanxi	**13**	14	-1
Yunnan	**9**	7	2
Henan	**8**	5	3
Hebei	**7**	5	2
Anhui	**13**	10	3
Gansu	**0**	1	-1
Xinjiang	**1**	2	-1
Hainan	**8**	6	2
Shanxi	**1**	1	0
Neimenggu	**5**	5	0
Heilongjiang	**12**	8	4
Ningxia, Qinghai	**3**	3	0
Jilin	**13**	4	9
Tibet	**1**	1	0
Hong Kong	**29**	35	-6
Rome	**1**	1	0
Total	**704**	650	54
Total saleable area (sq. meters)	**154,760**	154,137	623

	31 December 2017	31 December 2016	+/–
By geographical region:			
Northern China	**142**	123	19
Eastern China	**293**	268	25
Southern China	**158**	147	11
Central China	**110**	111	-1
Italy	**1**	1	0
Total	**704**	650	54

Sales of Packaged Noodle and Related Products

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

For the year ended 31 December 2017, revenue from the sales of packaged noodle and related products was approximately RMB120,625,000 (2016: RMB159,866,000), accounted for approximately 5.2% (2016: 6.7%) of the Group's total revenue. The Group has an extensive distribution network for the packaged noodle and related products in China. As of 31 December 2017, the total number of points-of-sale in this network reached approximately 8,000, which was the same compared to the corresponding period in last year. The distribution network covers over 33 cities in China. These distributors include nationwide retailers such as Wal-Mart, Carrefour and Metro, and regional retailers such as China Resources Vanguard, Sanjiang in Ningbo and Century Lianhua, as well as reputable convenient chain stores such as Alldays, Kedi and C-Store.

Financial Review

Turnover

For the year ended 31 December 2017, the Group's turnover decreased by approximately 2.0%, or approximately RMB46,813,000, to approximately RMB2,332,283,000 from approximately RMB2,379,096,000 for the corresponding period in 2016. Such decrease was mainly due to VAT reform in PRC with effective from 1 May 2016.

Cost of inventories consumed

For the year ended 31 December 2017, the Group's cost of inventories decreased by approximately 13.3%, or approximately RMB88,847,000, to approximately RMB577,756,000 from approximately RMB666,603,000 for the corresponding period in 2016. The decrease of inventories cost was more than the decrease in turnover. During the year, the ratio of inventories cost to turnover was approximately 24.8%, lower than 28.0% for the corresponding period in 2016. Such decrease was mainly attributable to the adoption of direct purchase to stabilise the cost of raw materials for the year and the benefit from VAT reform in PRC with effective from 1 May 2016.

Gross profit and gross profit margin

Driven by the above factors, gross profit for the year ended 31 December 2017 increased by approximately 2.5%, or approximately RMB42,034,000, to approximately RMB1,754,527,000 from approximately RMB1,712,493,000 for the corresponding period in 2016. Gross profit margin of the Group also increased from approximately 72.0% for the corresponding period in 2016 to approximately 75.2%.

Property rentals and related expenses

For the year ended 31 December 2017, property rentals and related expenses of the Group decreased by approximately 1.3% from approximately RMB388,087,000 for the corresponding period in 2016 to approximately RMB382,927,000. Its proportion to turnover increased from approximately 16.3% for the corresponding period in 2016 to approximately 16.4%. Such increase was mainly attributable to the increase in rental costs for new tenancies for the year.

Staff costs

For the year ended 31 December 2017, staff costs of the Group increased by approximately 5.1% from approximately RMB561,516,000 for the corresponding period in 2016 to approximately RMB590,245,000. Staff costs as a proportion to turnover increased from approximately 23.6% for the corresponding period in 2016 by 1.7 percentage points to approximately 25.3%, which reflected the implementing efficient management system such as increasing number of managerial staff for some shops for the year.

Depreciation

For the year ended 31 December 2017, depreciation of the Group decreased by approximately 7.4% or approximately RMB12,075,000 from approximately RMB163,417,000 for the corresponding period in 2016 to approximately RMB151,342,000. Such decrease was mainly attributable to the change in size of number of restaurants during the year.

Other operating expenses

Other operating expenses mainly included expenses for fuel and utility, consumables, advertising and promotion and franchise fee. For the year ended 31 December 2017, other operating expenses decreased by approximately 8.2%, or approximately RMB29,243,000, to approximately RMB328,475,000 from approximately RMB357,718,000 for the corresponding period in 2016. Its proportion to turnover was approximately 14.1%. Expenses spent on advertising and promotion had decreased to approximately RMB16,239,000 from approximately RMB48,821,000 in 2016.

Other income

For the year ended 31 December 2017, other income of the Group increased by approximately 4.3%, or approximately RMB3,653,000, to approximately RMB88,575,000 from approximately RMB84,922,000 for the corresponding period in 2016. The increase was mainly originated from the property rental income and royalty income from sub-franchisee.

Other gains and losses

For the year ended 31 December 2017, other gains and losses of the Group decreased by approximately 249.2% or RMB1,526,967,000 to a loss of approximately RMB914,322,000 from a gain of approximately RMB612,645,000 for the corresponding period in 2016. The decrease was primarily due to change in the fair value of approximately RMB935,059,000 of financial asset designated as at FVTPL for the year.

The exchange differences arising on translation amounted to a gain of approximately RMB2,166,000 for the year ended 31 December 2017 (2016: loss of RMB8,018,000) due to appreciation of RMB as compared to HK$ throughout the year and less RMB denominated bank balances were resulted at the end of the year 2017 in Hong Kong as compared to that in the previous year.

Finance costs

For the year ended 31 December 2017, finance costs decreased by approximately 42.4%, or approximately RMB4,082,000, to approximately RMB5,546,000 from approximately RMB9,628,000 for the corresponding period in 2016. The decrease was mainly due to the arrangement to lower the interest rate with banks in 2017.

(Loss)/Profit before taxation

Being affected by the factors referred to above in aggregate, the Group's profit before taxation for the year ended 31 December 2017 decreased by approximately 157.6%, or approximately RMB1,460,707,000 to loss of approximately RMB533,862,000 from profit of approximately RMB926,845,000 for the corresponding period in 2016.

(Loss)/Profit attributable to owners of the Company

Being affected by the factors referred to above in aggregate, loss attributable to owners of the Company for the year ended 31 December 2017 decreased by approximately 173.1%, or approximately RMB1,151,942,000, to approximately RMB486,650,000 from profit of approximately RMB665,292,000 for the corresponding period in 2016.

Risk Management

Liquidity and financial resources

The liquidity and financial position of the Group as at 31 December 2017 remained healthy and strong, with bank balances amounting to RMB1,534,103,000 (31 December 2016: RMB1,313,304,000) and a current ratio of 2.9 (31 December 2016: 2.5).

As at 31 December 2017, the Group had bank borrowings of RMB320,118,000 (31 December 2016: RMB294,940,000) and therefore the gearing ratio (expressed as a percentage of total borrowings over total assets) was 8.7 (31 December 2016: 6.7).

Exposure to exchange rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2017 and 31 December 2016 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

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

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

Interest rate risk

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

Credit risk

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

As of 31 December 2017 and 31 December 2016, all of the bank balances and pledged bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions.

Contingent liabilities

As of 31 December 2017, the Group did not have any significant contingent liabilities.

Assets and liabilities

The Group's net current assets were approximately RMB1,139,288,000 and the current ratio was 2.9 as at 31 December 2017 (31 December 2016: 2.5). As the Group is primarily engaged in the restaurant business, most of the sales are settled in cash. As a result, the Group was able to maintain a relatively high current ratio. The increase in current ratio was mainly attributable to the repayment of a bank loan in the second half year in 2017.

Cash flows

Cash generated from operations for the year ended 31 December 2017 was approximately RMB362,047,000, while loss before taxation for the same period was approximately RMB533,862,000. The difference was primarily due to the fair value loss on financial asset designated as at FVTPL.

Capital expenditure

For the year ended 31 December 2017, the Group's capital expenditure was approximately RMB260,834,000 (2016: RMB327,104,000), the decrease was mainly because less money spent on purchase of financial asset.

Key operating ratios for restaurant operations

	Hong Kong			PRC		
	1-12/2017	1-6/2017	1-12/2016	**1-12/2017**	1-6/2017	1-12/2016
Comparable restaurant sales growth:Note	**-6.8%**	-3.3%	-1.3%	**2.2%**	-2.2%	-8.1%
Comparable restaurant sales growth:Note (not deducted of VAT)*	**N/A**	N/A	N/A	**4.9%**	+2.1%	-4.9%
Per capita spending:	**HK$65.3**	HK$64.7	HK$66.2	**RMB47.9**	RMB47.8	RMB46.7
Table turnover per day (times per day):	**4.2**	4.8	4.9	**3.5**	3.4	3.4

* For illustrration purpose only

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31 December 2017, adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision A.2.1 of the Code. Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision A.2.1, i.e., the roles of the Chairman and CEO have not been separated. Although Ms. Poon Wai performs both the roles of Chairman and CEO, the division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group. The two roles are performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The relevant deviation is therefore considered reasonable at the current stage. It is also considered that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors (number of which exceeds one-third of the members of the Board). However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Having made specific enquiry to all the Relevant Employees, the Company confirmed that all the Relevant Employees have complied with the Required Standard as set out in the Employees' Guidelines for Securities Transactions throughout the year ended 31 December 2017.

AUDIT COMMITTEE

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

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

Mr. Jen Shek Voon (Chairman), an independent non-executive Director
Mr. Lo Peter, an independent non-executive Director
Mr. Wang Jincheng, an independent non-executive Director

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the auditor, Deloitte Touche Tohmatsu ("DTT"), and recommended the Board to re-appoint DTT as the Company's auditor for the year 2018, which is subject to the approval of Shareholders at the forthcoming AGM.

The Company's interim results for the period ended 30 June 2017 and annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee, which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

This annual results announcement is based on the Company's audited consolidated financial statements for the year ended 31 December 2017 which have been agreed with DTT, the auditor of the Company.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from 17 May 2018 to 23 May 2018 (both days inclusive), during which period no share transfers will be registered.

In addition, in order to determine the Shareholders who are entitled to receive the final dividend for the year ended 31 December 2017, the register of members of the Company will be closed from 29 May 2018 to 1 June 2018 (both days inclusive), during which period no share transfers will be registered.

In order to qualify for attending and voting at the forthcoming AGM, and the entitlement for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 May 2018 and 28 May 2018 respectively.

AGM AND DESPATCH OF 2017 ANNUAL REPORT

The AGM will be held on 23 May 2018. A notice convening the AGM will be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk and will be despatched to all Shareholders together with the 2017 annual report of the Company in due course.

The 2017 annual report of the Company will be despatched to all Shareholders and will also be published on the Company's websites at www.ajisen.com.hk and www.ajisen.com.cn and the Stock Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 20 March 2018

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